



ANNUAL REPORT 2010/11

serving our community



positive energy

In the largest natural disaster ever faced by ENERGEX, our efforts could not have been achieved without the patience and support of the South East Queensland community. Thank you.



January 2011

In early January, South East Queensland experienced increasing rainfall including areas of torrential rain from 6 January. Falls on the Sunshine Coast and hinterland resulted in flooding along the Mary River and in Gympie which worsened during the weekend of 8 and 9 January.

Monday 10

150 millimetres of rain fell on Toowoomba in three hours. This added to the flooding already in the Mary Valley and the Brisbane Valley. More than 15,000 South East Queenslanders were left without power and ENERGEX crews worked around the clock to prepare for the worst.

Tuesday 11

The Bremer River reached a peak of 19 metres. In preparation for the flood peak, ENERGEX interrupted supply to 22,000 homes adding to a significant number of interruptions on the whole ENERGEX network.

Wednesday 12

The Brisbane River headed towards a flood peak of 4.5 metres at nine o'clock at night. To protect residents and infrastructure during the crisis, ENERGEX interrupted supply to 10 CBD buildings.

Thursday 13

As the flood waters began to recede, ENERGEX was able to dispatch 400 crews to assist the 105,000 homes that were without power in South East Queensland. Electricity supply was restored to more than 7,500 homes on that day alone.

Friday 14

The restoration process continued, however, ENERGEX's efforts to restore power to 77,000 homes continued to be hampered by street and suburbs access.

Saturday 15

ENERGEX had restored power to almost 30,000 homes and businesses, but the task continued to be an incredible challenge. Every home had to be assessed for safety and, if necessary, the primary fuse removed before power could be restored to whole streets.

Sunday 16

Keeping customers informed of the restoration process and providing realistic timeframes was vital. During this disaster, ENERGEX was mentioned in the media 4,874 times, produced 54 media releases, reported on 974 Australian Traffic Network radio spots and communicated 270 Twitter messages.

Monday 17

By this stage 19,000 homes were without power, but many thousands of these did not have their supply reconnected for weeks due to the nature of damage.

Tuesday 18 and Wednesday 19

The restoration effort continued with power continuing to be reconnected to many more homes in the worst affected areas of Rocklea, Archerfield and the Lockyer Valley.

Friday 21

ENERGEX had by this stage restored power to all but 1,000 uninhabitable homes. Throughout this disaster crews worked tirelessly through nights, days, weeks and months following the crisis to re-establish the network and help communities rebuild South East Queensland. ENERGEX is proud that the methodical process of restoring power to homes and businesses one by one proved to be a successful approach. Not one major injury was recorded and electricity supply was restored to more than 300,000 customers during one of the worst natural disasters South East Queensland has ever seen.

IMPACT OF FLOODING

Main substations flooded	4
Distribution feeders tripped or isolated	157
Premises disconnected for repairs	~12,000
Total customers off supply	>300,000
Peak number of customers off supply	~150,000
Calls for assistance to contact centre	~230,000
Main zone substation outages	25



The flood event that impacted South East Queensland in January 2011 will go down in history.

In total more than **300,000** homes and businesses experienced power interruptions during the flood event. The damage to our network was like nothing we had experienced previously, and yet within three days we were able to restore around **100,000** of these customers back onto electricity supply.

This amazing restoration effort could only be achieved by working together with other key organisations including Federal, State and Local Government agencies; other Queensland and interstate electricity distributors; and our contractors.

And of course, it could not have been achieved without the patience and support of the South East Queensland community.

Chris Arnold (ENERGEX Event Manager during the floods) reflects on some positives that emerged during one of Brisbane's most devastating weeks:

"I was working from the Newstead office on Tuesday 11 January when the decision was made to escalate the business to a 'Code Purple', which meant the evacuation of close to 2,000 staff from the Newstead building and the Oxley Depot.

As the evacuation was announced over the loud speaker at Newstead, we saw hundreds of staff quickly flee the building to make their way home.

That's when the enormity of the event hit many of us: as staff became increasingly concerned about their personal situations, their loved ones and possessions at home; as the traffic outside came to a standstill; and the CBD and public transport began to shut down.

Being the Event Manager was certainly a challenge from many perspectives – balancing the community's need for power with our need to ensure the electricity supply is safe and restored to essential infrastructure, such as hospitals, as quickly as possible.

In the days that followed, I was able to spend more time outside our Corporate Emergency Response Room with our staff. I visited our teams in the CBD, the Sumner Industrial Estate and Jindalee and was struck by their selflessness and sense of community. They truly cared about the communities they were in and wanted to be there to help. It was more than a job for them; they took ownership and felt a sense of accountability for looking after the communities they had been assigned to work in.

Similarly, the community's response was outstanding. Each of the communities I visited were undergoing hardships but still showed support to their neighbours, their friends and our ENERGEX staff who were working in the area.

This event taught us that we need to ensure we continue to have robust emergency plans in place. We need to work out a way of translating the way we interact with each other and our customers during emergency situations into our business as usual interactions.

This event has allowed us to capture these learnings and we are now implementing them into our business as usual operations."

about this report

At ENERGEX, effective stakeholder communications and reporting are key components to our corporate social responsibility position. We aim for continual improvement through accountability, transparency and relevance of information.

The ENERGEX Annual Report provides a review of our operational and financial performance during the 2010/11 financial year against our strategies, objectives and targets as detailed in our Statement of Corporate Intent (SCI) (pages 13-16). It demonstrates that we are building and maintaining a robust and sustainable business to service the energy needs of South East Queensland, and how we plan to continue this into the future.

The aim of the report is to provide accurate and relevant information to meet the needs of our stakeholders, who include but are not limited to:

- our customers and community
- our employees and employee unions
- shareholding Ministers and Government
- electricity retailers
- the electricity transmission distributor
- electricity generators
- regulators
- suppliers.

For further information on our stakeholder engagement processes refer to page 70.

Sustainability is an important issue which we believe warrants extensive coverage across the key aspects of our business. We have developed the ENERGEX Sustainability Report which can be accessed on our website at www.energex.com.au. To avoid duplication, detailed information regarding sustainability across the key areas is included in our Sustainability Report. This report has been designed to align with the Sustainability Report which follows the Global Reporting Initiative (GRI).

In addition, each year we publish our Network Management Plan which provides greater details of our network performance and future management strategies. This report is also available on our website at www.energex.com.au

To assist in reading our Annual Report, we have included a glossary of terms and index on pages 92-95. The report also includes our corporate governance arrangements (page 33) – the systems by which the organisation is directed and managed – as well as our risk management processes (page 29).

We welcome your comments on this report as it assists us to continually improve our reporting and meet the information needs of our stakeholders.

Feedback

Feedback can be provided via corpcomms@energex.com.au. This Annual Report and previous reports can also be accessed at www.energex.com.au or via the Corporate Communications team on 13 12 53.

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For more information on any of the initiatives, projects, products and services mentioned in this report and more, visit the ENERGEX website at www.energex.com.au

Thank you

Thank you to all the staff and colleagues who contributed to this Annual Report.

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our profile



Our 3,900 employees work together to provide customers with energy solutions that are economically, socially and environmentally acceptable and sustainable.

At ENERGEX, we provide network services and infrastructure to distribute electricity into the homes and businesses of more than three million people in South East Queensland.

Who we are

We are a Government Owned Corporation (GOC) with two shareholding ministers, the Minister for Finance, Natural Resources and The Arts, The Honourable Rachel Nolan MP; and the Minister for Energy and Water Utilities, The Honourable Stephen Robertson MP. For further information on our corporate governance and business structure refer to page 32.

At the core of our business are high performing total assets worth more than \$9.8 billion, the expertise of around 3,900 employees and a drive to provide customers with energy solutions that are economically, socially and environmentally acceptable and sustainable. This is underpinned by technological innovation and advanced management systems which drive efficiency, quality and safety. Many of these are nationally or internationally certified or benchmarked to international standards. We also place sustainability and corporate responsibility high on our corporate agenda through contemporary environmental and social practices.

We've been providing electricity to Queenslanders for more than 100 years. During this time we have transformed from operating under the Brisbane City Council, the South East Queensland Electricity Board (SEQEB), and in 1995 as a Government Owned Corporation. When we changed our name to ENERGEX in 1997, it signified our entry into the emerging competitive national electricity market. In 2007, the Queensland Government sold our retail business to allow full retail competition.

Our network

The electricity supply industry in which we operate is organised like links in a chain connecting the separate elements of generation, transmission, distribution and retail (see Figure 1).

FIGURE 1: SOUTH EAST QUEENSLAND ELECTRICITY SUPPLY INDUSTRY

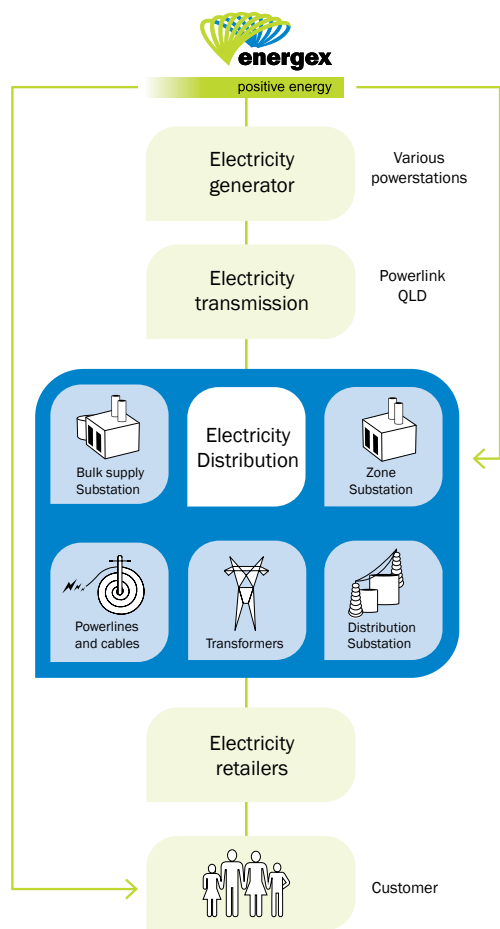


Figure 1 graphically depicts ENEREX'S role within the South East Queensland electricity supply industry.

GENERATORS – Generators produce electricity and compete to sell it in the National Electricity Market. As electricity cannot be stored or branded to distinguish its generator, all electricity is centrally pooled and scheduled to meet demand. This pool is managed by the Australian Energy Market Operator (AEMO).

TRANSMISSION – Electricity is supplied to ENEREX through a high-voltage transmission network that is owned and operated by the Queensland Electricity Transmission Corporation Limited (Powerlink), another GOC.

DISTRIBUTION – We own and operate the electricity distribution network in South East Queensland. We convert electricity from the transmission network into high and low voltages and deliver it through a network of wires and cables to homes and businesses.

RETAILERS – Retailers sell electricity and manage customer accounts and billing.

CUSTOMERS – As the electricity distributor, we are primarily responsible for building and maintaining the electricity network and delivering a safe and reliable electricity supply to the South East Queensland community. We are also responsible for meter readings and connecting homes and businesses to the electricity network when requested by retailers on behalf of their customers. Our distribution area of 25,000 square kilometres is bordered by Gympie in the north, Gatton in the west and Coolangatta on the New South Wales border. It includes almost 54,000 kilometres of overhead powerlines and underground cables, more than 600,000 power poles, some 46,000 transformers and more than 330,000 street lights.

Our people

Simply put, our staff are ENEREX. They are highly skilled and committed, with each and every member truly valued as an integral part of the ENEREX team. We employ around 3,900 employees across a diverse skill-base of specialised roles, extending from qualified tradespeople, electrical engineers, technicians and designers, apprentices and cadets, administrators, professionals and managers. Our workforce strives to ensure South East Queensland's electricity supply is safe, robust and reliable. Safety of our staff and the community is our number one value. We treat our team fairly and with dignity while providing excellent working conditions conducive to helping staff realise their own career goals and business objectives.

Our customers and communities

Our aim is to deliver the service expectations of our customers through high levels of network performance and customer service. Whether it's answering a simple enquiry or connecting a large commercial organisation to the electricity network, we are committed to ensuring the lifestyle and business needs of our customers are met or exceeded.

Our long-term focus is to transform into a customer-centric organisation by providing customers with greater energy choices. Our \$1.3 million annual community sponsorship program continues to support the community's endeavours.

Our environment

It is our responsibility to be aware of all current and future impacts our business may have on the environment. Our team of environmental specialists work to ensure our operations have as minimal impact on the environment as possible and best practice systems are adhered to and continually improved. We also channel significant operational, capital works and sponsorship funds into managing a comprehensive program involving recycling, revegetation and offsetting carbon emissions. We have recently revisited and enhanced our Environment Strategy, Sustainability Report and Carbon Management Plan.

Our business ethics

We maintain a long-standing commitment to the community to conduct and report on the affairs of the business transparently and honestly while maintaining processes that ensure our staff, at all levels, understand these responsibilities. These responsibilities are at the forefront of our business decisions to ensure they take into account social, economic and environmental sensitivities, and are set out in our Code of Conduct. Our business operations are also monitored and scrutinised by the ENEREX Board. The Board works to ensure our commitment to stakeholders and the community are carried out within strict governance frameworks.



Our direction

In the past 10 years, the population of South East Queensland has dramatically increased with a 30 per cent growth in the number of ENERGEX customers and a consequent rise in overall energy use and demand. As a result, our electricity network's capacity has more than doubled in this time. This population surge and the soaring electricity use, mainly due to increased domestic air conditioning, are predicted to continue.

Challenges facing the industry, which we will continue to address, include the pressure on energy costs, the impact of future new technology, changing customer and community expectations, and the responsibility to act in a sustainable manner. A key initiative we are undertaking to balance the pricing impacts with the community's increasing expectation for a world-class power supply to meet modern-day needs involves our multi-streamed energy conservation and demand management program (page 51).

Communication objective

In 2010/11, we focused on developing our strategies, reaching our objectives and delivering on our targets. This report relates to what we achieved during the year and provides an account of our financial, operational, social and environmental performance in a way that enables comparisons to previous years. It demonstrates our vision to transform ENERGEX into a customer-centric organisation providing sustainable energy solutions.

With this report, we aim to promote our operations across South East Queensland. Our theme of 'Serving our Community' reflects the importance we place on providing excellent customer service in our everyday activities to achieve our strategic objectives and vision.

We have a policy of transparent operation and full disclosure – our report complies with the legislative requirements of the *Corporations Act 2001*, *Government Owned Corporations Act 1993* and the *Financial Accountability Act 2009*.

Vision, mission and values

Our vision

By 2015, we will transform ENERGEX into a customer-centric organisation providing sustainable energy solutions. Our skilled and capable people will see us as an employer of choice as we create new customer solutions and opportunities. We will support our customers' 21st century lifestyle aspirations and partner with the community to build sustainable economic growth in South East Queensland. In alignment with our shareholders' expectations, we will be a safe, efficient, environmentally sustainable and commercial organisation.

Our mission

To achieve our vision, our focus is on providing safe, economic and sustainable delivery of reliable energy solutions to our customers.

This requires the provision of progressive solutions for our customers and stakeholders to guarantee the long-term sustainability of electricity distribution in South East Queensland.

Through this focus, we aim to set a new standard of excellence in delivering customers' energy needs.

Our values

We aim to live our corporate values every day. They underpin everything we do as a company and articulate what we see as most important. Our values express who we are and all that we aspire to be. They are the foundation for our reputation and success.

- Put safety first
- Respect and support each other
- Impress our customers
- Set a great example
- Be a team player
- Deliver balanced results

highlights



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- 17 Challenges

During 2010/11, we introduced PoW IP to better manage our Program of Work processes and systems.

highlights

- Restored power to more than **300,000** South East Queensland premises with no significant safety incidents following the January 2011 floods. Page 1
- Achieved a solid after tax profit of **\$234.7 million**. Page 90
- Achieved a Corporate Responsibility Index (CRI) score of 86 per cent which is an improvement of **10.68** per cent from **2009**. Page 70
- Rolled out our new Power to Perform program aimed at improving our staff performance management processes and practices through a performance focused culture. Page 78
- Introduced PoW IP, our improved Program of Work processes and systems, to better manage our resources to respond to increasing demand for electricity supply. Page 56
- Introduced the **pre-apprentice program**, The Positive Power Mob Program, to provide indigenous participants with exposure to our workplace culture and the necessary skills to qualify for a linesperson apprenticeship. Page 77
- Official opening of our head office at Newstead and relocation of **1,650** employees as part of our overarching property strategy. Page 86



- Delivered a record **\$550 million** Summer Preparedness Plan. Page 57
- Invested **\$1.22 billion** in building, operating and maintaining our network increasing network capacity by 464 MVA. Page 54
- Completed rollout of the safety training program Zero Incident Process (ZIP) with a **98 per cent** staff participation rate. Page 45
- Achieved **better than minimum** service standards for network reliability and security. Page 48

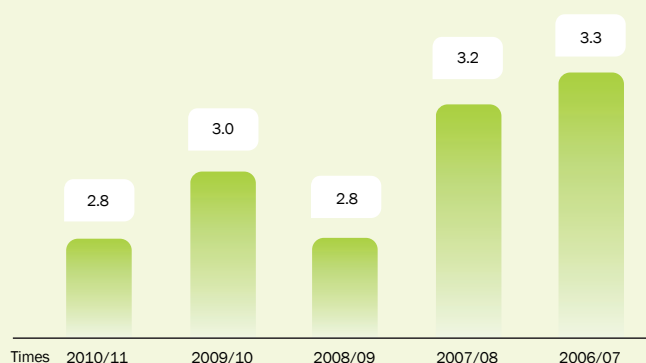


financial highlights

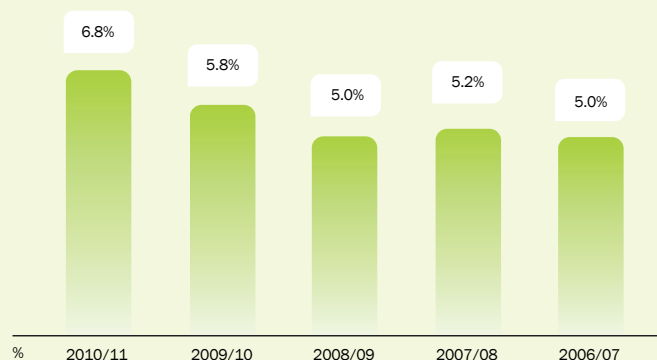
NET PROFIT AFTER TAX



EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION INTEREST COVER



RETURN ON AVERAGE TOTAL ASSETS



On July 1 2010, we commenced operating under the new regulatory framework under the jurisdiction of the Australian Energy Regulator (AER) Determination. The new determination runs for five years and provides the approved level of operating and capital expenditure which we are permitted to incur during the period, and the level of revenue which can be generated from the regulated distribution business.

In 2010/11, we delivered a Net Profit after Tax result of \$234.7M. This result has enabled declaration of a dividend of \$187.8M.

The financial year of 2010/11 represented our first year of operating under the Australian Energy Regulator (AER) distribution determination. Financial performance exceeded targets whilst being impacted by the floods across South East Queensland, with capital expenditure reduced due to the resource requirements to address flood mitigation.

Total revenue in 2010/11 increased by 18.3 per cent compared to the previous year, with the increase being largely driven by the decision of the AER, which provides a revenue stream across the five-year determination period, to provide a return on assets employed in the business, depreciation and operating expenditure.

TOTAL REVENUE



During the 2010/11 year there was a change in the AER regulatory determination resulting from an Australian Competition Tribunal decision which entitled ENERGEX to recover further revenue amounts in the remaining years of the 2010-2015 regulatory control period, including the year commencing 1 July 2011. However, under a direction issued by the shareholding Ministers in May 2011, we will not seek to recover the additional DUOS revenue amounts (\$52.3 million) for the year commencing 1 July 2011 or to recover this foregone revenue in any future period beyond 30 June 2012.

Given the exceptional circumstances of the January 2011 floods and taking into account the commercial outcomes including our broader community and social obligations, the Board approved the withholding of the cost pass through application relating to the floods. The shareholding Ministers also issued ENERGEX a direction in June 2011 not to make a cost pass through application in relation to the floods and accordingly, we did not seek to recover the revenue for incremental costs associated with the floods (approximately \$18 million).

The value of average total assets increased by 14.6 per cent across the year, while Earnings before Interest and Tax (EBIT) increased by 29.0 per cent. The combined impact of these movements saw the Return on Assets increase from 5.8 to 6.8 per cent.

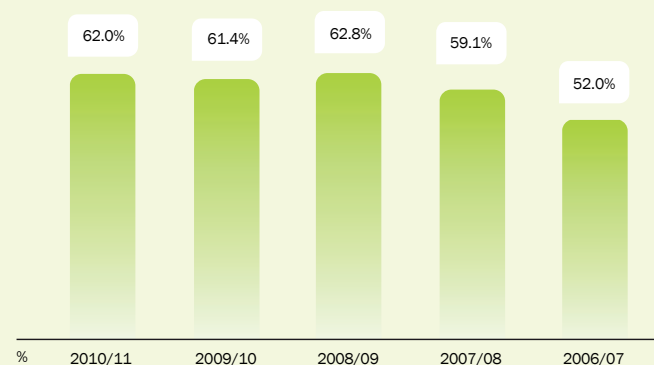
The Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) Interest Cover ratio declined slightly from 3.0 to 2.8 as a result of borrowing costs increasing by 31.0 per cent across the year due to an increase in the volume of debt as well as the level of interest rates. The level of debt continued to grow across the year, mainly to fund the ongoing capital expenditure program.

The level of debt increased by 16.5 per cent across the year to fund the ongoing capital expenditure program. There has been an increase in the level of equity as a result of growth in the asset revaluation reserve as well as increased retained earnings generated from increased profits.

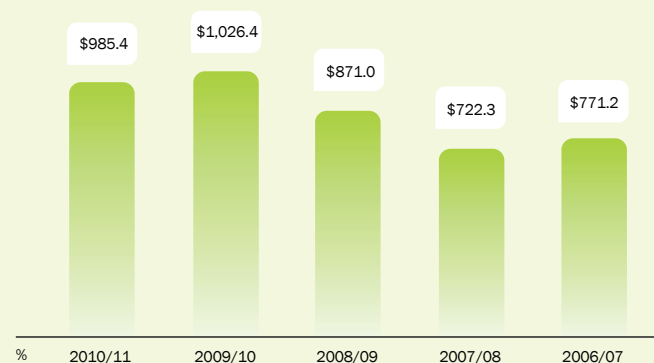
The level of capital expenditure is slightly below the previous financial year, mainly due to resources re-directed during the year to address the impact of floods across South East Queensland. The level of capital expenditure required to satisfy customer demand was also below expectations for the year.

The value of total assets continued to grow during the year with a total year-on-year growth of 13.2 per cent which is predominantly driven by the ongoing capital expenditure program.

DEBT/DEBT+EQUITY



CAPITAL EXPENDITURE



TOTAL ASSETS



statement of corporate intent 2010/11

KEY RESULTS AREA

safety

PAGE 43

OBJECTIVE

ENERGEX will achieve an injury-free workplace and will develop a workplace culture where employees take personal responsibility for their safety. Safety risk will be reduced through a targeted and structured approach to safety that delivers legislative compliance and best practice business operations.

KEY PERFORMANCE MEASURES

LTIFR

ACTUAL PERFORMANCE

2.43

CCFRS

2.99

people

PAGE 75

ENERGEX is committed to being an employer of choice and an organisation that its employees want to be a part of. The corporation will ensure that its workforce possesses the skills and capability to deliver business requirements, supported by a high performing and customer focused culture. It will be driven by corporate values and will promote innovation and learning. ENERGEX will work actively with staff and unions to ensure the industrial environment provides flexibility and benefits to ENERGEX and its people.

Staff Engagement

65.8%

financial performance

PAGE 90

ENERGEX will deliver its regulated financial targets in a sustainable manner through improved productivity and the cost effective delivery of electricity to retailers and services to customers. ENERGEX will pursue a series of reforms and initiatives to assist it to meet the financial expectations of its shareholders, while working within the regulatory allowances provided under the Australian Energy Regulator. Non-regulated businesses that integrate with and leverage the core business will be pursued where profitable opportunities exist.

OPAT (\$M)

234.7

Statutory ROA (%)

6.8

operational excellence

PAGE 53

ENERGEX will develop best practice skills, processes and systems to support delivery of its strategic vision and associated plans and initiatives. ENERGEX will deliver commitments outlined in its Network Management Plan (NMP) and Summer Preparedness Plan (SPP) to ensure the continued operation and growth of its distribution network and the satisfaction of stakeholders. ENERGEX will deliver on its legal, compliance and corporate governance obligations.

Capex Plan (NMP)

87%

Opex Plan (NMP)

99%

Key Projects

66%

Compliance Improvement

Tracking to Plan

TARGET MEASURE

PERFORMANCE REVIEW

FUTURE CHALLENGES AND TARGETS

<1.5

3.70

There were 17 Lost Time Injuries (LTIs) during the 2010/11 year compared to 7 last year, resulting in an LTIFR outcome of 2.43.

Total Days Lost due to LTIs in 2010/11 amounted to 250 compared to 69 last year and more than 320 days lost in each of the previous three years. The increase from the previous year, while significant, mainly relates to minor injuries rather than severe injuries sustained in past years.

Operational Objective to 2015/16

Delivering with safety as ENERGEN's first corporate value.

2011/12 Operational Strategies

Target zero injuries by developing a culture of personal accountability for safety at work and outside work.

67.0%

The staff survey resulted in an ENERGEN EMPI tally score of 65.8% (compared to 65.9% in 2009/10) against a target of 67.0%. While the target was not achieved, the maintenance of the overall staff motivation score in a year of considerable change is encouraging.

Operational Objective to 2015/16

Build a sustainable and productive workforce that delivers strong business results.

2011/12 Operational Strategies

Be prepared for the future workforce and skill requirements of ENERGEN; and

Enhance our performance focused culture by embedding Power to Perform.

185.6

6.2

ENERGEN delivered a very strong financial result for 2010/11 with Operating Profit after Tax (OPAT) being significantly above budget. The financial performance resulted from a delay in expenditure against Network Demand Management activities as well as additional returns from non-regulated activities. Lower support costs for the business resulted from prudent management of resources while borrowing costs were below budget due to the reduced capital expenditure program which resulted in a reduction in the level of debt which would otherwise have been required.

Operational Objective to 2015/16

Deliver economic value and meet shareholder commitments.

2011/12 Operational Strategies

Exercise sound commercial judgment and 'live within our means'; and

Identify opportunities for non-regulated business by leveraging our comparative advantage and customers' needs.

Key physicals delivered to NMP plan

Key physicals delivered to NMP plan

Delivered to milestones

Tracking to Plan

This year has delivered a substantial increase in network capability comprising an additional 998 MV.A of substation capacity (compared with 378MV.A in 2009/10). In addition to this, the Transmission Program added 23 additional 33kV feeders and 173 11kV feeder upgrades. All network risks associated with the summer preparedness projects in 2010/11 were addressed by either project completion or implementation of contingency plans. All risks associated with project delays have been managed with no adverse impacts on customers during the period.

Operational Objective to 2015/16

Deliver operational excellence on our Program of Work and AER commitments and deliver on legal, compliance and corporate governance obligations.

2011/12 Operational Strategies

Understand opportunities for increased efficiency through economies of scale and improvements; and

Deliver the Program of Work (PoW) and AER Commitments on time and on budget.

KEY RESULTS AREA

network performance

PAGE 47

OBJECTIVE

ENERGEX will continue to improve network performance and emergency response to meet customer expectations for reliability and deliver on MSS. ENERGEX's long term aspiration is to operate an intelligent connective network and provide best practice energy solutions to customers. An increasing focus on demand management activities will be pursued to enable more effective options for delivery of electricity supply.

KEY PERFORMANCE MEASURES

ACTUAL PERFORMANCE

Minimum Service Standards	
SAIDI – CBD	6.05 mins
SAIDI – Urban	79.75 mins
SAIDI – Rural	201.58 mins
SAIFI – CBD	0.01
SAIFI – Urban	0.92
SAIFI – Rural	2.05

customers

PAGE 59

ENERGEX will maintain its focus on achieving network performance outcomes and customer service improvements to meet or exceed customer expectations. ENERGEX's long-term aspiration is to transform into a customer-centric organisation that provides customers with greater choice in how they participate in managing their energy needs. The corporation will support customers' increased choice options through operation of an intelligent connective network and constructive relationships with key retailers. ENERGEX will work with customers through pilots and trials to ensure customer input is gained in developing the future network options.

Service Performance Index	85%
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community

PAGE 67

ENERGEX aims to be recognised by the community as a good corporate citizen and a leader in sustainability. ENERGEX will engage the community in the planning and delivery of its network and strives to be a 'good neighbour' in relation to its assets in the community.

Community Regard Index	65%
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environment

PAGE 81

ENERGEX will deliver commitments within its carbon reduction plan and achieve a sustainable environmental position through implementing compliance activities and business practices that minimise harm to the environment.

Carbon Reduction as per Carbon Reduction Management Plan	Tracking to Plan
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TARGET MEASURE

Favourable to target
15 mins
106 mins
218 mins
0.15
1.26
2.46

PERFORMANCE REVIEW

ENERGEX continued to deliver favourable reliability outcomes with all measures being favourable to target. The ongoing capital investment and maintenance program have resulted in this improved outcome, with all measures except SAIDI-CBD showing an improvement on the results for 2009/10.

FUTURE CHALLENGES AND TARGETS

Operational Objective to 2015/16

Deliver a network that meets current needs whilst transforming to the smart network of the future.

2011/12 Operational Strategies

Prepare for the future network transformation through smart network pilots and technology upgrades; and Deliver excellence in Network Performance.

>80%

For the 2010/11 year the Service Performance Index measured the satisfaction of customers who had actually received an ENERGEX service for the month, rather than the previous measure of a random sample of customers who may or may not have received a recent ENERGEX service. The Service Performance Index measures customer satisfaction with a broad range of service metrics and provides an aggregate indication with our service performance.

Operational Objective to 2015/16

Respond to growing pressure to stabilise network prices and satisfy customer performance and choice expectations.

2011/12 Operational Strategies

Implement strategies to influence demand to stabilise capital investment and price increases; and Understand customers' willingness to pay for flexible services.

>63%

Research indicates that the Community recognises our role in maintaining and building the network and that they see us with a primary role in providing a safe and reliable electricity supply, a primary role in power restoration following outages and storms and a key supplier of data and education for electricity safety, energy conservation and demand management.

Operational Objective to 2015/16

Maintain strong community relationships.

2011/12 Operational Strategies

Balance network project outcomes and community acceptance.

Tracking to Plan

Carbon offsets for 2009/10 fleet and air travel emissions have now been secured. These include biosequestration through planting of native trees, Greenhouse friendly abatement credits, and Run of the River Hydroelectricity.

Operational Objective to 2015/16

Achieve a sustainable environmental position.

2011/12 Operational Strategies

Minimise harm to the environment; and Respond to the risks of climate change.

challenges

Future challenges

- Perform core business functions effectively, maintain operational control and position ENERGEX as a preferred employer with a continued focus on safety, people, culture, processes and systems.
- Identify and implement opportunities to improve performance and delivery by focusing on operational excellence, step changes in economies of scale and developing additional profit streams.
- Transition to a more intelligent, capable and connective network that meets future requirements and provides improved value for customers by harnessing demand and network prices, integrating technical advances and delivering to customer choice and performance expectations.



Developing a network that meets future technical and customer requirements is one of our key future challenges.

corporate governance

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chairman's report

ENERGEX Chairman John Dempsey



The 2010/11 financial year has been a defining one for ENERGEX. I am proud that in a challenging environment signified by severe weather and regulatory reform, ENERGEX has still delivered a good result for our shareholders, customers, and the community in general.

The onset of wild weather in January presented significant challenges to the communities we serve and to our own network and staff. These challenges were met with an enthusiasm and commitment that, as Chairman of the company, is pleasing to see and consistent with my view of ENERGEX as a responsive and professional organisation. Most importantly, these challenges were met safely with no electrical injuries to our employees or the community. The value of this achievement can never be overstated.

During these floods, we incurred approximately \$40 million in operating and capital costs. Due to growing price and cost pressure on customers coupled with the additional costs customers would bear to rebuild other major infrastructure in South East Queensland, the Board decided that ENERGEX would bear the additional costs resulting from the floods. Subsequently, the Queensland Government also gave us a direction to not pass on these costs to the community.

Despite the absorption of these costs, we still achieved a strong financial performance for the year.

Whilst our financial performance has been strong, we are mindful of our need to continue to provide our community with value for money and find meaningful ways to sustainably reduce our costs.

We are now into our second year of the current regulatory price reset, and the first reset administered by the Australian Energy Regulator (AER). The AER has recently announced a request for a number of changes to the National Electricity Rules as a result of its experiences derived from this first round of regulatory reviews, with the aim of providing further protection for consumers. While there is a fundamental need to invest in the networks to meet rising electricity demand, replace ageing assets and maintain reliability, the AER considers the rules need to be improved to ensure that consumers are paying electricity costs commensurate with the levels of service provided by companies like ENERGEX.

We have considered the AER's position through our strategy of an optimum network investment model. This model is a three pronged approach that balances the need to expand our network to keep pace with demand, while promoting energy efficiency and demand management initiatives to reduce our peak demand, and ensuring any future network can support our 'smart network' vision. We believe that these initiatives will be in line with the stated policy objectives of the AER.

As part of our vision for a smarter, more efficient network and to proactively reduce the peak demand forecast, projected at a 71 per cent increase by 2020, we are taking a proactive approach by investing more than \$130 million into our energy conservation and demand management strategy over five years.

During the year, we partnered with fellow Queensland Government-owned energy companies Ergon Energy and Powerlink to commission a survey into Queensland household energy consumption. This survey of more than 3,500 Queenslanders shows that, among other things, three out of four homes now have air conditioning, which is an increase of more than 150,000 homes in the past 12 months.

Through this survey, we can better understand the energy consumption patterns of our customers and predict future trends. This information affirms that our current planning strategies are adequate to deal with these trends while providing insight into future customer behaviour to avert peak demand issues.

Our target is to achieve real peak demand reductions over the next five years totalling 144 megawatts from current demand forecasts: the equivalent of one third of the power used on the Sunshine Coast on a normal summer's day. By achieving better utilisation of network assets, the benefits can ultimately be passed to electricity consumers through efficient network prices.

While we still have a long way to go, our work has been recognised in the Australian Alliance to Save Energy's Report of the 2010 Survey of Electricity Demand Management in Australia. According to the report, Queensland is leading the way in peak demand management and for 2010/11 was the largest contributor to peak demand reduction of any state for the three-year survey period, contributing more than 90 per cent of the total national reduction. More specifically, ENERGEX was recognised as providing the second highest company-contribution to the total national reduction behind Ergon Energy.

Independently of our work to reduce peak demand, South East Queenslanders have responded positively to the Federal and State Governments' incentives to encourage renewable energy use, with significant growth in the number of solar PV systems being connected to our supply network. This unprecedented growth of more than 300 per cent has created pressure on our financial, human and technical resources, and whilst solar PVs contribute to the production of clean energy, they do nothing for offsetting peak demand and its effect on network resources.

In 2010/11, more than 70,000 solar PV systems have been connected to the ENERGEX network, which has come at a cost of more than \$15 million to the company through metering and feed-in tariff charges. This has placed a significant strain on our staffing and technical resources as we try to balance the resources required to connect the systems with those required to build and maintain our electricity network. We also need to cope with an influx of electricity generated back into our network from these systems.

As we look forward, our priorities in the year ahead will be to achieve further gains from our optimum network investment model while focusing on our demand management and energy conservation strategies. By achieving this, we will be better placed to respond to issues around tariff changes, carbon tax and price pressures from the community.

External pressure to keep our costs down and to minimise our impact on future electricity price increases will drive our need to continue to invest wisely in our network while ensuring it can meet South East Queenslanders' future needs.

Yet, through all of this, there is one constant that has, and always will be, a key focus for the company. That constant is safety. The safety of our staff and our community drives everything we do. While our safety statistics for 2010/11 are slightly higher than the previous year, we are still tracking at best practice standards and will continue to focus on improvements in the years ahead.

Finally, I want to thank our management and employees for another successful year in the face of enormous challenges. As I travel across Queensland, I am overwhelmed by the appreciation held for our ENERGEX staff from Queenslanders in all areas not just those living in South East Queensland. Through our efforts in Cyclone Yasi earlier this year, people in Far North Queensland have appreciated first hand the efficiency and helpfulness of our staff.

The challenges are sure to continue in 2011/12, but I believe we are in a position to meet them successfully at all levels. Key to this success will be the commitment of our staff coupled with well thought out company strategies that respond to our market conditions.



John Dempsey
ENERGEX Chairman

board profiles



John Dempsey

Chairman, ENERGEN Limited Board

ACIS, FIPA, Grad Dip Acctg and Fin Mangt,
Grad Dip Ag Econ, GAICD

In June 2008, John Dempsey was appointed Chairman after acting in the position since 1 January 2007.

John was first appointed as a non-executive Director of the ENERGEN Limited Board in July 1999. He is a member of the Board's Audit Committee and a member of the Network and Technical Committee.

He is also a Member of the Executive Committee of the Multiple Sclerosis Society of Queensland. Formerly Deputy Mayor of the City of Cairns, he contributed to the development of the Management of the Wet Tropics World Heritage Area listing as Chairman of the Community Consultative Group.

He has had extensive experience in the Queensland rural industry and was an inaugural member of the Sugar Industry Tribunal in 1991, where he remained for six years. Until recently John conducted a public accountancy practice in Brisbane, and has more than 30 years' experience in the field. He is an Associate of the Institute of Chartered Secretaries and also holds postgraduate diplomas in Accounting and Financial Management and in Agricultural Economics and is a Graduate of the Institute of Company Directors.

Mary Boydell

Director

BCom, FCA, MAICD

Mary Boydell was appointed a non-executive Director of the ENERGEN Limited Board in July 2005. Mary chairs the Risk and Compliance Committee and is a member of the Audit Committee.

She is a Chartered Accountant with extensive board experience in the private and public sectors combined with senior management roles in commerce and the accounting and legal professions.

Mary is currently Commissioner of the Queensland Water Commission, Chairperson of the Gladstone Area Water Board, Board Member of the CSIRO, Member of the Surat Basin Engagement Group, Director of Uniquist Pty Limited and a Director of UATC Pty Ltd. Mary has previously served as the Chairperson of the Rural Industries Research & Development Corporation, as a Director of the Australian Trade Commission (Austrade), Burnett Water Pty Ltd and BSES Limited, as a Board Member of the Queensland Bulk Water Supply Authority and as an external adviser to Board Audit Committees in the public and private sectors. She is a former Chairman and Member of the Queensland Regional Council of the Institute of Chartered Accountants in Australia.

Major General (Retired) Peter Arnison AC, CVO

Director

BEC, D Laws UQ, D Univ QUT, D Univ Griffith,
D Letters USQ, D Univ SCU,

Peter Arnison was appointed a non-executive Director of the ENERGEN Limited Board in December 2004. He chairs the Network and Technical Committee and is a member of the Risk and Compliance Committee.

Peter served for 37 years in the Australian Army in a variety of Infantry command appointments, retiring as Land Commander, Australia, in June 1996. He was appointed Queensland's 23rd Governor, serving from July 1997 to July 2003.

He is Chancellor of Queensland University of Technology; Chairman of The Centre for Military and Veterans' Health; Chairman of the Brisbane Airport Community Aviation Consultation Group; and a Director of the Australian Multicultural Foundation.

In 2011, Peter chaired the Brisbane City Council Flood Response Review Board.



Emeritus Professor Mat Darveniza AO, FTSE

Director

BE, PhD, DEng, Hon DSc, FIEAust, FIEEE, LIVA

Mat Darveniza was appointed a non-executive Director of the ENERGEX Limited Board in December 2004. He is a member of the Network and Technical Committee and the Remuneration Committee. Mat's career in electrical engineering commenced with the Southern Electricity Authority of Queensland. He was appointed to the University of Queensland as an academic in 1959. He progressed to Professor in Electrical Engineering in 1980, and in 1998 was appointed Professorial Research Fellow (fractional) until 2008 and Emeritus Professor.

He has been active in professional committees on power systems, lightning protection and engineering education including the Electricity Supply Association of Australia, Standards Australia, International Electrotechnical Commission, International Council of Large Electrical Systems (CIGRE), the Institute of Electrical and Electronic Engineers (IEEE), and Engineers Australia.

Mat has served on a number of Boards including UniQuest Pty Ltd (1988-1993), National Association of Testing Authorities Australia (NATA) (1989-1995), Australian Academy of Technological Sciences and Engineering (ATSE) (1992-1995), UniSyd Pty Ltd (1992-1993) and Rotary Club of Brisbane Inc (2001-2003). He was also Chairman of Lightning and Transient Protection Pty Ltd (1995-2010).



John Geldard

Director

BCom, BE, CPA FAICD

John Geldard was appointed a non-executive Director of the ENERGEX Limited Board in July 2005. He is Chairman of the Audit Committee and a member of the Risk and Compliance Committee.

John has extensive experience within the private and public sectors in the manufacturing, mining and energy industries and has been involved with electricity industry reform in Queensland and Western Australia.

Previously, John has held executive positions at ENERGEX including Chief Executive Officer between March and December 2000 and Chief Financial Officer from July 1997 to April 2001. Prior to this, John served as the Chief Financial Officer for the Queensland Transmission and Supply Corporation.

John is a Director of Energy Super (formerly ESI Super) and is a previous Deputy Member of the Queensland Treasury Corporation Board.



Ron Monaghan

Director

BA

Ron Monaghan was appointed a non-executive Director of the ENERGEX Limited Board in May 2008. Ron is Chairman of the Remuneration Committee and a member of the Audit Committee.

Ron has extensive experience in industrial relations and is the General Secretary of the Queensland Council of Unions. Ron has previously been a Director of Intrust Super and currently holds Directorships on the Sunsuper and WorkCover Boards and is a member of the ACTU Executive.



Kerryn Newton

Director

LLM, MBA, MA, Grad Dip (Applied Finance and Investment),
FAICD, AFAIM

Kerryn was appointed as a non-executive Director of the ENERGEX Limited Board in October 2008. She is a member of the Risk and Compliance Committee and the Remuneration Committee.

Kerryn was admitted as a solicitor of the Supreme Court of Queensland in 1991 and has worked in various legal and management roles in the private and public sectors. Her roles have included extensive experience as a lawyer and advisor for the Queensland Parliament and its parliamentary committees.

Over the last decade, Kerryn has chaired the boards of numerous not-for-profit companies in the child care, aged care and housing sectors.

Currently, Kerryn is Managing Director of a governance consulting firm and advises organisations on a wide range of governance and management issues. In addition, Kerryn is a Commissioner of the Queensland Gaming Commission.



Terry Effeney

Chief Executive Officer

BE (Hons), BEcon, MEng, GAICD, RPEQ

Terry Effeney was appointed Chief Executive Officer of ENERGEX on 8 January 2007. Prior to joining ENERGEX, Terry held the role of Chief Operating Officer of Ergon Energy for three years and was an Executive Manager of Ergon Energy and its predecessor organisations for more than 10 years.

Throughout his career, Terry has gained extensive experience in senior line management at both operational and strategic levels including roles in network and field operations management and business development. Since commencing his career with the Capricornia Electricity Board, Terry has held numerous engineering and strategic development roles throughout Queensland.

Terry is Deputy Chair of Energy Networks Association (ENA) and Chair of ENA's Smart Networks Committee.



Michael Russell

Director Corporate Governance and Company Secretary

BE, MBA, Grad Dip AppCorpGov, GAICD, ACIS, MIEAust, CPEng

Michael Russell has been a company secretary for the ENERGEX Group Companies since early 2004, firstly in the position of Corporate Affairs Manager (Assistant Company Secretary) and from October 2004 as Acting Group Company Secretary.

In October 2007, he was appointed as General Manager Corporate Governance and in November 2010 he became Director Corporate Governance and Company Secretary.

Michael joined the organisation when it was operating as SEQEB in 1984 and has held various engineering and management positions. In the last 12 years, his expertise in corporate governance has been developed through responsibilities that included the management of significant ENERGEX investments in a listed telecommunications company and in Ceramic Fuel Cells Limited.

Marnie White

Secretariat and Governance Manager Company Secretary

BA, LLB, Grad Dip LP, Grad Dip App Corp Gov, ACIS

Marnie White was admitted as a solicitor in July 2000 and practiced in a national law firm before joining ENERGEX as Legal Counsel Network in 2005. She was appointed as Secretariat and Governance Manager (Assistant Company Secretary) in December 2007. In 2009, she completed the Graduate Diploma in Applied Corporate Governance through Chartered Secretaries Australia.

corporate governance

As a Government Owned Corporation (GOC), we report against the Corporate Governance Guidelines for Government Owned Corporations (the guidelines) issued by the Queensland Government.

The guidelines reference the ASX Corporate Governance Principles and Recommendations and provide the framework for all GOCs, including ENERGEX, to develop, implement, review and report on their corporate governance arrangements.

The Board and senior management continue to support the refinement of our evolving corporate governance framework, in accordance with the guidelines and other best practice standards, through the adoption of a continuous improvement approach to governance.

During the year, we implemented improvements to our governance framework in response to the changing legislative environment including the updated *Competition and Consumer Act 2010* (Cth) (formerly called the *Trade Practices Act 1974*) and the *Public Interest Disclosure Act 2010* (Qld).

We have responded to these legislative changes through amendments to our governance framework which has and will include the introduction of compliant processes, policy amendments and training programs for staff.

Highlights

During 2010/11, we enhanced our governance framework through:

- further expanding and updating the ENERGEX Corporate governance website to comprehensively document our governance framework
- responding to legislative change through updating our frameworks to implement application of the new *Public Interest Disclosure Act 2010* (Qld) to Government Owned Corporations and the revised *Competition and Consumer Act 2010* (Cth) (formerly the *Trade Practices Act 1974*)
- further enhancing the governance framework to support business management and decision making.

Principle 1 – Foundations of management and oversight

Board Charter

Our Board Charter, available on our website, provides a clear delineation between the roles and responsibilities of the Board and individual directors and the matters which are delegated to management. Our Board holds monthly meetings which focus on matters of strategic guidance for the company and effective oversight of management. Management's responsibilities are well defined through job profiles, performance agreements and the Board-approved Delegation of Authority framework.

Board Committees

The Board has established four committees to oversee a range of specialist issues on its behalf.

Following the Board's performance evaluation in June 2010, the Board reviewed its committee structure. Effective 1 October 2010, the Audit and Compliance Committee was renamed the Audit Committee and its responsibilities were amended to primarily oversee effectiveness of internal control, integrity and corporate assurance. The Corporate Development Committee was renamed the Risk and Compliance Committee to have oversight of risk and compliance management activities. The duties and responsibilities of the Network and Technical Committee and the Remuneration Committee remained unchanged. However, membership of each committee was also reviewed.

The register of Board Committees, including a summary of their roles and revised memberships, is set out on pages 33-34. Management has also established a number of committees to support the governance of ENERGEX and each committee's role is defined in a Charter.

Board Handbook

Our Directors' and Officers' Handbook is distributed to new directors and is used as an integral part of their induction process. The Handbook defines the Board governance systems and supports directors and senior managers in their governance responsibilities. It also facilitates Board operations and self-evaluation processes.

Directors' induction

New directors attend a structured induction session to provide them with an overview of our operations and information on the Board and Committee functions. The induction assists the directors to understand their roles and responsibilities as an ENERGEX Director and to understand our business and corporate expectations. The induction process is also relevant to new senior executives to allow them, at the earliest opportunity, to participate fully and actively in management decision making.

During 2010/11, the induction process was enhanced through the introduction of a rolling induction providing information, mentoring and training over time to suit the needs of the individual director or senior executive.

Assessing senior management performance

Power to Perform is the comprehensive and formal performance management program for all employees. The program includes individual executive performance agreements based on the achievement of well-defined Key Result Areas (KRAs) and Key Performance Indicators (KPIs) involving corporate, commercial and personal goals. For further information on Power to Perform, see Principle 8.

The Board assesses the performance of the Chief Executive Officer and oversees the assessments of Senior Executives undertaken by the Chief Executive Officer.

Principle 2 – Structure the Board to add value

Our directors

Our Board of Directors, including the Chairman, are all independent, non-executive directors. Our directors are appointed by the Governor-in-Council in accordance with the *Government Owned Corporations Act 1993* (GOC Act). As such, the Board does not play a formal role in selecting directors or the size of the Board.

Our Board continually assesses the ongoing independence of each director, with reference to the materiality thresholds (relationships affecting independence status) in the *ASX Corporate Governance Principles and Recommendations* (2nd edition, with 2010 amendments).

Where a director has an interest or a material personal interest in a matter being considered by the Board, the director will declare that interest in accordance with directors' obligations under the *Corporations Act 2001* and ENERGEX Limited Constitution. The Constitution provides that a director must absent themselves from a meeting, including all deliberations and voting on a matter, where they have declared a material personal interest in the matter (the exclusions in section 195(2) of the *Corporations Act 2001* do not apply). In addition, an annual review of directors' personal interests is also undertaken.

Details of directors' skills, experience and expertise relevant to their position are set out on pages 21-24. The terms of office held by each director at the date of this report, including the date each director's appointment expires are set out in the Financial Report. Their attendances at Board and Committee meetings are also set out in the Financial Report.

Directors' access to advice and training

The Board Charter provides that directors may seek independent professional advice, at the company's expense, to assist them to carry out their duties as a director. The Board also has access to continuing education and training, to maintain, update and enhance their skills, knowledge and experience.

Assessing Board performance

Our Board performance evaluation is completed on a biennial basis by an independent consultant (the last evaluation was completed in June 2010). The 2010 evaluation, based on a high performance Board model, showed that the Board is highly committed, cohesive and appropriately skilled to carry out its duties in an effective manner. The review identified some minor improvement opportunities in areas such as the induction process for new directors, stakeholder engagement and clarifying the role of one of the Board committees. In early 2010/11, a written report was provided to the shareholding Ministers outlining the results of the evaluation.

Following the recommendations set out in the evaluation, the Board reviewed its Board Committee structure, restructuring the "Audit and Compliance Committee" as the "Audit Committee" and the "Corporate Development Committee" as the "Risk and Compliance Committee". The revised committees provide an improved focus on, and oversight of, assurance and risk and compliance activities in the business.

Principle 3 – Promote ethical and responsible decision making

Highlights

- We achieved a Corporate Responsibility Index score of 86 per cent (a silver award) for 2009/10 (page 70), an increase from 75.32 per cent in the previous year
- A summary of our achievements in corporate social responsibility is set out on page 70

Key governance policies

We are committed to ethical and responsible decision making and have in place a suite of governance policies to establish this framework. These include the Code of Conduct, Compliance Policy, Fraud Control Policy, Delegation of Authority Policy, Conflict of Interest Policy, Public Interest Disclosure Policy, Lobbying Policy, Reportable Gifts Policy and Purchasing Policy, and the ENERGEX Purchasing Manual. We also reviewed our Entertainment and Hospitality Policy to provide better guidance to staff on appropriate expenditure and to clarify alignment of the policy with the standards set by the government. These policies apply to our Board and all personnel and are advocated through a top down approach by our Board and senior management. Additional obligations of directors are set out in the ENERGEX Board Charter and the Directors' and Officers' Handbook.

Code of Conduct

Our Code of Conduct sets the standard for how we operate in accordance with business ethics, social objectives, corporate values and associated policies. Our Code of Conduct and Conflict of Interest policy align with *Managing Conflicts of Interest in the Public Sector – Guidelines and Toolkit*, jointly issued by the Crime and Misconduct Commission (Queensland) and Independent Commission Against Corruption (New South Wales). Our code includes examples and scenarios to assist in ethical decision making. A copy of the Code of Conduct is provided to all existing and new employees and is readily available on the staff intranet. New employees receive induction training on ethical business practices including the Code of Conduct.

The Board Charter includes a Directors' Code of Conduct to assist the Board in its decision making process. Our advisers, consultants and contractors are expected to comply with high ethical standards aligned with the Code of Conduct. Our contracts with suppliers outline the expectations of the Code of Conduct. A summary of the main provisions of the Code of Conduct is available on our website at www.energex.com.au/about-us/we-are-energex/our-code-of-conduct

Reporting breaches of governance policy

We have established processes for the reporting of breaches of governance policy and investigating reports of unethical practices. Employees have the option to report breaches anonymously via the 24 hour Disclosure Line, which is facilitated by an external provider. We also have in place a reporting process for Chief Executive Officer (CEO) notifications to the CMC of any suspected official misconduct, as defined in the *Crime and Misconduct Act 2001*. The CEO has appointed a CMC Liaison Officer to manage this process.

We have in place a policy setting out the requirements of the *Public Interest Disclosure Act 2010* and Public Interest Disclosure Standard, which facilitate the disclosure, in the public interest, of information about any wrongdoing in the corporation and to provide protection for those who make public interest disclosures. A copy of our Public Interest Disclosure Procedure is available on our Publication Scheme website under 'Policies' at www.energex.com.au/about-us/right-to-information/publication-scheme

Trading policy

As our company is government owned, no director or employee holds or trades securities in any ENERGEX Group Company. Our Conflict of Interest Policy includes a Restricted Trading Register, which supplements the legal duties which apply to directors, officers and employees relating to the misuse of information or position and insider trading laws. A summary of this policy is available on our Publication Scheme website under 'Policies' at www.energex.com.au/about-us/right-to-information/publication-scheme

Principle 4 – Safeguard integrity in financial reporting

Audit Committee

Our Board has in place the Audit Committee, comprised of independent directors, which oversees matters of financial integrity. Its duties and responsibilities are set out in its charter which is available on our Publications Scheme website under 'About Us' at www.energex.com.au/about-us/right-to-information/publication-scheme

During 2010/11, the role of the Audit Committee confirmed its focus on:

- financial integrity
- assurance over business operations
- effectiveness of control framework
- ethics and integrity.

The role of Chairman of the Committee is not held by the Chairman of the Board. Membership of the committee is disclosed on page 33. Details of members' qualifications are included in profiles on pages 21-24. Attendance at meetings is disclosed in the Financial Report.

Internal Audit

Our Internal Audit Group provides independent, objective assurance and advisory support designed to add value and improve our operations. Internal Audit assists the CEO and members of the Board to accomplish their objectives by bringing a systematic, disciplined approach to evaluation of the effectiveness of risk management, control and governance processes and supports management's improvement of these processes. Our Group Manager Internal Audit attends the Audit Committee meetings to report on the status of the Internal Audit Plan.

External audit

In accordance with the provisions of the GOC Act, the Queensland Auditor-General is the external auditor for ENERGEX Limited and its subsidiaries. The Audit Committee reviews the performance of the external auditors on an annual basis.

Financial statements

Our CEO and Chief Financial Officer annually certify to the Board that the financial statements represent a true and fair view and are in compliance with accounting standards.

Principle 5 – Make timely and balanced disclosure

We adopt a broad approach to disclosure. We take into consideration the obligations set out in the GOC Act, relevant policies and other legislation in order to ensure accountability to the shareholding Ministers, who are in turn accountable to Parliament. Our shareholding Ministers have access to material information concerning our company including our operations, financial performance, financial position and governance of our company and its subsidiaries. This requirement is similar to the continuous disclosure obligations which apply to listed companies under the ASX Listing Rules.

In addition to submissions on specific matters, including regular briefing notes, we provide a quarterly report to the shareholding Ministers.

A summary of our Government and Shareholder Disclosure Policy is available on our Publication Scheme website under 'Policies' at www.energex.com.au/about-us/right-to-information/publication-scheme

Principle 6 – Respect the rights of shareholders

Reporting to our shareholders

We report in a timely manner on all issues likely to have a significant financial, operating, social or environmental impact in accordance with our obligations under legislation and government guidelines. We work cooperatively with the shareholding Ministers on these issues. Our Chairman is the principal liaison officer with the shareholding Ministers, both on a formal and informal basis, and meets regularly with the Portfolio Minister. Our CEO and certain managers and employees liaise with representatives of shareholder departments on a regular basis. Management seeks the approval of our shareholding Ministers for projects in accordance with the GOC Act and GOC policy guidelines.

A summary of our Government and Shareholder Disclosure Policy is available on our Publication Scheme website under 'Policies' at www.energex.com.au/about-us/right-to-information/publication-scheme

Our dividend policy

Between 1 and 16 May each financial year, our Board makes a dividend recommendation to our shareholding Ministers in accordance with section 131 of the GOC Act. The 2010/11 dividend recommendation was 80 per cent of Operating Profit After Tax (OPAT) and is payable by 31 December 2011.

During the year, our shareholding Ministers approved an amendment to the ENERGEX Limited Constitution to align our dividend procedure to the amendments in the dividend rule in the *Corporations Act 2001*.

Our revised constitution is available on our Publication Scheme website under 'About Us' at www.energex.com.au/about-US/right-to-information/publication-scheme

Our staff are required to work in accordance with our Code of Conduct, which sets the standard for how we operate in accordance with business ethics, social objectives, corporate values and associated policies.



Principle 7 – Recognise and manage risk

Our risk management practices recognise and manage all risks in delivering balanced commercial outcomes.

Highlights

- We transitioned to a new Board sub-committee structure that included the newly chartered Risk and Compliance Committee. This committee is intended to uplift the Board-level oversight of risk within the company
- Our capability to withstand severe business disruption was proven by the response to the floods across South East Queensland in January 2011. In terms of managing business continuity risks, we were able to relocate 11 critical functions from their primary workplace to designated backup locations within 24 hours. There, they continued to service the needs of our business and customers
- Our Corporate Risk and Compliance Group delivered a tertiary-accredited training course in Fundamentals in Risk and Compliance to business unit leaders
- We adopted the end-to-end model for managing compliance (see Figure 2)
- The Corporate Compliance Plan successfully delivered key activities and initiatives across the whole of our business in relation to the end-to-end compliance management model
- Risk management activities were fully integrated with business planning to ensure that the context of risk management is retained throughout the course of all business decisions
- New legislation implemented effectively, in particular, the *Competition and Consumer Act 2010* (formerly called the *Trade Practices Act 1974*)

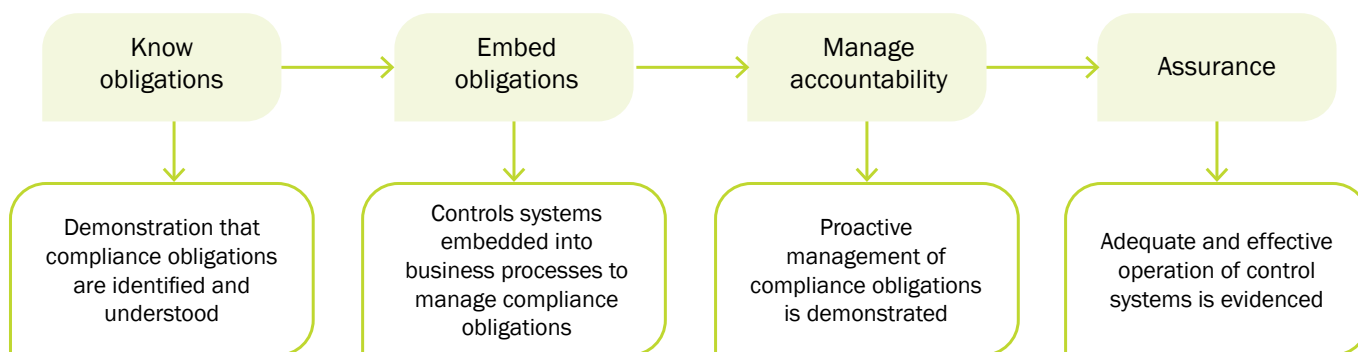
Risk management systems

Throughout the 2010/11 year, we continued to operate using the principles of AS/NZS ISO:31000 2009 as the guiding framework for managing risk. We utilise this Standard (together with Australian Standard AS 3806 – Compliance Programs) to manage a diverse and complex range of significant risks and enterprise-based risk management and compliance management frameworks. This standard has been implemented throughout the organisation to ensure material risks and compliance obligations are identified and appropriately managed.

The multitude of risks we manage includes network, financial, operational, people, strategic and commercial risks. Details of those risks and the type of controls in place are set out in risk registers managed by each division. Accountabilities within the Enterprise Risk Management (ERM) Framework are explained below:

- (a) Our Board maintains oversight of the ERM Framework's effectiveness through its Risk and Compliance Committee, which has oversight of:
 - the risk management framework, policies, control processes and reporting mechanisms
 - the compliance management framework, policies, control processes and reporting systems
 - regulated business framework and controls
 - non-regulated business activities and divestments.
- (b) The Audit Committee provides assurance that the corporation is properly meeting its obligations in relation to:
 - financial integrity
 - assurance over business operations
 - effectiveness of control framework
 - ethics and integrity.

FIGURE 2: END-TO-END MODEL FOR MANAGING COMPLIANCE



- (c) Our Executive Management Team has active risk management responsibilities. Material business risks and compliance incidents, and the effectiveness of their management, are continuously monitored and reported to the Board monthly through these channels.
- (d) Our Corporate Risk and Compliance Group supports the Risk and Compliance Committee in the discharge of its governance responsibilities through the maintenance of the Enterprise Risk Management Framework and implementation of a Corporate Compliance Framework.

Internal control framework

Our Board is responsible for the overall internal control framework within ENERGEX, which is designed to provide reasonable assurance regarding the achievement of the organisation's objectives in the following categories:

- effectiveness and efficiency of operations
- risk management systems
- governance processes.

The internal control framework is comprised of policies and procedures including compliance training and assurance processes to ensure the affairs of the organisation are being conducted in accordance with relevant legislation, regulations and codes of practice. These procedures also ensure that Executive Management and the Board are made aware, in a timely manner, of any material matters affecting our operations and the effectiveness of management of those risks.

Fraud control

We are committed to the prevention of fraud (including corruption). To provide an effective fraud control framework that is closely integrated with the broader ERM Framework, an integrated suite of strategies and initiatives has been established comprising:

- Code of Conduct and supporting governance policies which establish obligations in relation to ethical behaviour
- Fraud Control Policy and Fraud Control Standard which establish obligations for fraud identification and prevention as well as setting out the processes for ongoing monitoring and coordination of fraud control activities, including the processes for reporting, recording and investigating allegations of fraud
- fraud (including corruption and suspected official misconduct) investigation capabilities, standards and protocols
- the independently operated 24 hour Disclosure Line. The Disclosure Line is a means by which employees can report any concerns regarding unethical conduct, breaches of the Code of Conduct (and its supporting corporate policies) or breaches of the law (such as suspected fraud) or suspected official misconduct (for notification to the CMC)
- reporting processes, including a dedicated CMC Liaison Officer who manages the obligations under the *Crime and Misconduct Act 2001* to enable the CEO to carry out his obligation to notify the CMC of suspected official misconduct.

Public Interest Disclosures

The *Public Interest Disclosure Act 2010* commenced on 1 January 2011, reforming the *Whistleblowers Protection Act 1994*. Elements of the new Act apply to GOCs including ENERGEX. The Act facilitates protection for those who make public interest disclosures of information about wrongdoing in the public sector. We have established procedures to ensure that public interest disclosures are properly assessed and, when appropriate, properly investigated and dealt with. The procedures also afford protection from reprisals to persons making public interest disclosures in compliance with the Act. We support staff who notify management of inappropriate or corrupt behaviours by another employee and will take action to protect those who raise a concern in good faith.

We use the principles of AS/NZS ISO:31000 2009 to manage a diverse and complex range of significant risks and enterprise-based risk management and compliance management frameworks.



Principle 8 – Remunerate fairly and responsibly

Highlights

- The performance management program, Power to Perform, was implemented on 1 July 2010 and has completed the first annual cycle of its application across the business

Remuneration Committee

The Remuneration Committee of the Board oversees employee remuneration and performance policy. Membership of the committee is set out on page 33. The committee's charter sets out the roles and responsibilities of committee members and is available on our Publication Scheme website under 'About Us' at www.energex.com.au/about-us/right-to-information/publication-scheme

Remuneration policy

Our remuneration strategy and practices are aimed at ensuring we attract, retain and motivate high calibre employees at all levels by providing an appropriate combination of competitive, fixed and variable remuneration components. We comply with the *Government Owned Corporations Governance Arrangements for Chief and Senior Executives* to achieve a balance between public accountability and transparency and our need to attract and retain high calibre staff from competitive labour markets. Our senior executive remuneration arrangements are subject to approval or endorsement by the shareholding Ministers, complying with specific key criteria.

We also have a comprehensive suite of procedures and policies to govern remuneration practices in accordance with GOC guidelines. Senior executive remuneration is disclosed in the Financial Report (in accordance with accounting rules and government guidelines). Directors' remuneration is established independently by the shareholding Ministers and is approved by the company in a general meeting in accordance with the company's constitution. Directors' remuneration is disclosed in the Financial Report.

Assessing performance

To reinforce our performance-based culture, we offer an annual performance pay scheme which is linked to our KRAs and KPIs. During 2010/11, we measured progress towards the achievement of our vision and purpose through success against nine KRAs and KPIs.

Our performance management program, Power to Perform, was introduced on 1 July 2010 and aims to improve performance management processes and practices across our business and strives towards a performance focused culture which is critical to our people and safety strategy. The framework promotes continual performance and development conversations between the employee and their leader.

Legislative framework

We operate in accordance with various laws and regulations, the most significant of which are listed below:

Safety

- *Electrical Safety Act 2002* (Qld) & *Electrical Safety Regulation 2002* (Qld)
- *Dangerous Goods Safety Management Act 2001* (Qld)
- *Workplace Health and Safety Act 1995* (Qld) & *Workplace Health and Safety Regulation 2008* (Qld)

Operational

- *Building and Construction Industry Payments Act 2004* (Qld)
- *Competition and Consumer Act 2010* (Cth)
- *Information Privacy Act 2009* (Qld) & *Information Privacy Regulation 2009* (Qld)
- *Integrated Planning Act 1997* (Qld)
- *Land Title Act 1994* (Qld)
- *Privacy Act 1988* (Cth)
- *Property Law Act 1974* (Qld)
- *Queensland Building Services Authority Act 1991* (Qld) & *Queensland Building Services Authority Regulation 2003* (Qld)
- *Right to Information Act 2009* (Qld) & *Right to Information Regulation 2009* (Qld)

Regulatory

- *Electricity Act 1994* (Qld) & *Electricity Regulation 2006* (Qld)
- National Electricity Law as set out in the schedule to the *National Electricity (South Australia) Act 1996* & *Electricity – National Scheme (Queensland) Act 1997* & *National Electricity (Queensland) Regulations* under the *National Electricity (South Australia) Act 1996*
- National Electricity Rules
- *Queensland Competition Authority Act 1997* (Qld) & *Queensland Competition Authority Regulation 2007* (Qld)
- Queensland Electricity Industry Code

Environment

- *Environmental Protection Act 1994* (Qld) & *Environmental Protection Regulation 2008* (Qld) & *Environmental Protection (Waste Management) Regulation 2000* (Qld)
- *National Greenhouse & Energy Reporting Act 2007* (Cth)
- *Nature Conservation Act 1992* (Qld)
- *Sustainable Planning Act 2009* (Qld) & *Sustainable Planning Regulations 2009*
- *Vegetation Management Act 1999* (Qld)

People

- *Anti-Discrimination Act 1991* (Qld)
- *Crime and Misconduct Act 2001* (Qld) & *Crime and Misconduct Regulation 2005* (Qld)
- *Fair Work Act 2009* (Cth) & *Fair Work Regulations 2009* (Cth)
- *Public Interest Disclosure Act 2010* (Qld)
- *Workplace Relations Act 1996* (Cth) & the associated National Employment Standards and Award Modernisation Process

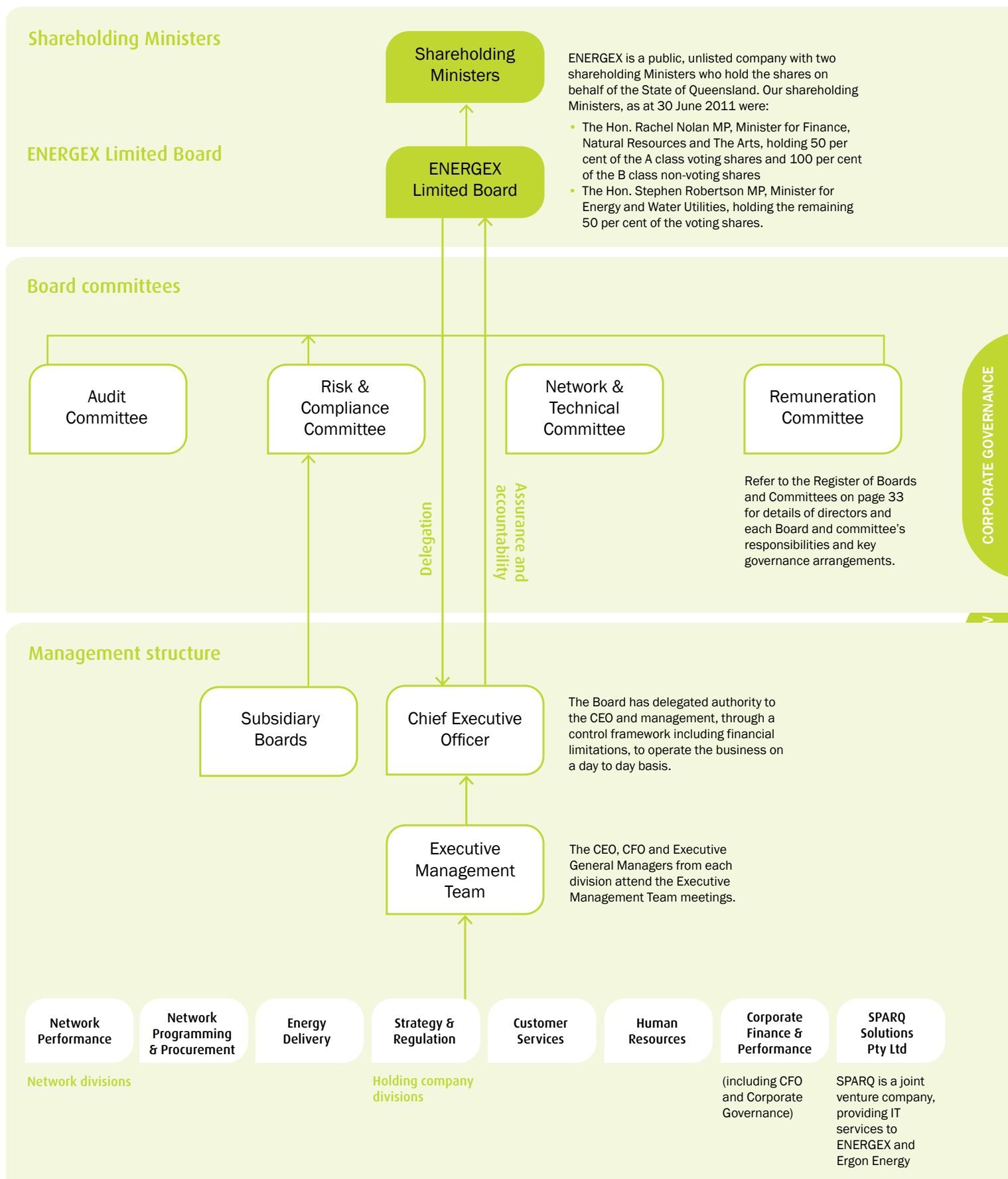
Corporate

- *Corporations Act 2001* (Cth)
- *Government Owned Corporations Act 1993* (Qld) & *Government Owned Corporations Regulation 2004* (Qld)

Finance

- *A New Tax System (Goods and Services Tax) Act 1999* (Cth)
- *Income Tax Assessment Act 1936* (Cth) & *Income Tax Assessment Act 1997* (Cth)

Our Corporate Governance Framework and Organisational Structure



The Executive Management Team implements the Board's strategies and policies through the delegation of authority framework. Each division has a business plan with defined Key Result Areas and KPIs which link to the corporate ENERGEN business plan. Individual staff roles are defined in job profiles and goals are set out in performance agreements.

Our corporate governance framework and organisational structure

Register of Boards and Board Committees

MEMBERSHIP

KEY ACCOUNTABILITIES

ENERGEX LIMITED

- Mr John Dempsey (Chairman)
- Maj. Gen. Peter Arnison
- Ms Mary Boydell
- Emeritus Prof. Mat Darveniza
- Mr John Geldard
- Mr Ron Monaghan
- Ms Kerryn Newton

All directors, including the chairman, are independent, non-executive directors.

- Responsibilities under section 88 of the GOC Act
- Provides the overall strategic direction of the corporation
- Approves the Statement of Corporate Intent, Corporate Plan, Network Management Plan and Demand Management Plan
- Oversees effective governance, leadership and management
- Monitors safety, environmental and financial performance
- Informs shareholding Ministers of the operations, financial performance and financial position of the corporation and subsidiaries
- Provides formal delegations of authority to the CEO, management and employees.

SUBSIDIARY BOARDS

The subsidiary Boards are comprised of Executive Directors from the Executive Management Team (in most cases the CEO, CFO and Executive General Manager Customer Services).

- Subsidiary companies were established to manage a number of ENERGEX's unregulated business activities.

AUDIT COMMITTEE

Effective 1 October 2010, the Audit and Compliance Committee was renamed the Audit Committee. Its members are:

- Mr John Geldard (Committee Chair)
- Mr John Dempsey
- Mr Ron Monaghan
- Ms Mary Boydell

The role of the Committee Chairman is not held by the chairman of the ENERGEX Limited Board.

The internal and external auditors attend committee meetings by way of standing invitation.

The Audit Committee provides assurances to the Board that ENERGEX Limited is properly meeting its obligations in relation to:

- Financial integrity
- Assurance over business operations
- Effectiveness of control framework
- Ethics and integrity.

NETWORK AND TECHNICAL COMMITTEE

- Maj. Gen. Peter Arnison (Committee Chair)
- Emeritus Prof. Mat Darveniza
- Mr John Dempsey

- Recommends strategy and approaches to the Board on network and technical issues
- Provides oversight of ENERGEX's approach to network standards and technological innovation
- Provides oversight of ENERGEX's fulfilment of its commitments under the Network Management Plan to provide a reliable, safe and cost effective electricity supply.

REMUNERATION COMMITTEE

- Mr Ron Monaghan (Committee Chair)
- Emeritus Prof. Mat Darveniza
- Ms Kerryn Newton

The Remuneration Committee provides oversight and recommendations to the Board on:

- Strategic remuneration and employment matters including Board approved policies and remuneration and workplace agreement frameworks
- The senior executive succession planning
- ENERGEX's obligations in relation to remuneration, superannuation and employment matters under law and government policy
- Directors' skills, induction program and performance reviews.

RISK AND COMPLIANCE COMMITTEE

Effective 1 October 2010, the Corporate Development Committee was renamed the Risk and Compliance Committee. Its members are:

- Ms Mary Boydell (Committee Chair)
- Mr John Geldard
- Maj. Gen. Peter Arnison
- Ms Kerryn Newton

Considers and advises the Board on:

- The risk management framework, policies, control processes and reporting mechanisms
- Compliance management framework, policies, control processes and reporting systems
- Regulated business framework and controls
- Non-regulated business activities and divestments.

SIGNIFICANT MATTERS DURING 2010/11

KEY BOARD DECISIONS

- Oversight of ENERGEN's safety and environmental performance
- Oversight of the Program of Work including the approval of network projects and procurement contracts exceeding the CEO's delegation of authority
- Oversight of the company's financial performance including the approval of the ENERGEN Financial Statements
- Approval of the Statement of Corporate Intent, Corporate Plan, Network Management Plan, Demand Management Plan and Summer Preparedness Plan
- Oversight of the process for the completion of, and relocation to, the Newstead office building.
- Oversight of ENERGEN's response to the Queensland floods and Tropical Cyclone Yasi.

KEY GOVERNANCE ARRANGEMENTS

The attendance of the directors at meetings of the Board is presented in the Directors' Report section in the Financial Report.

The ENERGEN Limited Board has a Constitution and Board Charter including a Directors' Code of Conduct.

- Divestment of non-core assets
- Deregistration of Service Essentials Pty Ltd (the former retail billing entity, jointly owned by ENERGEN and Ergon Energy)
- Strategic management of unregulated business opportunities.

Subsidiary governance aligns with the ENERGEN Limited standards.

The Risk and Compliance Committee maintains oversight of the unregulated businesses on behalf of the Board.

Where dormant and no longer required, subsidiaries have been voluntarily wound up or deregistered.

COMMITTEE RECOMMENDATIONS AND OVERSIGHT (IN ADDITION TO STANDING COMMITTEE RESPONSIBILITIES)

Oversight of:

- The financial performance of the company
- The preparation of the ENERGEN Limited Financial Statements, including endorsement to the Board for approval
- Internal and external audit activities
- Ethical standards including the ENERGEN Code of Conduct.

Committee governance:

- A Charter is in place (reviewed annually) for each committee and is available on our Publication Scheme website under 'About Us' at www.energen.com.au/about-us/right-to-information/publication-scheme
- Charters set out the specific duties (to provide oversight on behalf of, and recommendations to, the Board in relation to specific matters) and governance arrangements
- The Chief Executive Officer and senior executives are invited to committee meetings at the discretion of the committee
- Committees may seek assistance in carrying out their duties by engaging suitably qualified external advisers
- The qualifications of each committee member is presented in the directors' profiles on pages 21-24, and their attendance at meetings is presented in the Directors' Report in the Financial Report.

Oversight of:

- Preparation of the Network Management, Demand Management and Summer Preparedness Plans
- Network operating and maintenance initiatives
- Development and application of technology strategies
- The impact of the South East Queensland floods on customers, the network and the Program of Work.

Oversight of:

- Workforce planning including the promotion of equity and diversity in ENERGEN
- Review of employment policies and frameworks aligned with legislative and GOC policy requirements
- Establishing corporate and CEO performance targets and oversight of the performance review process
- Staff survey methodology and results
- Senior executive succession planning and recruitment
- Enterprise bargaining negotiation framework and process.

Oversight of:

- Strategic review of remaining unregulated businesses including divestments and transition processes as appropriate
- Assessing the effectiveness of ENERGEN's treasury, risk management, compliance and governance policies
- Oversight of the Enterprise Risk Management Framework, Compliance Framework, Corporate Risk Profile and reporting
- Oversight of the resilience of ENERGEN's operations during the 2011 floods
- Oversight of the Corporate Compliance Plan and Corporate Reporting.

ENERGEX'S EXECUTIVE MANAGEMENT OF CORPORATE RESPONSIBILITY AREAS

CORPORATE RESPONSIBILITY INDEX AREA	COMMITTEE	CHAIR	KEY RESPONSIBILITIES FOR 2010/11
Community and overall corporate responsibility	Executive Management Team	Terry Effenev, Chief Executive Officer	Oversee ENERGEX business operations Management and monitoring of material business risks and compliance incidents
	Corporate Sponsorship Committee	Peter Weaver, Executive General Manager Customer Services	Monitoring of the ENERGEX Sponsorship Policy Approval of key sponsorships based on ENERGEX Sponsorship Policy
Environment	Environment Council	Chris Arnold, Executive General Manager Network Performance	Monitoring of our environment performance Development and monitoring of our Environmental Strategy and Plan
	Energy Conservation and Demand Management (EC + DM) Steering Committee	Chris Arnold, Executive General Manager Network Performance	Monitoring EC&DM Plan Development of EC&DM Strategy
Human rights and workplace – employee issues	People Committee	Susan Kehoe, Executive General Manager Human Resources	Oversee the 2010/15 People Strategy
Marketplace – supply chain	Investment Review Committee	Terry Effenev, Chief Executive Officer	Review and endorse/reject project business proposals, business cases and project variations Prioritise the Business Change Portfolio
	Financial Risk Management Committee	Darren Busine, Chief Financial Officer	Provides oversight of financial risk management across the business with specific responsibilities including monitoring financial risk management policies and procedures to determine that appropriate internal control processes have been implemented to address key risks
Marketplace – customers/consumers	Corporate Emergency Response Committee	Michael Russell, Director Corporate Governance	Oversee and make recommendations for: <ul style="list-style-type: none"> the annual Summer Preparedness Plan approach to Corporate Emergency planning, methodologies, debriefs, simulations and testing corporate Emergency Management Handbook corporate Business Continuity Plan (BCP)
	ENERGEX Community Consultation Committee	Peter Weaver, Executive General Manager Customer Services	Oversee and make recommendations for the Community Powerline Enhancement Program
	Summer Preparedness Steering Committee	Chris Arnold, Executive General Manager Network Performance	Development of operational plans for summer preparedness
Workplace – health, safety and wellbeing	Safety Council	Chris Arnold, Executive General Manager Network Performance	Monitoring safety performance Development and monitoring of Safety Strategy and Plan

organisational review



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chief executive officer's report 2010/11

ENERGEX Chief Executive Officer Terry Effeney



During the past few years, we have made a number of significant promises:

- promises to deliver value to our South East Queensland Community through on-going improvements in service, safety and reliability of the electricity supply
- promises to our regulators to operate within the financial and regulatory parameters provided
- promises to the retailers and customers to provide accurate data and keep them informed
- promises to our Shareholders to be financially responsible and deliver strong business results.

At ENERGEX we take our promises very seriously and this year I am pleased to report that we have again delivered strongly on these promises.

This was particularly evident in our response to the South East Queensland floods and just a few weeks later our deployment to North Queensland to support the Cyclone Yasi recovery efforts.

With South East Queensland already waterlogged, January saw the rains intensify bringing with it floodwaters engulfing thousands of homes and businesses and consequently, parts of the ENERGEX power network.

Over a period of two weeks, flooding cut power to more than 300,000 South East Queensland premises causing in excess of \$35 million worth of damage to our power network alone.

The extent of the damage was unprecedented as was the magnitude of our response. Our staff mobilised quickly and worked around the clock for weeks cleaning, repairing and replacing power infrastructure to ensure the community could turn its attention to the recovery effort.

Just as our staff returned to their post-flood business-as-usual tasks, Category 5 system Cyclone Yasi crossed the coast south of Cairns inflicting severe damage on some of the area's largest regional centres.

Again our crews lived up to their commitment to the community ethos and 315 of them combined with 298 of our contractor staff assisted Ergon Energy to repair hundreds of kilometres of network brought down by winds of nearly 300km/h.

Two very large incidents with two very similar outcomes. Unprecedented network damage repaired in record time with no significant power-related injuries to staff or the community. This is a great outcome but we could not have achieved it without the support and patience of our customers and community. I thank the community for their support during these events and I commend our staff on their commitment to safety.

Our safety record is one of which we are proud while at the same time one we continue to work hard to improve. Tied closely to our safety value is the ENERGEX-wide belief that the only acceptable outcome is zero injuries.

This is a message that is accepted and resonates well within the community who see ENERGEX as a valued and trusted corporate member of the community.

In fact, our community standing received a significant boost over the summer which became evident in our recent brand tracking research showing that our community regard was at its highest level in three years.

This positive result was also reflected in our 2010/11 Corporate Responsibility Index (CRI).

The CRI closely analyses our corporate responsibility within all business operations ranging from workplace management to environmental policies and practices. Results are then compared to other organisations and a score of one to 100 is given.

This year I am pleased to announce that we had more than a 10 per cent increase on last year's result to 86 per cent. This performance places us in the silver category which is awarded to companies that frequently demonstrate stakeholder engagement and have reliable baseline data.

It is this corporate responsibility that is directly linked to our commitment to the community that we must continue to build upon as we meet our stakeholders' needs and expectations.

Meeting these ideals doesn't just pertain to a high level of service.

Financial responsibility is, and will always be, a major component of the community's expectations.

Therefore, as an organisation ultimately funded by the people of South East Queensland, we must always aim to provide exceptional service at a reasonable cost.

And this year, in the face of adversity and incomparable natural disasters, we still achieved a strong economic outcome with highlights including a Net Profit after Tax result of \$234.7 million (2009/10: \$185.2 million) and a 14.6 per cent growth in our total assets to \$9811.9 million.

This success has been achieved as we work within our new regulatory framework outlined by the Australian Energy Regulator (AER). Through this framework, the AER has provided us with set expenditure levels over the next five years.

Still, with strong economic credentials we must continue to live within our means while delivering our commitment to be a world class distribution network.

This year, despite the obvious impacts of the floods, we delivered record numbers of upgrades to the region's electricity network totalling more than \$3 million per day.

These upgrades included construction of two new zone substations and upgraded capacity at 11 zone substations adding 464 MV.A to the grid.

Delivering such a significant Program of Works and provision of energy services to the region is not only our core business; it's a responsibility that must be provided unilaterally with minimal environmental impact.

Our focus on environmental sustainability continues to provide real benefits to our business and I am pleased to say 2010/11 has seen us again improve our environmental credentials.

Much of this can be attributed to our continued carbon offset of our fleet, enhanced sustainable business practices in the field and the relocation of more than 1,600 staff to our purpose-built Six Star Green Star headquarters in Newstead.

Very soon we will have been at our Newstead office for 12 months. In this time alone we will have cut 2,100 tonnes of our annual carbon emissions which is equivalent to removing 520 cars from the road annually while saving us \$22 million in rent and operational costs over a period of 15 years.

The majority of these savings can be attributed to cutting-edge technology including active chilled beam air conditioning technology, waste management systems, automatic water harvesting and recycling and electricity producing photovoltaic cells mounted on the building's rooftop.

As we look to the future, we have four key priorities for 2011/12. We must refocus on safety and ensure that we perform better than we did this year as we strive to achieve our no injuries goal. We must continue to deliver on our core promises which are the commitments contained in our ENERGEX scorecard.

We need to embed our current improvement projects, including our Program of Work Improvement Program (PoW IP), Power to Perform and Joint Workings and deliver the benefits from them. And we must prepare for changing customer expectations by finding ways to give customers greater choice and the ability to influence their energy consumption.

Finally I'd like to thank our staff for this year's company-wide achievements. Our staff has always lived by ENERGEX's organisational values and this shines through in this year's quantifiable corporate results.

Through their continued commitment to operational excellence we have been able to, once again, deliver an exceptional service to the people of South East Queensland while meeting our shareholders', our regulators' and our community's expectations.



Terry Effeney
ENERGEX Chief Executive Officer

Through our staff's continued commitment to operational excellence, we have been able to deliver an exceptional service to the people of South East Queensland.



executives' profiles

The executive team behind ENERGEX, led by Chief Executive Officer, Terry Effeney.



Darren Busine

Chief Financial Officer

B Ec, FCPA, FFin, GAICD

Areas of responsibility:

Commercial and Finance, Financial Control, Performance Management, Strategic Change and Program Management, Taxation and Treasury, Corporate Governance and Risk and Compliance.

The Corporate Finance and Performance (CF&P) Division is focused on the delivery of balanced commercial outcomes. To support this objective, the division provides a combination of centralised financial management functions and commercial business partnering support through its operational groups.

In 2011/12, Darren and his division will continue to deliver ENERGEX's Business Performance Strategy focusing on identifying improved efficiencies while managing the business' costs. A key focus of the division will be ensuring the delivery of benefits from ENERGEX's major change and investments programs.

Susan Kehoe

Executive General Manager Human Resources

GAICD, BSocWk, BA, MBus

Areas of responsibility:

People Strategy, Workforce Planning, Organisational and Leadership Development, Remuneration and Benefits, Industrial Relations, Employee Health and Wellbeing, Human Resource Operations and Systems, Staff Communications, and Human Resources Consultancy Support.

Susan and her team play an active role in supporting managers to make ENERGEX a great place to work and act as an advocate for its people. They are responsible for ensuring ENERGEX has the right mix of people and skills to achieve its business goals. This is done through planning, recruitment, training and development, a positive workforce culture, staff engagement and effective management of people's performance.

In 2011/12, Susan and her division will continue providing both strategic and operational support to managers to help bring out the best in their people and to create a constructive and collaborative working environment. Some of the key projects for the division include the Power to Perform Program, Workforce Planning and the Wellness Program.

Kevin Kehl

Executive General Manager Strategy and Regulation

B Eng (Hons), Grad Cert Elect Supp Eng

Areas of responsibility:

Strategy and Development, Revenue Strategy, Regulatory Affairs, Corporate Strategy and Strategic Initiatives.

The Strategy and Regulation Division provides a single focal point for coordination of ENERGEX's corporate and regulatory strategies which ensures future business challenges are identified and managed consistently with our vision and values. It is also responsible for the identification and assessment of new business opportunities both within and external to our core activities.

In 2011/12, Kevin and his division's focus will be on implementing pricing strategies that encourage energy efficient behaviour and maintain affordable electricity tariffs; extending the focus of strategic planning to 19 horizons; successfully co-ordinating ENERGEX's corporate strategies to achieve balanced business outcomes; pro-actively engaging with regulators and key stakeholders to secure ENERGEX's position within national electricity market; leveraging core business activities to maximise ENERGEX's efficiency; and optimising the benefits from the introduction of smart network and other technology solutions.

Chris Arnold

Executive General Manager Network Performance

B Eng (Elec), Post Grad Dip Bus Management, MIE Aust, CP Eng, RPEQ, GAICD

Areas of responsibility:

Corporate Occupational Health and Safety, Network Capital Planning, Network Asset Management, Systems Engineering, Environmental Management, Network Property Data and Coordination, Operational Technology and Demand and Risk Management.

Chris and his division are responsible for the strategies and plans which enable ENERGEX to build and maintain the network. The division maintains a focus on the future, developing plans for several years down the track. They place a high priority on understanding how population growth and changing customer needs are driving infrastructure development to keep pace with growth and proactively act in sustainable ways.

In 2011/12, a key focus for Chris and the division will be to balance the need for cost containment with the network's growth and maintenance requirements.



Peter Price

Executive General Manager Network Programming and Procurement

BEng (Hons), M Eng Sc, GAICD

Areas of responsibility: Field Support, Metering Dynamics, Joint Workings, Network Program Management Office, Commercial Group, Business Performance, Procurement & Logistics, and Safety Quality and Environment (SQE).

A key focus for the division will be building a world's best practice program management capability to support efficient delivery of the Program of Work and related support services. They will be working to develop and implement rolling 18 month and five-year programs to align network security and reliability requirements with delivery capability. They will also leverage these rolling programs to optimise contracts with our key materials and services suppliers. A priority will also be reducing the whole of life costs for a range of support services including fleet, training and safety equipment.

In 2011/12, Peter and his division will focus on a number of key projects including continuing the Joint Workings project with Ergon Energy and progressing a non-regulated revenue strategy to further leverage ENERGEX core capabilities into competitive markets.



Bill Lyon

Executive General Manager Energy Delivery

BBus, CertMgt, AssocDipEE

Areas of responsibility: Design, Projects and Works Management, Field Services, Major Projects, Network Operations, Improvement and Delivery Support, and Contract Delivery.

The Energy Delivery Division's key responsibility is to provide customers' energy needs by safely and efficiently designing, constructing, maintaining and operating ENERGEX's network. Energy Delivery has a vast scope of work, including field operations, network customer services, transmission, and network operations.

In 2011/12, Bill and his division will continue to support the implementation of the Program of Work Improvement Program while delivering ENERGEX's Program of Work, according to program scope, cost, hours and time targets.



Peter Weaver

Executive General Manager Customer Services

B.Com, MBA, FAICD

Areas of responsibility: Business Support Services, Customer Contact Centre, Corporate Communications, Customer Advocacy, Energy Market Services, Government Relations, Property Services and General Counsel (Legal).

The Customer Services Division has three key responsibilities: the primary interface between ENERGEX and its customers and stakeholders; the provision of business, legal and commercial property services; and the control of 'meter to cash' processes for the calculation and collection of DUOS revenue.

The division provides support services for the network and administrative functions within the business and is a key link between the designing and planning of work and the construction functions. It also plays a significant role in the energy retail market by providing retailer requested connection services, metering infrastructure and meter consumption data. This role includes the management of the retailer/Australian Energy Market Operator (AEMO) interface and the energy market settlement.

In 2011/12, Peter and his division will focus on delivery of key projects including the Customer Strategy, Program of Work Data Quality Project, Connections Process Improvement, ENERGEX Corporate Property Strategy and Joint Workings.

operational review



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OPERATIONAL REVIEW

During 2010/11, we continued to deliver a strong financial and operational performance across our business units.

putting **safety** first

WHAT WE SET OUT TO ACHIEVE THIS YEAR	HOW WE PERFORMED
Zero LTIs and LTIFR	+ Further action required 17 LTIs and an LTIFR of 2.43 reported in 2010/11. Page 44
Continue implementation of ZIP	✓ Achieved Completed rollout of ZIP with more than 98 per cent of staff having completed training. Page 45
Deployment of our Management of Alcohol and Other Drugs Standard	✓ Achieved Standard deployed and program established for random alcohol and drugs testing. Page 45
Retain our external accreditation to AS/NZS4801 and the Electrical Safety Office requirements	✓ Achieved Retained all our safety accreditation. Page 44
Development and assessment of our Employee Wellness Program	✓ Achieved Launched several initiatives as part of this program. Page 45
Continue implementing Community Safety Strategy	✓ Achieved Updated and continued implementing our Community Safety Plan. Page 44

At **ENERGEX**, our goal is zero injuries within our workplace and the wider community. This year we continued to make significant progress towards this goal through the implementation of targeted initiatives aimed at eliminating, reducing or controlling the inherent risks that come with operating an electricity network.

What we want to achieve next year

- Continue to focus on reducing our LTIs and LTIFR to zero
- Reduce the risk of identified high and medium risk work activities
- Continue embedding the Zero Incident Process (ZIP) Program
- Implement the recommendations from the Fatigue Management Review and the Safety Best Practice Benchmarking Review to ensure that ENERGEX continues to be a leader in this area
- Continue the deployment of our Management of Alcohol and Other Drugs Standard to ensure safe working environments for our employees by introducing random testing for alcohol and drugs and offering support and counselling to those in need
- Seek to retain our external accreditation to AS/NZS4801 and the Electrical Safety Office requirements. Our risk management and auditing process will continue to be refined and used to accurately identify potential risks and implement appropriate measures
- Further development and assessment of our Employee Wellness Program will assist our employees reach a balanced, healthy lifestyle at work and home
- We will continue to review and progress our Community Safety Strategy and program, to achieve ongoing improvement and reduction in the likeliness of a community safety incident involving electricity occurring

Achieving key safety milestones

In 2010/11, we achieved significant safety performance milestones and continued to maintain the number of Lost Time Injuries (LTI), Lost Time Injury Frequency Rate (LTIFR), and Lost Time Injury Severity Rate (LTISR) at industry best practice levels.

These results, shown in Table 1, reaffirm the positive impact of our intervention strategies and programs in recent years. While we are still at best practice levels, our key performance indicators have increased from last year. However, the types of injuries are less severe than in the past and many of the days lost to injuries can be attributed to people with existing injuries requiring additional medical treatment. While we have not yet reached our ultimate goal of zero injuries, we are making progress.

Progress on our eSafe database also continued through ENERGEX-specific customisations and is now becoming a core tool for measuring performance and identifying safety trends. The monitoring and review functionality has been significantly improved to schedule and record safety, quality and process audits across the organisation.

Maintained external accreditation

Our safety management system retained its accreditation to AS/NZS 4801 Occupational Health and Safety Management Systems and the Electrical Safety Office requirements set out in the *Electrical Safety Act 2002* (Qld). Additionally, to ensure adherence to the requirements of the legislation and safety management system, a risk-based internal auditing process was conducted. This process identified opportunities to enhance our safety performance such as improvements to site hazard management, communication processes and record keeping.

A contemporary risk management process, aligned with the requirements of AS/NZS ISO31000 Risk Management Standard, continued to be used throughout the business to accurately identify risks associated with operational activities. This process is at the forefront of contemporary risk management science and has attracted the interest of external safety and risk peers.

TABLE 1: WORKPLACE KEY SAFETY INDICATORS

KEY SAFETY PERFORMANCE INDICATORS	2008/09	2009/10	2010/11
Lost Time Injury Frequency Rate (LTIFR) – total number of lost time injuries per million hours worked during the year	2.34	1.00	2.43
Lost Time Injury Severity Rate (LTISR) – days lost per million hours worked in the year	58.20	9.81	35.81
Compensable Claims Frequency Rate Severity (CCFRS)	–	2.99	2.99
Lost Time Injuries (LTIs) – number of work-related injuries with: defined onset, a medical certificate of incapacity, one or more whole days lost and an accepted WorkCover claim, in the year	16.00	7.00	17.00
Days lost to LTIs	398.00	69.00	250.00

The safety performance of our contractors has continued to significantly improve over the last 12 months with LTIs reducing by 88 per cent to just nine LTIs for 2010/11 (2009/10: 17 LTIs and 2008/09: 34 LTIs).

This improvement in contractor safety performance has been supported by the successful implementation of the Three Tier Audit Framework, the Contractor Management Framework and our partnering approach with our contractors. These initiatives have been driven by the operational business groups within ENERGEX and will continue to remain a key focus into the future.

Maintaining a safe work environment

We have long upheld a safety-first culture throughout ENERGEX. However, this year has seen an evidential positive shift throughout the company, demonstrated by the results now being seen from our five-year Health and Safety Strategic Plan.

The plan provides a structured approach to reducing the risks associated with our operational activities under four key areas: high risk activities, moderate risk activities, systems and processes and behavioural safety. Now in its third year, 15 projects were implemented in 2010/11 to continue the focus on reducing these risks.

The key projects that were addressed in 2010/11 were:

- fatigue management
- load restraint for field vehicles
- motor vehicle safety
- health and wellbeing.

Remaining safe on-site

As part of our risk management framework, the on-site hazard identification and management process was reviewed and deployed to all workers. Supported by 14 generic work method statements, the safety manual and our work practices, the aim of this process is to manage on-site hazards ensuring a safe work outcome for our workers and the public.

National harmonised work health and safety legislation

During the year, we have been actively involved in the changes to align health and safety legislation across Australia. We have participated in consultation and review of the Model Work Health and Safety Bill (now the *Work Health and Safety Act 2011* (Qld)), regulations and codes of practice to influence the legislation to improve safety performance in an efficient and effective manner.

Empowering to change behaviour

During the year, we completed the rollout of our cognitive behavioural safety program, the Zero Incident Process (ZIP). ZIP focuses on providing employees with the information and skills needed to make safe choices at work and become more effective within the systems and environment. It is about empowering people to take control of their personal safety. Since implementation, more than 3,750 employees (98 per cent) have attended the program.

The focus of ZIP is now changing to provide tools to managers and employees in order to continue to use the concepts that ZIP has inspired within our everyday life.

Case study

Lighten Up is a healthy lifestyle program designed by QLD Health for adults who want make improvements to their health and reduce their risk factors for chronic disease. It consists of a number of workshops covering information such as the psychology of behavioural change, nutrition, exercise, weight loss and stress management. To date, ENERGEX has had some impressive outcomes, including the testimonial below, with 100 per cent of participants indicating they would recommend the program to other ENERGEX employees.

"I was diagnosed with (and shocked at) having high blood pressure, averaging 163/95, four weeks ago on my Lighten Up initial assessment. I embarked on a change to my diet and exercise regime as well as making the necessary visits to my GP. In four weeks, I have moved that down to a more acceptable blood pressure of 117/74 (I'm now an expert on the numbers!). Four weeks of personal focus supported by the program content and some simple and sustainable changes to eating, drinking and exercise habits. The program gave me the shock and then the information to make some significant changes. I can feel the difference already and appreciate the opportunity to attend the Lighten Up program."

One of the key components of the ZIP process involved the Personal Big 5 concept – the five most important things that motivate staff to return home safely at the end of the day. This concept really helped employees to identify the important aspects of their life within their own households, ENERGEX and their community.

Improving our health and wellbeing

We believe a healthy lifestyle and workforce not only reduces health risks and prevents injuries, but also boosts employee morale, supports our safety culture and provides customers with a continued high level of service. This year several initiatives were launched as part of our Employee Wellness Program.

These initiatives included:

- healthy choice catering menus
- Lighten Up – a lifestyle modification program designed by Queensland Health to equip participants to make healthier lifestyle choices in the areas of nutrition, physical activity and stress management
- QUIT programs – a quit smoking program
- The Global Corporate Challenge – a pedometer based health initiative
- The Biggest Loser Club – an online weight loss program
- sponsorship of sporting events
- subsidised flu vaccination program.

We also assist employees through our workplace rehabilitation program, which covers both work-related and non-work related injuries and illnesses.

Managing safety risks

Managing alcohol and other drugs in the workplace is a key safety priority. In line with our commitment to a safe working environment and to the ENERGEX Union Collective Agreement (EUCA), the Management of Alcohol and Other Drugs Standard has been formalised and an education and awareness program has been deployed to all staff focusing on the impact of alcohol and other drugs in the workplace. Supported by ENERGEX management and the Unions, a random testing program for alcohol and drugs will be implemented in 2011/12.

A review of current fatigue management practices was also completed during the year following the Brisbane floods and response to Cyclone Yasi. Expert advice was obtained from the University of Adelaide's Centre for Sleep Research and recommendations from this report will be implemented in 2011/12.

Think safe, work safe, home safe

Quarterly corporate safety campaigns relevant to the work and home environments were rolled out throughout the year to further reinforce our safety culture. Following the natural disasters in early 2011, the focus of our safety campaigns shifted to reinforce the importance of remaining safe. Our campaign began to promote the Safe Days (days without LTIs and medically treated injuries) that had been achieved throughout the organisation rather than focusing on the number of LTIs. Our communication material was targeted at the four behaviours that most frequently contribute to incidents:

- complacency
- distraction
- speeding/rushing
- frustration.

A range of educational materials were also developed to deliver these programs.

Celebrating safety

In July 2010, safety was included as a category in the ENERGEX Excellence Awards for the first time. Employees were able to nominate for an award in Excellence in Safety Leadership or Excellence in Safety Solution. We received more than 30 nominations for the awards with Eris Bruni announced as the overall winner of the Excellence in Safety Leadership category for consistently setting the safety standard for the Slacks Creek field crews. Danica Diklic and Scott Cullen were also finalists in this category.

To show our ongoing commitment to employee health and wellbeing, we participated in the Global Corporate Challenge (GCC), the world's largest workplace health initiative. It is a pedometer-based walking challenge where employees engage in a virtual walk around the world for 16 weeks. More than 70 teams, or almost 500 people, entered in the challenge that started on 19 May 2011.

Educating about community safety

This year, we updated our Community Safety Plan which supports the analysis, monitoring and development of successful community education and awareness programs. Within the plan is our community safety framework which provides direction across all key areas including community awareness, business community awareness, a workforce committed to safety, a safe and reliable electricity network, and collaboration and partnerships. Within each category, key messages and opportunities have been identified through the evaluation of research and data.

The primary outcome of the community safety framework is increased electrical awareness and education in the community and amongst businesses which, in turn, facilitates safer behaviours. Key activities this year included consultation and electrical safety education sessions with community groups and direct communication including mail-outs to businesses to ensure they maintain a safe environment when near electrical assets.

Our community education programs address those electrical safety risks and opportunities which have been identified through an analysis of incidents and accidents and may have the greatest impact. These include:

- severe weather
- Look Up and Live and Dial Before You Dig
- home electrical safety
- safetree
- kids safety
- what's going on in your community
- rural safety
- recreation and aviation activities
- boating safety.

More information about many of these campaigns can be found on page 74.



Our community education programs address electrical safety risks within the home.

improving **network** performance

WHAT WE SET OUT TO ACHIEVE THIS YEAR	HOW WE PERFORMED
Improve our Minimum Service Standards (MSS) for network reliability and security	<p>✔ Achieved</p> <p>Achieved better than minimum service standards. Page 48</p>
Report against new Service Target Performance Incentive Scheme (STPIS)	<p>→ On Track</p> <p>Introduced and reported against new STPIS standards and achieved five of the six reliability measures. Page 49</p>
Undertake our planned vegetation management program	<p>✔ Achieved</p> <p>Continued planned vegetation management program with total expenditure of \$72.71 million. Page 50</p>
Continue to deliver energy efficiency and demand management initiatives as part of our Demand Management Strategy	<p>✔ Achieved</p> <p>Trialled targeted home and business initiatives to reduce energy demand. Page 50</p>
Progress investigation into the use of electric vehicles	<p>✔ Achieved</p> <p>Work continued on identifying the impact of electric vehicles on our network. Page 52</p>

Our electricity network is one of the fastest growing in Australia. We plan to invest in the order of \$7 billion during the next five years to ensure it continues to meet the community's expectations for a reliable electricity supply.

What we want to achieve next year

- Improve our service standards for network reliability and security, exceeding the industry minimum service standards
- Achieve the six MSS reliability targets set for 2011/12
- Continue our planned vegetation management program with a budgeted expenditure of \$70.918 million
- Continue investigating the use of electric vehicles and undertake additional market analysis and modelling of user data on the network to determine its impacts
- Continue implementing new software to enhance our Distribution Management System

Network reliability

In 2010/11, weather conditions caused unprecedented damage to homes and businesses across Queensland. Our distribution area was greatly impacted by these severe weather events, which challenged all aspects of our business operation to maintain and restore supply.

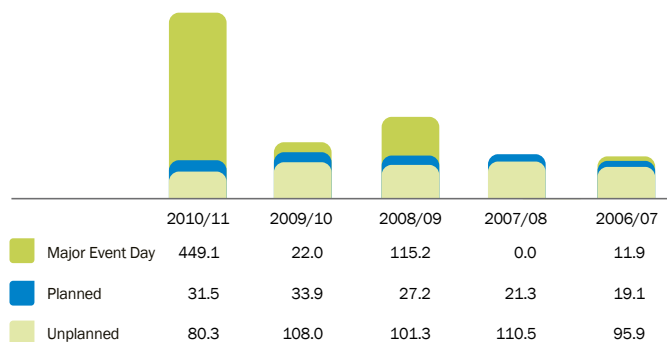
Weather events are one of the key factors affecting variance in reliability performance on the network. However, this year the variance went well beyond the normal range with events so extreme that statistically these results are not expected to be repeated in less than 100 years.

With more than 20 per cent of our customers interrupted at the peak of the January flood event, restoration to 90 per cent of our customers taking several days and rebuilding of significant parts of the network required, our overall SAIDI impact was significantly affected and in excess of 600 minutes. The system SAIDI is shown over the last five years in Graph 1. As demonstrated, the effect of major event days such as the January floods on our network in 2010/11 was almost four times as severe as the next significant year of 2008/09 which included 'The Gap storms'.

Although the storms and flood impact on overall SAIDI was unprecedented, it did not contribute significantly to our normalised urban and rural results, as most of the impact was excluded through major event day declarations. Our normalised SAIDI figures provide a truer picture of the network's day-to-day reliability by excluding major events predominantly caused by severe weather.

However, normalised SAIDI figures for our CBD area were affected by the floods as not all flood impacts were excluded from its calculation. To ensure the safety of residents and businesses within the CBD area, we proactively turned off supply to key CBD substations and feeders between 10 and 13 January.

GRAPH 1: SYSTEM SAIDI (12 MONTH)



Graph 1 tracks our system SAIDI since 2006/07 and demonstrates the significant impact of the major event days on our 2010/11 results.

* Note - The 2010/11 result is YTD at end of March 2011 and will be updated with the actual end of June figures when available

However, only 10 January to 12 January were classified as major event days on a whole-of-ENERGEX basis, which meant interruptions that occurred on the 13 January were included in our CBD performance figures. Despite this, in the past year we still achieved all our reliability Minimum Service Standards (MSS), as set out in Table 2.

This year also saw the commencement of our Service Target Performance Incentive Scheme (STPIS) introduced by the AER for the five-year regulatory period 2010-15. STPIS is intended to encourage distributors to maintain and improve service performance for customers and operates concurrently with our MSS obligations focusing on unplanned performance.

In the past year, we achieved five of our six reliability STPIS targets, as set out in Table 3. We did not achieve the CBD SAIDI target for reasons discussed above.

TABLE 2: RELIABILITY PERFORMANCE

MSS NORMALISED RELIABILITY PERFORMANCE (PLANNED & UNPLANNED)		2006/07 ACTUAL	2007/08 ACTUAL	2008/09 ACTUAL	2009/10 ACTUAL	2010/11* ACTUAL	2010/11 MSS
SAIDI (mins)	CBD	0.00	4.00	3.10	1.20	6.40	15.00
	Urban	80.00	85.00	91.20	88.50	79.30	106.00
	Short rural	203.00	242.00	228.00	216.00	201.60	218.00
SAIFI (events)	CBD	0.00	0.04	0.06	0.08	0.01	0.15
	Urban	1.00	1.05	1.05	1.20	0.91	1.26
	Short rural	2.33	2.71	2.56	2.41	2.05	2.46

Table 2 tracks and compares our MSS performance since 2006/07 and demonstrates how we compared in 2010/11 to our MSS targets.

TABLE 3: RELIABILITY PERFORMANCE

STPIS NORMALISED RELIABILITY PERFORMANCE (UNPLANNED)		2010/11 ACTUAL	2010/11 TARGET
SAIDI (mins)	CBD	6.390	3.300
	Urban	57.010	69.400
	Short rural	142.280	173.200
SAIFI	CBD	0.011	0.032
	Urban	0.836	1.044
	Short rural	1.804	2.285

Table 3 compares our actual STPIS performance against our targeted performance.

This very strong result, while pleasing, is considered abnormal as it is based on a much lower storm contribution than that reflected in the targets. This is due to the majority of our adverse weather resulting in exclusions under the major event day criteria.

To meet our licence conditions and customer expectations, we continue to invest in reliability programs to improve unplanned performance including feeder upgrades, vegetation management and remotely controlled switchgear installation. Other initiatives include a stronger focus on patrolling the network immediately following momentary interruptions to help prevent possible subsequent permanent faults.

We also continue to manage the number and duration of planned outages on the network that interrupt supply to customers by coordinating and packaging work in the area and using generators where available. In spite of this, our planned outages have increased due to the significant amount of work being carried out to build and maintain the network. While we intended to carry out 8,271 planned outages during the year (2009/10: 7,776), five weeks of lost time due to the severe weather events during summer reduced our planned outages to 7,635 events.

Improving our reliability

Improving our performance through STPIS

Our AER Service Target Performance Incentive Scheme (STPIS) commenced on 1 July 2010. Through the use of financial penalties and rewards, the scheme encourages electricity distributors to seek sustainable improvements in network reliability. Network reliability improvements generated under STPIS are in addition to the improvements that customers will experience from other established reliability improvement programs.

During the year, we purchased specialised imaging equipment to assist field crews find the more obscure network defects. This included optically stabilised binoculars, the latest generation of infra-red cameras, and high quality cameras equipped with geo-tagging imagery and GPS derived coordinates. This imagery can be integrated with mapping software to enable further engineering analysis.

Short term weather forecasts from a specialist meteorological service provider were also trialled during summer to indicate the probability (low, medium, and high) of lightning, hail, and high winds. These forecasts are made for a 36 hour period and are broken up into three hour time windows for Brisbane, the Gold Coast, the Sunshine Coast, and the Western area. Through these forecasts, we were able to shape our daily operational planning to take into account any possible storm threat and its effect on our workforce scheduling. The trial was successful and a contract with a specialist meteorological service provider for 36 hour storm threat forecasts has been funded for 2011/12.

Chopper patrols give a bird's eye view of the network

Our annual helicopter patrols continued this year, inspecting around 15,000 kilometres of poles and powerlines.

The \$1.2 million aerial survey of the overhead network allows for early detection of cross arm deterioration or overgrown vegetation impacting on powerlines and poles. It is one of the many ways we are keeping the electricity supply in rural and semi-rural areas safe and reliable, supplemented by vehicle and foot patrols in areas where flying is unable to be conducted. Customers were kept informed prior to helicopters patrolling their area, and in sensitive areas the flight plan was altered at the request of customers.

Managing vegetation to reduce the risk of power interruptions

Vegetation management is a major preventative strategy used to improve community safety and reduce interruptions during storms and high winds. During 2010/11 we spent more than \$72 million and trimmed trees along more than 16,000 kilometres of powerlines to improve network reliability, particularly during severe weather events such as storms and strong winds. Our trimming techniques ensure we balance the aesthetic component of the trees with the responsibility to ensure a safe and reliable electricity supply.

This year we continued a collaborative approach to carry out the program, working with Brisbane City Council to combine our planned trimming efforts with their routine street tree pruning. By using the one contractor and scheduling our programs simultaneously, we have been able to deliver benefits to the community including less disruption and cost savings to both organisations.

We are also continuing to work cooperatively with other local councils through established Memoranda of Understanding to remove and replace risk trees with powerline friendly trees. This year, we invested \$1 million in our largest ever tree removal and replacement program with Brisbane City Council and Gold Coast City Council.

To further reduce the risk to our network during high winds, we also invested \$2.5 million into assessing and removing defective limbs and trees overhanging our electrical wires but outside our normal cutting profile.

In some instances where removal or trimming is considered undesirable by the local community, alternative solutions are being used including realignment or insulation of the overhead network and installation of photoelectric cells to reduce the network required to power our streetlights.

In addition to our planned maintenance program, we continue to undertake ad hoc trimming based on customer requests.

Our summer performance

Summer is a pivotal period for our network performance due to the increasing likelihood of storms, floods, heat and high winds.

Although relatively mild temperatures were experienced in South East Queensland this summer, the strong La Niña weather pattern presented challenges of another type. A return to the higher rainfall patterns last seen in the 1970s saw heavy flooding over much of Queensland and the South East corner of the state. The need to de-energise significant portions of the network in preparation for rising waters dramatically impacted on our network reliability statistics (see page 48).

Our Business Continuity Plans and in particular the Flood Risk Management Plan (see page 58), provided a framework for managing the January flood crisis. By utilising these plans, we were able to restore more than 90 per cent of our network by 15 January, within only a few days of the flood peak. Additionally, there were no significant electrical incidents, unlike Brisbane's 1974 flood related injuries. Further work with various stakeholders is continuing to ensure the lessons learned from this experience can be captured for future benefit (see page 57 for more information). This includes providing information to the Queensland Floods Commission of Inquiry and monitoring any outcomes from this process.

According to the Australian Bureau of Meteorology, 2010 was Australia's coolest year since 2001. Temperatures within South East Queensland reflected this, contributing to a lower than anticipated maximum demand of only 4,674 MW which was 39 MW less than last year. Despite this, there were significant temperature-related demand increases across the network on hotter days indicating a high latent air conditioning load present across South East Queensland.

Although the number of storms experienced this year was similar to 2009/10, the severity of the storms was greater. In addition to the floods affecting more than 300,000 homes and businesses throughout South East Queensland, we experienced 15 major weather events affecting 333,700 customers throughout the summer period. The number of storms however was down from the summers of 2007/08 and 2008/09.

Focusing our network management capabilities

In 2008, we began a project focussed on selecting and engaging a vendor to design and implement Distribution Management System (DMS) applications – consisting of hardware, software and services. Our DMS is a database model of our electricity network which is kept up to date in real time to provide network management and control capability covering the complete distribution network. At its completion, this project will provide an established platform to improve our network performance, increase automation and allow us to have more up to date information for decision making.

In March 2010, we announced GE Energy's PowerOn software as the DMS solution for ENERGEX. In December 2010, the ENERGEX Board approved the implementation phase of the project. We have now finalised the business requirements, design, project timelines and costs. Implementation of the new DMS applications will be a key focus in 2011/12.

Creating a sustainable future network

As we look to the future, we face challenges associated with the introduction of new technology, customer choice and expectations, and the need for continued prudent network investment. To address these challenges, we are working to understand their impacts on our business through a range of pilots and trials to optimise the customer and network outcomes.

Through these initiatives, we hope to make a real difference by partnering with our customers to reduce future price rises related to network investment, while ensuring we can meet their requirements.

Reducing peak demand

In Queensland, peak demand occurs on a few hours of a few hot days a year when the energy network is very congested with people using electricity at the same time, particularly when air conditioners are switched on.

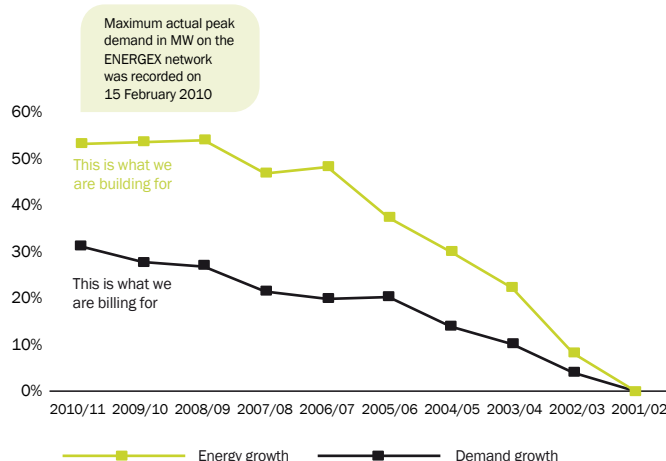
Meeting peak demand is a costly exercise due to the capital investment required to maintain sufficient capacity during these times. Approximately 13 per cent of our \$8.6 billion network is built to supply a demand for energy that only occurs for fewer than 100 hours a year. The rest of the year this capacity remains unused – but still must be maintained and paid for by consumers. While we could continue to expand the network to cater for these peak times, this is not a sustainable approach for consumers or the environment.

As part of our vision for a smarter, more efficient network and to proactively reduce the peak demand forecast, projected at a 71 per cent increase by 2020, we are taking a proactive approach by investing in our energy conservation and demand management strategy. This year, significant progress was made implementing our targeted initiatives following funding assistance provided by the Queensland Government and review allowance from the Australian Energy Regulator to invest in demand management programs. These programs have made a significant impact on our peak demand, as demonstrated in the Australian Alliance to Save Energy's *Report of the 2010 Survey of Electricity Demand Management in Australia*. According to the report, Queensland's peak demand for 2010/11 was the largest contribution to peak demand reduction of any state for the three-year survey period contributing more than 90 per cent of the total national reduction.

Peak demand

Although domestic electricity use peaks each day between 4pm and 8pm, network peak demand only occurs for a few hours on a few days each year. In fact, 13 per cent of our network capacity is only used for a few hours on a few days each year. We are working with the community to develop more sustainable solutions while maintaining a safe and reliable electricity supply.

GRAPH 2: SOUTH EAST QUEENSLAND PEAK DEMAND IS GROWING



Graph 2 demonstrates the gap between the energy growth we are building for versus the energy growth we are billing customers for.

Our target is to achieve real peak demand reductions over the next five years totalling 144 megawatts from current demand forecasts: the equivalent of one third of the power used on the Sunshine Coast on a normal summer's day. By achieving better utilisation of network assets, the benefits can ultimately be passed to electricity consumers through efficient network prices. Graph 2 illustrates the increase in overall energy consumption across our network (energy growth) compared to the increase in demand at peak times (demand growth).

For more information about our customer strategies and initiatives to reduce demand and encourage energy efficiency, see page 63.

Investigating smarter networks

We are making further progress in our long term plans for a 'smart network'. A security and performance management plan was developed this year which led to the configuration of the security framework for our substation fibre communications network. This will provide a foundation for future investments in 'smart networks'. The fibre network provides the capacity for future smart grid initiatives. Power quality monitoring of the network has increased to assess the impact of significant quantities of solar photovoltaic arrays currently installed on the network.

In partnership with Ergon Energy, this year we commenced detailed planning for 'smart network' pilots and trials which were guided by the *Network Vision Outlook to 2030*, a shared network vision for electricity infrastructure in Queensland. Our pilots and trials are focussed on improving power quality, reducing peak demand as well as improvements in reliability. These trials are due to be completed in 2014. The learnings from this program will be delivered over the next three years and will feed into analysis and modelling for our potential investments.

An intelligent network increases connectivity, automation and co-ordination between generators, transmission companies, distributors and customers. While both companies have progressed along this path, the shared vision co-ordinates efforts to maximise the benefits from new technologies while working collaboratively with customers to identify solutions beyond the electricity meter.

Planning for electric vehicles

We have identified the emergence of electric vehicles as a significant factor in the development of the electricity network for the future. In recognition of the potential for widespread adoption of electric vehicles, which provide a path toward lower emissions and less oil dependent motoring, we are working with government and industry bodies to overcome challenges and prepare the electricity infrastructure for their use in the community.

We recognise the need to be well-positioned to meet the recharging requirements for electric vehicles in the most cost effective manner while ensuring the availability, reliability and quality of supply for all network users is maintained.

This emerging electric vehicle market will, however, take many years to evolve meaning that the core questions of how many; how soon; and how they will be used and recharged, are difficult to predict. We will closely monitor the electric vehicle market over time to refine our analysis.

In 2011/12, we will continue to progress the investigation regarding the use of electric vehicles in close collaboration with government and industry. Market analysis, assessments of network impacts and strategic response options will be examined.



Allowing for embedded generation

Since its inception in 2001, the federal government has implemented a number of incentives to encourage the use of renewable energy systems to support the Mandatory Renewable Energy Target (RET). Currently, there are two separate supporting incentives in place – solar credits for newly installed solar photovoltaic (PV) systems and a rebate to eligible homeowners who replace existing electric storage hot water systems with greenhouse friendly solar hot water systems or heat pump alternatives.

Although reducing greenhouse gas generation, such measures provide challenges to our current and future network planning due to their effects on our network. One outcome is an expected reduction in Network Demand Management (NDM) capability as the number of electric element storage hot water systems decline with the uptake of replacement greenhouse efficient systems. This reduction in NDM capability is caused by many systems being installed without demand management capabilities and remaining dependent on electric supply (such as back up boosting for solar systems). In the absence of demand management capability, these systems will potentially further exacerbate already serious network peak demand events. To address this, we have provided incentives to customers to encourage the connections of their solar hot water systems to control load tariffs.

delivering **operational** excellence

WHAT WE SET OUT TO ACHIEVE	HOW WE PERFORMED
Develop and release 2010/11 Summer Preparedness Plan	<p>✔ Achieved</p> <p>Delivered a record \$550 million Summer Preparedness Plan. Page 57</p>
Invest \$1.36 billion on upgrades and maintenance to our electricity network	<p>➔ On Track</p> <p>Targeted investment of \$1.22 billion in building, operating and maintaining our network, increasing network capacity by 464 MV.A. Page 53</p>
Commence the first 11 selected projects under our Community Powerline Enhancement Program	<p>✔ Achieved</p> <p>Commenced 12 projects with one already completed, 11 still underway and three proposed for 2012/13. Page 57</p>
Deliver the 2010/11 PoW on time and within budget	<p>✔ Achieved</p> <p>\$895 million was invested in our network system Capital Program. Page 54</p>
Continue Joint Workings project	<p>✔ Achieved</p> <p>Delivered efficiencies and cost savings through Joint Workings initiatives with Ergon Energy. Page 58</p>

At ENERGEX, we have a vision

for a smarter, more efficient electricity network by 2025. Our strategy is to invest in the capacity, utilisation and reliability of our network while ensuring our systems and processes can support the delivery of this vision. Another way we are making sure that our network of today can meet the needs of South East Queenslanders tomorrow.

What we want to achieve next year

- Continue promoting the Community Powerline Enhancement Program including completing the existing projects that have been identified
- Deliver the \$1,110 million capital planning program for 2011/12
- Continue embedding our Program of Work Improvement Program (PoW IP) into our operating practices
- Develop and implement the 2011/12 Summer Preparedness Plan

Delivering to meet demand

Investing in our network's capacity and reliability

We currently manage electricity assets valued at \$8.63 billion (illustrated in Table 4) and have nearly 3,900 employees working towards delivering an electricity network that supports our customers' lifestyle aspirations and sustainable economic growth. More than \$1.22 billion was invested this year to build, operate and maintain the electricity network. This is the second year we have delivered improvements to our network exceeding \$1 billion despite staff restrictions in January and February due to our flood and Cyclone Yasi response. To reflect these reduced man hours, capital expenditure was reduced by approximately a quarter of a million direct labour hours which were redirected to flood and Yasi rectification works.

TABLE 4: OUTLINES THE CHANGES TO OUR KEY ASSETS SINCE 2006/07

ASSETS	2006/07	2007/08	2008/09	2009/10	2010/11 ³
Total Overhead and Underground (km)	50,044	51,176	52,361	53,256	53,928
Lines – Length of Overhead (km)					
Total	36,200	36,349	36,490	36,607	36,758
LV	14,720	14,732	14,736	14,742	14,751
11 kV	17,709	17,843	17,953	18,032	18,104
33 kV	2,091	2,136	2,161	2,175	2,247
132/110 kV ¹	1,680	1,638	1,640	1,658	1,656
Cables – Length of Underground (km)					
Total	13,844	14,827	15,871	16,649	17,170
LV	8,592	9,083	9,612	9,978	10,214
11 kV	4,207	4,657	5,099	5,469	5,700
33 kV	942	981	1,053	1,092	1,134
132/110 kV	103	106	107	110	122
Other Equipment (Qty)					
Bulk Supply Substations	36	37	37	38	40
Zone Substations	207	213	219	223	227
Poles	612,638	622,064	630,259	638,982	647,648
Distribution Transformers	42,261	43,420	44,613	45,456	46,083
Street Lights	296,849	306,892	314,008	324,111	333,797
Customers					
Residential	1,122,990	1,148,270	1,167,890	1,187,770	1,204,210
Other ²	107,960	110,670	110,310	111,305	111,920
Total	1,230,950	1,258,940	1,278,200	1,299,075	1,316,130

Note 1 – The increase in 132/110 kV line length in 2006/07 over previous reports is due to a data redefinition

Note 2 – Since implementation of a new customer information system in mid 2008, customer type information is no longer readily available

Note 3 – Network line data is to the end of December 2010 and is under review. Remaining network data and customer data is to the end of March 2011

Post these events, revised physical targets were set and have been achieved. The result of our response to these events was a reduction in our anticipated overall Program of Work expenditure from \$1.36 billion to \$1.2 billion. This expenditure is in line with the Program of Work spend in 2010.

This result continues to reflect the increasing demand for electricity in South East Queensland, as illustrated in Graph 3, driven by the soaring domestic use of energy intensive appliances and the continuing population surge.

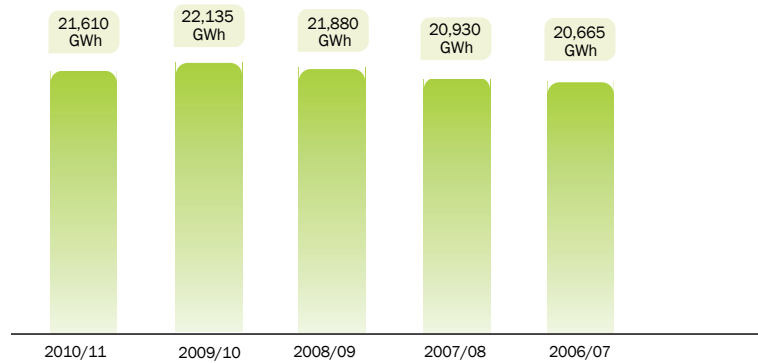
\$895 million was invested in our network system Capital Program, resulting in significant network improvements and increased capacity through the region. During the year we:

- commissioned two new zone substations and upgraded capacity at 11 zone substations, resulting in a 464 MV.A net increase in capacity (illustrated in Graph 4)
- constructed or augmented 17 x 33,000 volt powerlines and 178 x 11,000 volt powerlines to improve reliability
- installed or replaced 520 new distribution transformers via the maximum demand program
- replaced 277 ring main units (11,000 volts) to improve safety and network reliability.

Similarly, almost \$324 million was invested in our network maintenance program to improve reliability and complete customer requested work. In the past year we:

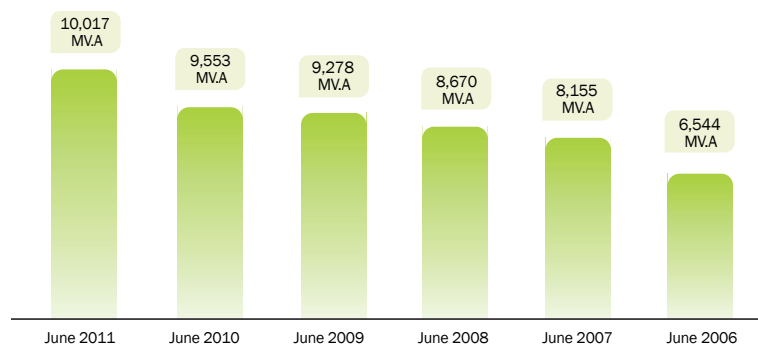
- trimmed vegetation along more than 18,850km of electricity network to maintain established clearance zones
- inspected 116,174 poles to ensure ongoing serviceability of the network
- installed 4,230 spacers on low voltage open mains and replaced 9,877 cross arms to improve safety and reduce interruptions
- replaced neutral clamps on 4,154 low voltage services to improve safety and reliability.

GRAPH 3: SOUTH EAST QUEENSLAND'S ENERGY CONSUMPTION



Graph 3 tracks the change in South East Queensland's energy consumption since 2006/07.

GRAPH 4: ENERGEX NETWORK CAPACITY



Graph 4 demonstrates the increase in our total network capacity since June 2006.

TABLE 5: TOP 20 PROJECTS IN 2010/11

PROJECT NAME	PROJECT DESCRIPTION	\$ SPEND
Bundall to Molendinar	Establish 2 x 110kV underground circuits	30,116,105
Griffin	Establish 110/33kV bulk supply substation	26,881,581
South Pine to Hayes Inlet	Establish 110kV double circuit overhead feeders with one feeder energised at 33kV	25,826,450
Airport Link Northern Busway	Service relocations	12,811,779
Burpengary	Establish two module 33/11kV substation	10,864,813
Tennyson to St Lucia	Establish 33kV underground feeders and decommission two existing feeders	10,554,195
Adelaide Street, Brisbane	Acquire land for substation site	9,950,112
Woodridge	Rebuild 33/11kV zone substation	9,021,648
Whiteside	Establish 33/11kV modular substation	8,982,024
Buranda	Establish 33/11kV zone substation	8,620,305
Airport Link	Establish operational supply to Airport Link	8,140,871
Paddy Gully	Establish a 33kV zone substation	7,734,226
Gympie North	Establish a 33/11kV zone substation	7,471,763
Brisbane CBD	Longterm provision for conduits - stage 1	7,259,274
Ebbw Vale to Moggill	Establish new 33kV feeder	7,110,874
Murrarie	Establish 33/11kV Doboy Zone Substation	6,832,428
Middle Ridge to Postmans Ridge	Establish 2nd 110kV feeder utilising Powerlink's spare 275kV Circuit	6,546,716
Beerwah	Upgrade of bulk and zone substation	6,359,431
Wamuran	Establish 33/11kV zone substation	6,044,715
Lytton	Install 3rd 110/33kV transformer	6,033,636

These projects have been chosen based on their costs within the 2010/11 financial year.

Case study

The \$91 million SunCoast Power Project is the most expensive integrated electricity project ever undertaken by ENERGEX on the Sunshine Coast. The project will pave the way for a complete overhaul of the electricity network on the Sunshine Coast, allowing ENERGEX to deliver a robust and dependable electricity network to homes and businesses now and into the future.

Construction will commence in late 2011 and involves the installation of a double circuit 132,000 Volt (132kV) overhead powerline from Palmwoods east to Pacific Paradise, the construction of a switching station at Eudlo, a new substation at Pacific Paradise and an upgrade to ENERGEX's existing substation at Jones Road, Maroochydore. Once completed in 2014, more than 325,000 Sunshine Coast residents and visitors will benefit from improved reliability and quality of power supply.

The SunCoast Power Project is necessary to meet the rising demand for electricity in one of the country's fastest growing areas. Since 2006, ENERGEX has engaged with the local community who were key in determining a route that will provide the best social, economic and environmental outcomes.

Supporting infrastructure growth in South East Queensland

In addition to distributing electricity to homes and businesses, we also provide support for large corporate and government projects. Recent government action on infrastructure investment has added to the demand for electricity in South East Queensland.

Key projects we supported throughout 2010/11 and will continue to support in the coming year include the Legacy Way Tunnel, Airport Link Northern Busway and Airport Roundabout projects and the Gold Coast Rapid Transit project. These projects generally require the provision of a reliable supply of electricity for both the construction and operation phases. In addition, these projects may require the existing network to be relocated to facilitate project construction. All of this work is done while ensuring a continual safe and reliable supply of electricity to the homes and businesses in the surrounding areas.

Looking to the future, we will be involved in upcoming South East Queensland infrastructure projects including the \$8.2 billion Cross River Rail Tunnel and the next stage of the Northern Busway project.

Improving how we design and build assets

Improving our program of work

Our Program of Work Improvement Program (PoW IP) continued throughout 2010/11 with a focus on finalising the solution design phase and completing the initial phase of deployment. The improvement program was initiated to address the increasing demand for electricity and strengthen our ability to meet supply requirements in the future through efficient and effective use of existing resources.

This year, we have deployed new processes, measures and tools to more than 700 people in the business focused on improving how we plan, program and deliver our Program of Work. Working together across divisions using the new processes and tools will help us meet our AER expectations and achieve a sustainable and balanced business into the future.

In June 2011, PoW IP will enter a new phase and the focus will be to 'stabilise and improve' and 'embed and sustain' the new Program of Work framework. This will involve identifying immediate improvement opportunities and driving consistent application across the various functions and geographies within our business as well as embedding the changes to ensure maximum benefits are realised.

Enhancing the look of our assets

We have established a five-year \$40 million powerline improvement scheme, in conjunction with local councils, designed to improve the look of electricity supplies in areas with significant community benefit. Called the Community Powerline Enhancement Program (CPEP), the project's main focus is undergrounding or bundling existing powerlines in sensitive locations such as major street shopping precincts, sensitive environmental and heritage areas, locations with significant vegetation, high pedestrian or vehicular areas, and in communities abutting bays, rivers and coastlines.

The program commenced in July 2010 and to date we have received 17 project proposals valued at \$20.4 million from six Council areas. Of these 17 projects, one project is now complete, 11 projects are underway and three are proposed for 2012/13. The plan focuses on lower voltage electricity lines up to 11,000 volts.

This project is part of a larger five-year \$100 million program to underground existing and future assets as identified by Local Councils and the community.

Planning for the unexpected

Preparing for summer 2010/11

Severe weather events including storms, floods, extended periods of high temperatures and high winds can cause significant damage to any power network. In preparation for the 2010/11 summer season, we invested more than \$550 million through our Summer Preparedness Plan to improve the resilience of the network and our response to severe weather events.

The 2010/11 plan focused on four major areas of service delivery:

- prepare the supply network for the upcoming summer to minimise outages of customers' electricity supply
- manage and minimise the impact of extreme weather events on customers' electricity supply
- identify and respond to emergencies with the potential to impact on customers' electricity supply
- keep customers informed of electricity supply issues during summer.

Within these areas of service delivery, specific targets were established and achieved prior to summer. These included:

- increasing major substation capacity by more than 700MVA
- upgrades to more than 180 x 11 kV feeders
- upgrades to more than 520 distribution transformers
- vegetation management and trimming of more than 16,500km of the distribution and transmission network
- inspections to more than 12,000 system component (such as poles)
- pre storm aerial patrols of more than 450 x 11kV and 33kV feeders
- replacement of more than 8,000 timber crossarms following system inspections.

Community Powerline Enhancement Program

The Community Powerline Enhancement Program involves six Council areas and aims to improve the visual aspect of electricity infrastructure in sensitive areas. The CPEP is a subsidy scheme which, in conjunction with the required 50 per cent funding by the local government authority, will provide annual funding for projects worth up to \$8 million each year for lower voltage powerlines up to 11kV. This is another way ENERGEX works within our community to provide a safer and more visually appealing environment.

While our summer response plan could not have predicted the severe weather events that affected South East Queensland throughout 2010/11, our Business Continuity Plans and Flood Risk Management Plan provided a framework for managing the January 2011 flood crisis. These plans were important in their contribution to the efficiency of the flood preparation and response (see page 50 for more information on our summer performance).

Improving our summer response

We are now identifying opportunities to improve our processes by conducting a full review of the flood events to identify improvements to our current systems and processes.

We have already identified a number of areas where there is opportunity for improvement. Some of these relate to our internal processes while others relate to issues affecting the wider community, like the location of CBD electricity distribution assets.

During the next 12 months, work will continue to:

- revisit our processes for determining the best location of future assets to ensure assets are placed well above Q100 levels
- review our current Flood Plan and make it publicly available
- update our current database to include contact details and substation/switching access point for each of our CBD sites and work with companies located within these facilities to ensure their business continuity plans including damage to electrical equipment
- review our emergency communication protocols with stakeholders
- review our electrical connection process and ensure protocols are in place for generator deployment.

Managing our flood risks

As part of our ongoing and proactive Summer Preparedness Program, we developed a Flood Risk Management Plan in 2010 in response to the incoming La Nina weather system. The Flood Plan applied to Brisbane and Ipswich. A Gympie specific Flood Plan had been in operation since 1995/96 because the Mary River in Gympie is prone to flooding.

The key objectives of our Flood Plan are:

- safety at all times to the public, employees and other emergency services employees
- a coordinated response to an emergency
- speedy restoration of adequate supply to customers
- timely restoration of the network to normal operating conditions
- resumption of normal operations as quickly as possible.

The Flood Plan also contains a detailed plan for our communication internally, with Emergency Services (including the Police, SES and local disaster coordinators), and with the public during a flood event.

During the flood events, our Flood Plan assisted us to:

- identify which assets were at risk of inundation
- develop asset management procedures based on this risk
- coordinate our network operations' response
- liaise effectively with other stakeholders
- determine how and what information needed to be provided to customers related to flood risks and public safety.

In preparation for the next summer season, we intend to have the Flood Plan endorsed as part of our Summer Preparedness Plan and to have high level information about the plan publicly available to allow our customers to plan their own Business Continuity Plans or Disaster Recovery Plans.

Identifying internal efficiencies

Focusing on our core business

We continue to assess our core business and in 2010/11 completed the asset sale of Varnsdorf Pty Ltd, a co-generation business based in Victoria, and entered agreements to sell two small power stations at landfill gas sites in Victoria. Through divestment of these non-core assets, we can continue to focus on our core business of delivering reliable electricity to South East Queenslanders in a safe and sustainable manner.

Producing results by working together

During the year, we continued working together with Ergon Energy to implement the benefits identified by our Joint Workings program. The program commenced in 2007 and after extensive research and consultation, identified a number of areas in which closer cooperation could deliver significant benefits to both businesses and our customers.

Key areas of progress in 2010/11 included in condition monitoring which identifies appropriate methods and strategies for monitoring, analysing and assessing the condition of our network assets; in substation design to improve safety and quality, reduce cost and construction time on site; in our corrective and preventive maintenance areas to ensure a consistent approach across the two companies; and in our procurement and logistic areas through inventory holding optimisation, reductions in inventory returns and economies of scale through joint purchasing. Additionally, joint manuals were developed in defect classification, plant rating, public lighting and connections and metering.

Joint Workings continues to be accomplished through one off collaborations, joint technical committees, centres of excellence and formal sharing processes. Each of the approaches has fitted the needs of the project and enabled its success.

Next year, the project team will enter phase three focusing on ten new initiatives to provide further benefits and savings to both businesses.

Improving our decision making capabilities

The aim of our Performance Management (EPM) Program is to deliver a single source of truth for data, via a data warehouse, and a consolidated reporting platform, through a data model and intelligent reporting engine with drill down capability.

EPM will improve our corporate performance and business decision making capability by providing improved information accessibility, transparency, consistency and quality.

During the year, we completed the first phase of this project which identified the systems and processes required to support the EPMS rollout and sustained use throughout the business.

It is scheduled for completion in 2014.

responding to **customer** expectations

WHAT WE SET OUT TO ACHIEVE	HOW WE PERFORMED
Continue to provide information and advocate information on energy efficiency initiatives	✔ Achieved Continue to promote energy efficiency through targeted programs for homes and businesses. Page 63
Continue customer attitude and behaviour tracking	✔ Achieved Consistently strong customer satisfaction levels with corporate reputation again rating near the top 10 per cent of utilities. Page 60
Execute the Auto Guaranteed Service Level (GSL) Project	✔ Achieved Project completed and delivered the changes required to fulfil amendments to the Queensland Electricity Industry Code. Page 62
Trial the Rewards Based Tariff (RBT) initiative in late 2011	✔ Achieved In partnership with Ergon Energy, this year we commenced a two year trial into RBT to investigate the impact of theoretical electricity pricing structures. Page 66

We strive to maintain open, honest and regular communication with our customers to ensure we proactively understand and respond to their energy-related choices.

What we want to achieve next year

- Establish additional Energy Conservation Communities within the Ipswich Council area and further expansion within the Moreton Bay and Sunshine Coast Council area
- Establish an Energy Information Centre in conjunction with Ergon Energy to provide end users with quality information about Demand Management and Energy Conservation
- Continue tracking customer attitudes and behaviour
- Continue trialling the Rewards Based Tariff (RBT) initiative in 2011/12
- Establish systems and process changes required to comply with NECF legislative package from 1 July 2012
- Review existing network tariffs to align with the proposed Queensland Government tariff changes
- Continue developing and implementing our Customer Service Standards

Award winning customer service

In July 2010, our Customer Contact Group was again recognised for its award winning service at the Australian Teleservices Association Awards, taking out Australian Teleprofessional of the Year and Queensland Contact Centre Champion of the Year. The awards recognise achievements of the highest level within the call centre industry. Our five-year consecutive state and national success demonstrates the quality of service, support and customer care provided to the community.

In total, we responded to 1,136,777 customer enquiries via telephone, email, letter and fax (2009/10: 897,954 enquiries). We answered almost 74 per cent of calls to our general enquiries number within 20 seconds (excluding the flood and storm event period). Our Contact Group received more than 563,000 loss of supply calls (2009/10: more than 436,000) and more than 43,000 emergency calls (2009/10: more than 43,000).

While we continue to achieve these high standards, ongoing improvement remains a focus. The Customer Contact Group continued trialling Remote Response which will see Contact Group standby staff being able to log in and work from home when called upon during storms or large scale outages. The overall benefit to our customers would be shorter waiting times during the earlier stages of a high call volume event.

Sharing information in emergencies

Throughout the devastating weather effects of January 2011, we continued to provide information to affected residents through an array of mediums.

Over the course of these events, the ENERGEX Customer Contact Group received nearly 180,000 emergency and Loss of Supply telephone calls with customers waiting less than 20 seconds on average to be answered.

In addition to these calls we provided proactive communication to residents through more than 54 media releases, three Courier Mail advertisements and 974 Australian Traffic Network radio spots culminating in 4,874 media mentions throughout the period.

Utilising social media, we also provided 270 twitter messages to more than 2,300 of our twitter followers and a new webpage was developed specifically for flood information.

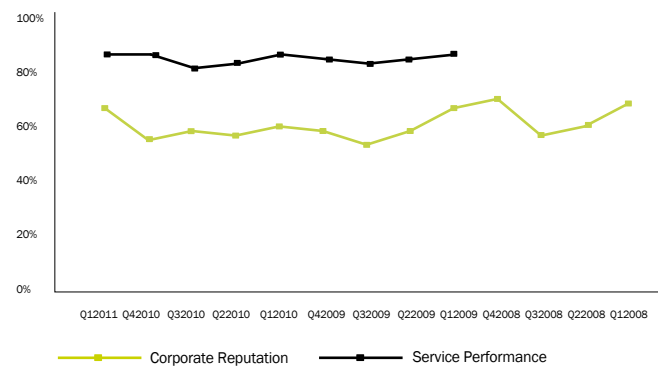
We also deployed a mobile communication centre across the worst affected areas providing information, electricity to mobile telephones and food and water to residents.

Immediately following the flood events, ENERGEX was called upon to assist in managing calls for Ergon Energy in the wake of Tropical Cyclone Yasi. Over a seven-day period, ENERGEX staff answered over 1,400 Loss of Supply calls with an average speed of answer of 23 seconds.

Customer satisfaction remains high

We engage an independent research company to assess customer satisfaction, perceptions regarding our delivery of service to customers who have direct contact with us and the community's perception of ENERGEX acting as a 'good corporate citizen'. This research assists us to understand and improve our performance and service delivery. Graph 5 demonstrates our consistently strong customer satisfaction levels over the past three years, with corporate reputation again rating near the top 10 per cent of utilities. The graph also highlights customers who have had direct contact with us have a significantly higher perception of our performance than the general community. Understanding what our customers expect now and in the future plays a significant part in our strategic planning.

GRAPH 5: CORPORATE REPUTATION + SERVICE PERFORMANCE RATINGS



Graph 5 compares our performance in corporate reputation and service performance since 2008. Our corporate reputation benchmarks (as determined by the worldwide marketing research company, TNS) are:

- 63%: Top 10% utilities
- 51%: Top 33% utilities
- 43%: Mean utilities

* Note - Benchmarking applies to corporate reputation index only. The questions used to derive results between corporate reputation and service performance vary slightly, however it does indicate direct contact leads to a higher engagement score with customers

Encouraging a customer-centric organisation

In 2010/11, our **customer care** program continued to focus on developing, encouraging and recognising excellent customer service within ENERGEX. This year saw an increased emphasis on contractor training sessions and customer service training for new apprentices with 429 contractors and 76 new apprentices attending courses to better manage their daily interactions with our customers and the South East Queensland community.

Feedback gathered from staff who attended these sessions and from our customers has directly led to the development of a 'Damage to Property' feedback card. These cards are used by field staff and contractors to provide customers with the process and contact details to rectify any damage that may have been inadvertently caused to customer property by ENERGEX during the course of our activities. The card overcomes difficulties advising customers if they are not present at the time of the damage and the issue cannot be discussed directly. The aim of this card is to ensure that adequate communication with the customer occurs following damage to property and will ultimately lead to improved service.

Recognising excellent customer service is a key focus of the **customer care** program. During the year, we relaunched our **customer care** recognition scheme rebranding it the ENERGEX Excellence Awards. This new program expands on our original **customer care** awards program by introducing a number of new award categories recognising excellent staff performance in the areas of safety, innovation, environment, projects and performance.

More than 650 staff and contractors received an Excellence Award nomination in 2010 and a selection of representatives from each category attended the Inaugural Excellence Awards ceremony in May 2011. In total, 29 category finalists were recognised on the night with 17 awarded an Excellence Award.

A new Chairman's Award was also launched at the event for 'recognition of consistent excellence and outstanding demonstration of the ENERGEX values.' This was awarded to Alex Blauw, Project Manager and winner of the Project Champion Award for his outstanding professionalism, attention to detail and assistance with a number of key zone substation projects.

Recognising our top suppliers

Providing a customer-focused service requires effective assistance from a range of external organisations that supply us with service. We rely on around 400 contracted suppliers of goods and services to assist us with everything from building and maintaining the network to supplying photocopy paper. The ENERGEX Supplier Quality Awards have been running for more than 20 years and recognise outstanding achievement by our suppliers and contractors. This year, eight suppliers received quality awards across the seven categories.

Guaranteeing good service

The Queensland Electricity Industry Code (the Code) specifies Guaranteed Service Levels (GSLs) that we must provide in relation to the timeliness of service received by small customers. We are required to pay a financial rebate (detailed in Table 6) to the customer if the following service standards are not met:

- keeping an appointment with a customer
- not connecting or reconnecting electricity on time
- wrongfully disconnecting a customer
- failing to reconnect hot water supply within one business day (unless otherwise agreed)
- failing to give at least two business days notice of a planned power interruption
- interruption to electricity of more than 18 hours for urban or rural customers, or eight hours for CBD customers
- more than 10 interruptions for CBD or urban customers, or more than 16 interruptions for rural customers, in one financial year.



ENERGEX Chairman John Dempsey presents the inaugural Chairman's Award to Alex Blauw.

In a review of the GSL program by the Queensland Competition Authority (QCA), three major changes to the Code were implemented on 1 July 2010:

- three month time limit for customers to lodge a claim
- one month time limit for processing claims
- all seven types of GSLs will be identified and paid automatically.

To meet these new requirements, an Auto GSL project was established in November 2009 to ensure the timely implementation of these changes. Through this project, we delivered the people, process and information technology changes required to fulfil these amendments to the Code while working closely with Ergon Energy to ensure a consistent joint approach.

The QCA deems electricity distributors accountable for the administration of the GSL program regardless of whether the error was caused by the distributor or retailer. In the 2010/11 financial year, a total of 7,077 GSL claims were paid as displayed in Table 6. Customer service related issues generated 6,712 GSL claims and reliability matters initiated the remaining 365. All claims have been apportioned between the relevant stakeholders with 6,947 attributed to ENERGEX and 130 to the retailers.

Maintaining consistent customer communication

Customer Service Standards Program

During the year, we established a Customer Service Standards Program to review our interactions with customers in our everyday business activities. Since the introduction of Full Retail Contestability (FRC) and the sale of our retail arm, our environment has changed and, until now, there has not been a holistic review of the impact of that change on interactions with our customers.

We need to make sure that our services are the right services based on our role as a distribution service provider, and that our customers and staff understand what services we provide and how we provide them.

The Customer Service Standard Program identifies:

- what customer services we should be performing
- how the services should be performed
- who is accountable for delivery of those services
- what is the commercial impact of the standards.

Following an initial review, we have developed, and are implementing, customer standards for more than 70 identified customer interactions. Customer standards will assist us to continue to serve our customers in a way that is consistent, economical and meets our customers' and shareholders' expectations. This program is scheduled to continue into 2012.

TABLE 6: GSL CLAIMS PAID BY CATEGORY AND ENTITY SOURCE

GSL EVENT	TOTAL GSL CLAIMS PAID		ENERGEX RELATED		RETAILER RELATED	
	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11
Reliability						
Reliability – interruption duration	2	365	2	365	0	0
Reliability – interruption frequency	0	0	0	0	0	0
Total Reliability	2	365	2	365	0	0
Customer Service						
New connection	138	240	137	240	1	0
Wrongful disconnection	293	317	162	226	131	91
Failure to reconnect	482	183	289	147	193	36
Hot water complaint – failure to attend	0	1	0	0	0	1
Missed scheduled appointment	15	1303	15	1301	0	2
Planned interruption – Business	2	404	2	404	0	0
Planned interruption – Residential	26	4264	26	4264	0	0
Total Customer Service	956	6712	631	6582	325	130
GSL TOTAL	958	7077	633	6947	325	130

Electrical Contractor Stakeholder Management

The Electrical Contractor Stakeholder Management team continued to maintain strong working relationships with electrical contractors; recognising the importance of an efficient and coordinated approach to the delivery of customer connection services.

The existing Electrical Work Request (EWR) Web Portal, our key online communication tool for electrical contractors, is now widely used by electrical contractors. This offers an efficient way for electricians to manage their work and customer enquiries by providing them with the ability to track jobs online and receive updates on application and connection progress directly to their mobile phones, emails and through web access. Since its implementation, more than 119,000 EWRs have been submitted via the web portal by electrical contractors.

During the year, almost 88 per cent of EWRs were submitted electronically and 12 per cent submitted via fax.

Workload in connections continues to grow rapidly, with the number of EWRs received increasing from the monthly average of 9,481 in 2010 to an average of more than 13,000 in 2011. This is largely due to the increased uptake of solar photovoltaic installations (see page 83 for more information).

During the January floods, communication of power restoration arrangements with electrical contractors was vital to ensure customers were re-energised as quickly and as safely as possible. In conjunction with the Master Electricians Australia, we added instructions to our website for electrical contractors, detailing what processes needed to be followed to get supply restored to flood-affected residents. This was done to streamline efficiencies during the flood crisis and subsequent recovery phase. In normal circumstances, we also require a request from the customer's retailer for reconnections, but this was bypassed due to the extraordinary circumstances.

During the floods, we were regularly asked by our customers for information about retaining the services of a qualified electrician.

We coordinated with the Master Electricians Australia (MEA) to advise customers through the media and during our onsite work about the best way to retain an electrician's service. In addition, we informed the MEA of any multiple disconnections in one area so they could arrange to have electricians available for customers in need of services. Finally, a recommended fee of \$200 was negotiated with the MEA members for a mandatory basic inspection service to flood affected customers.

By coordinating with the MEA, we were able to assist customers with a seamless reconnection process.

Maintaining effective relationships with the retailers

We maintain regular contact with retailers, including quarterly interstate visits to discuss the major issues being faced by ENERGEX and retailers, and periodic teleconferences to actively engage retailers in proposed process changes. A satisfaction survey is also conducted annually to gauge retailers' opinions on our performance. In the latest survey, we scored 84 per cent (2009/10: 66 per cent), well above our target satisfaction level of 65 per cent.

Following the sale of the three retail arms of the New South Wales government's state-owned electricity companies to Origin and TRUenergy, which occurred on 1 March 2011, we worked with the impacted companies to ensure a seamless transition for any South East Queensland-based retailers and customers.

Origin and AGL continue to be the largest electricity retailers operating in our distribution area, with approximately 62 per cent (up from 57 per cent in 2009/10 due in part to the New South Wales purchase) and 25 per cent (down from 29 per cent in 2009/10) of customers respectively. TRUenergy is the next largest retailer with approximately six per cent of customers. Customer transfer activity remains high although there has been a slight drop off from January 2011.

On 1 February 2011, new credit support provisions were enacted in the form of a guideline issued by the QCA. The guideline outlines when we may request credit support from a retailer which is dependent on the network charges payable by the retailer and the retailer's credit rating and payment history. The guideline replaces the provisions that existed in the Standard Coordination Agreement between ENERGEX and retailers. Although the guideline differs from the previous SCA provisions, it does align with the methodology that will be applied nationally under the National Energy Customer Framework (see page 66 for more information).

Providing energy efficient advice

Encouraging off-peak use

Connecting hot water systems to off-peak tariffs, where electricity is provided for limited hours per day at a discounted rate, is an excellent way to reduce a customer's power bill while assisting us to better manage our peak electricity load. However, a declining customer base for connections of hot water systems to an off-peak tariff meant only four per cent of new hot water installations were utilising the off-peak connection.

During the year, a project was formed to raise customer awareness of off-peak tariffs through an advertising campaign, participation in the Brisbane Home Show and the offering of a \$100 rebate for hot water systems that connect to off-peak.

In addition, industry engagement was carried out with hot water manufacturers, electricians and plumbers, training authorities and our field staff to engender their support for off-peak connections. Early indications suggest since the start of this program in September 2010 there has been a positive increase in customer connections to the off-peak tariff (April 2011: 5.8 per cent).

Promoting energy conservation and demand management in the home

As part of our energy conservation and demand management program, we have been working at the grass roots level with households, community groups, local councils and the State Government to promote awareness and practical cost-effective solutions to energy conservation and demand management in the home.

Through initiatives such as the 'Cool Change' and 'Energy Conservation Communities' programs, we have actively engaged with more than 5,000 households and various community stakeholders in Brisbane, Gold Coast, Redlands, Sunshine Coast and Moreton Bay Council areas to deliver a package of services and products that are helping combat peak demand on the electricity network and promote the more sustainable use of energy.

Services and products offered currently include the installation of demand management technology on air-conditioners and pool filtration systems in the home enabling these appliances to be cycled. In addition, rebates have also been offered to assist households in converting their pools and greenhouse efficient hot water systems to off-peak tariffs, helping households not only combat peak demand but receive cheaper power when operating these appliances.

Participation in these residential programs is voluntary and based on individual household circumstances. Next year, we hope to expand our residential energy conservation and demand management programs into new communities in Ipswich and the Moreton Bay area to improve utilisation on critical parts of the our network.

In addition to working with households, we have been working with local councils, community groups and schools in promoting understanding and awareness of energy conservation and demand management in the community. Schools and community groups have also benefited from the program directly with nearly \$180,000 worth of grants being made available through local energy conservation community benefit funds.

As we continue to work with industry and governments in developing new solutions to demand management and energy conservation, it is expected that active resident participation and community engagement will continue to expand, building on the success established in 2010/11.



We have actively engaged more than 5,000 households to deliver energy efficiency and peak demand initiatives including installation of demand management technology on air-conditioners.

Encouraging businesses to conserve energy

Our Commercial and Industrial Initiative involves working with business consumers to offer financial incentives to undertake Energy Conservation and Demand Management (EC&DM) based projects to reduce peak demand on our network.

The initiative aims to identify the most cost-effective technology solutions, commercial models, and develop and demonstrate expertise to proactively implement these solutions.

We directly engage potential consumers for the program including approved suppliers of EC&DM services. Options typically include energy efficient lighting, heating, ventilation and cooling; distributed generation including customer generation, cogeneration and tri-generation; fuel switching, load shifting and load curtailment.

During the past year, contracts with consumers to secure 26MW of peak load reduction have been entered into with feasibility studies commenced at more than 44 other sites and in excess of 60 additional consumers being made aware of the initiative.

Responding to regulatory and market forces

We have identified a range of important regulatory and market changes that will impact on our customers within the next two to three years.

National market developments

We are actively contributing to the continued development of the regulatory framework. We have strong engagement with policy and regulatory agencies on a range of issues including the Retail Tariff Review, the development of the National Energy Customer Framework (NECF), consultation on the Regulatory Investment Test for Distribution (RIT-D) and in the merits review application on the gamma decision in response to the Australian Energy Regulator's (AER) final determination.

Retail Tariff review

In May 2011, Queensland's Minister for Energy and Water Utilities, The Hon. Stephen Robertson, announced changes to the retail tariff structure in Queensland. These changes will see the existing residential flat rate tariff (Tariff 11) replaced with alternate structures that provide customers with incentives to manage their usage and cost.

We are reviewing existing network tariffs to align with the proposed changes and will be working closely with the Queensland Government, the Queensland Competition Authority (QCA) and our industry partners on this tariff reform.

NECF represents the most significant change for us in our interactions with customers, retailers, regulators and market institutions since the introduction of Full Retail Competition in 2007.



Trialling rewards based tariffs

In partnership with Ergon Energy, this year we began trials into Rewards Based Tariffs (RBT) to trial the impact of theoretical electricity pricing structures. The trial is being carried out over two financial years (2010/11 and 2011/12) and involves approximately 3,500 consumers in selected suburbs throughout Cairns, Toowoomba and Brisbane. This trial seeks to identify whether volunteers across the state are willing and able to respond to, and benefit from, electricity prices that differ depending on the time of day and peak periods.

The tariffs under investigation encourage users to carefully consider how to limit their electricity consumption during peak periods and offer incentives to shift discretionary usage into low price periods. Three types of tariffs are being tested throughout the trial including a time varying tariff (incorporating a dynamic peak price and a time-of-use price), and a maximum demand (capacity based) tariff, specifically targeting high demand days. The trial does not change the way consumers are billed by retailers, rather consumers receive performance statements that provide feedback on their performance based on the trial's theoretical electricity prices. Consumers are encouraged to respond to these theoretical trial prices through reward incentives.

The Rewards Based Tariffs initiative aims to assist us in gaining an understanding of customer acceptance and behaviour towards tariffs of this nature, highlight the challenges faced by consumers in responding to new pricing structures and develop our understanding of the effectiveness of such tariffs in reducing peak demand. These learnings will feed into shaping future initiatives and government tariff policy.

The National Energy Customer Framework

The National Energy Customer Framework (NECF) represents the most significant change for us in our interactions with customers, retailers, regulators and market institutions since the introduction of Full Retail Competition (FRC) in 2007.

Established following discussions by the Ministerial Council on Energy, the NECF involves the harmonisation of state-based regulatory frameworks (excluding retail price regulation and community service obligations) for the retail energy market and energy distribution sector into a single set of national rules. The focus of the NECF is on providing a regulatory framework for the relationship between energy customers and the energy retailers and distributors that supply them and includes a range of energy-specific consumer protections.

The majority of the new regulatory obligations arising from the NECF legislative package is expected to take effect in Queensland from 1 July 2012.

We are now focusing on the application of our new regulatory requirements and ensuring the necessary system and process changes. We will also be engaging with relevant stakeholders including electrical contractors and consumer groups to ensure compliance by 1 July 2012.



engaging our **community**

WHAT WE SET OUT TO ACHIEVE	HOW WE PERFORMED
Improve our Community Regard Index (CRI) score from 2009	✓ Achieved Achieved a CRI score of 86 per cent, an improvement of 10.68 per cent from 2009. Page 70
Support the community through our 2010/11 sponsorship program	✓ Achieved Continued to provide around \$1.35 million in funding and support to South East Queensland communities. Page 71
Complete the trial of new stakeholder engagement database and assess its effectiveness	✓ Achieved Completed trialling of our SUGAR database program with additional training required prior to its organisation-wide implementation. Page 69
Update our Community Consultation Manual	✓ Achieved Updates to the manual included a community engagement policy, a standard Terms of Reference document for the establishment of community reference groups, and the redefining of our community engagement processes for major projects. Page 69
Launch the new ENERGEX website	✓ Achieved Redesigned and relaunched website in May 2011 to provide greater avenues for information sharing across the site. Page 68

We continue to consult, inform and engage with our local communities to maintain a strong link between ENERGEX and the South East Queensland community.

What we want to achieve next year

- Continue supporting the community through our 2011/12 community partnership program focusing on local community initiatives, safety, education, and sustainability
- Commission the London Benchmarking Group Australia New Zealand to review our community partnership portfolio. The Group boasts 52 members and provides approaches and valuations for a range of community contributions and an international standard for measuring and benchmarking corporate community investment
- Continue monitoring and updating our stakeholder management strategy to reflect changing business requirements
- Continue trialling our new Community Benefits Fund which focuses on investing in the neighbouring communities which may be impacted by specific major projects
- Maintain our commitment to transparent corporate reporting through the CRI initiative

Working in our communities

Identifying the optimum tools and processes for engaging with our local communities has been a key focus in 2010/11.

Expanding our communication channels

This year we further expanded our social communication channels and are now actively involved in online forums including Whirlpool, a leading Australian internet and technology discussion forum. We engage with the community through social networking channels including Facebook, Twitter and YouTube.

Our website (www.energex.com.au) was also redesigned and relaunched in May 2011 to provide greater avenues for information sharing across the site. In adherence to W3C Web Content Accessibility Guidelines, Version 2.0, Level AA, the site uses assistive technology compatibility (such as screen readers for visually impaired users) and can be listened to using BrouseAloud.

Key benefits of the new site include:

- energy demand indicator showing South East Queensland's current electricity usage
- links to connect with our social networking channels
- social sharing tools to help the community spread our messages
- ability to register for ENERGEX updates and alerts
- new weather centre featuring local weather information and lightning tracker.

This two-way dialogue provides a platform for discussions, ideas generation and feedback – all designed to enhance the customer's experience and engagement.

Communicating network maintenance, upgrades and safety

We continued to keep the community informed of key upgrades to their electricity supply via flyers, stakeholder letters and advertising of more than 200 capital works projects.

In addition, nearly 500 media releases were distributed with 20 per cent of these relating to safety during this summer's wild weather and flooding.

Consulting on major infrastructure

We are continuing to ramp up our community consultation activities across South East Queensland, in line with our major projects under the Community Infrastructure Designation (CID) process.

Our consultation efforts are part of our commitment to delivering our infrastructure program in line with community needs.

This year alone, we participated in more than 10 activities; 141 community, stakeholder and landowner meetings; and distributed more than 26 types of communication relating to several major infrastructure projects to ensure the public is adequately informed.

Communities had input into the design process, for example, negotiating the specific location of power poles and also assisted in revegetation and landscape designs.

We also engaged other key stakeholders including elected representatives, local councils, other infrastructure providers, and organised groups to ensure that all affected parties were involved from an early stage and common goals were achieved.



Our consultation efforts are part of our commitment to delivering our infrastructure program in line with community needs.

TABLE 7: 2010/11 MAJOR CONSULTATION PROJECTS

PROJECT	CONSULTATION ACTIVITIES	PROJECT STAGE
Abermain to Lockrose 110kV single circuit	<ul style="list-style-type: none"> Stakeholder briefings (completed) Community information days (2 x November 2009, 2 x August 2010) Public feedback periods Meetings with landowners (ongoing) 	<ul style="list-style-type: none"> CID submitted under the <i>Sustainable Planning Act, 2009</i> in May 2011
Loganlea to Jimboomba	<ul style="list-style-type: none"> Stakeholder briefings completed Community information days (May 2009 and March 2010) Public feedback periods Meetings with landowners (ongoing) 	<ul style="list-style-type: none"> CID submitted under the <i>Sustainable Planning Act, 2009</i> in September 2010
Mudgeeraba to Tugun 110kV double circuit	<ul style="list-style-type: none"> Stakeholder briefings (ongoing) Community information days (March 2008, May 2008 and April 2010) Public feedback periods Meetings with landowners (ongoing) Established and engaged with community reference group 	<ul style="list-style-type: none"> CID process discontinued Project/future network requirement for the area are under review
SunCoast Power Project	<ul style="list-style-type: none"> Stakeholder briefings Community information days (March 2008, May 2008 and April 2010) Public feedback periods Meetings with landowners Established and engaged with community reference group 	<ul style="list-style-type: none"> This project was designated under the <i>Sustainable Planning Act, 2009</i> in April 2011 The project is now in the design phase
Sunrise to Peregian	<ul style="list-style-type: none"> Stakeholder briefings (ongoing) Meetings with local community and environmental groups (ongoing) Landowner meetings (ongoing) Meetings held and working relationships formed with other government agencies 	<ul style="list-style-type: none"> Preliminary consultation activities undertaken Corridor Selection Report developed Work will now begin on developing the Draft Initial Assessment Report
SunSouth Power Project 110kV double circuit	<ul style="list-style-type: none"> Stakeholder briefings (ongoing) Community information day (May 2011) Meetings with landowners (ongoing) 	<ul style="list-style-type: none"> Draft of the Corridor Selection Report Draft of the Environmental Impact Statement (EIS)

Our Community Consultation Manual was reviewed during the year to ensure it reflects current community engagement trends. Updates to the manual included producing a community engagement policy to ensure a consistent approach to consultation throughout the business, establishing a standard Terms of Reference document for the establishment of community reference groups, and the redefining of our community engagement processes for major projects.

Focusing on our stakeholder relationships

During the year, our Stakeholder Management Strategy was updated to reflect a more diverse approach to stakeholder engagement. Through this update, we have identified opportunities for shared assets and knowledge across stakeholder organisations and new tools for engaging stakeholders.

As illustrated in Table 7 and Table 8, a range of engagement tools were used throughout the year to ensure stakeholders are regularly engaged.

Initial trials, involving 52 ENERGEX staff, to implement a new stakeholder engagement database were reviewed in early 2011. This new database enables users across the organisation to record and access data including discussions, outcomes and feedback from any engagement on an ongoing basis. The review focused on the usability of the database across the organisation with results suggesting the need for greater staff training prior to its organisation-wide implementation.

This year we also continued our ENERGEX Community Consultation Committee (ECCC) bringing together representatives of local government, industry, planners, state government and social justice organisations. The ECCC enables a platform for discussion and provides on-going advice to the company on current community issues, concerns and expectations, taking on board the range of opinions, needs and expectations. In addition, the committee oversees and approves the Community Powerline Enhancement Program (see page 57 for more information).

TABLE 8: STAKEHOLDER ENGAGEMENT 2010/11

STAKEHOLDERS	KEY METHODS OF ENGAGEMENT DURING 2010/11
Government stakeholders	
Shareholding Ministers	Statement of Corporate Intent 2010/11 and Corporate Plan 2010/11 – 2015/16; quarterly performance reports, regular briefings and updates on key issues including meetings with the Chairman and CEO.
Government departments and councils	Information days; Memoranda of Understanding; meetings and briefings at various levels of each organisation; letters and verbal communication; ENERGEX Community Consultative Committee.
Regulators – QCA, AER, Energy and Water Ombudsman Queensland	Provided submissions and ongoing reporting to the QCA on relevant issues. Actively engaged with the AER and its consultants presenting at public forums, attending face-to-face meetings and providing written responses.
Business customers	
Electricity retailers	Briefings; meetings; written agreements, policies, letters; quarterly interstate visits; teleconferences; satisfaction surveys.
Electricity transmission distributor and electricity generators, Powerlink	Verbal, face-to-face and written communications regarding planning and network issues, joint planning and communications.
Suppliers and contractors	Meetings; workshops and briefings; letters; contract development; Supplier Quality Awards.
Large customers	Network and industry changes briefings; workshops; meetings; verbal and written communications.
Community stakeholders	
Customers and community, including environmental groups	Community newsletters, flyers, brochures and fact sheets; advertisements; letters; website/social media tools; presentations; sponsorships; meetings, forums and face-to-face consultations; surveys and feedback forms; call centre and verbal conversations; ENERGEX Community Consultative Committee.
Our employees	Regular updates including daily ‘Bulletin Board’ email; CEO updates; newsletters including Connections article and group newsletters; leaders’ forums; communications via managers, supervisors and other consultants; workshops; surveys; topical presentations open to the entire organisation; intranet; internet social media ‘Yammer’; emails; divisional updates including TeamShare and division group days; weekly group meetings.
Media	Media briefings; meet-and-greet days; media releases/alerts; interviews.

The development and maintenance of relationships with our range of stakeholders is an essential activity and one that enables common goals to be achieved.

Being socially responsible

Currently, we use two programs to measure and improve our corporate responsibility performance in line with the business strategy – the Corporate Responsibility Index (CRI) and the Global Reporting Initiative (GRI).

This year we achieved a CRI score of 86 per cent, an improvement of 10.68 per cent from the previous year. This score places us in the silver category which is awarded to companies that frequently demonstrate stakeholder engagement and have reliable baseline data. Our CRI submission is assessed by an international, independent United Kingdom based organisation, Business in the Community. Through significant improvement in our policies, directions and systems to recognise and manage key areas of corporate responsibility, community, environment, marketplace and workplace management, we were able to substantially improve our CRI results. This progress in corporate responsibility practices can largely be attributed to the Corporate Sustainability and Responsibility Working Group comprising representatives from all areas of the business who work hard to recommend and monitor improvements throughout the organisation.

YEAR	CRI SCORE
2008	58.58
2009	75.32
2011	86*

*(Business in the Community administers the program)

Supporting the community

Throughout 2010/11, our sponsorship program continued to provide funding and support to South East Queensland communities with an investment of approximately \$1.35 million. Our sponsorship policy was reviewed in 2010 and updated to reflect our commitment to sustainability.

We focus our investments towards targeted initiatives around local communities, safety, education and environment/energy efficiency, as listed in Table 9. The distribution of our funds to each area is demonstrated in Graph 6.

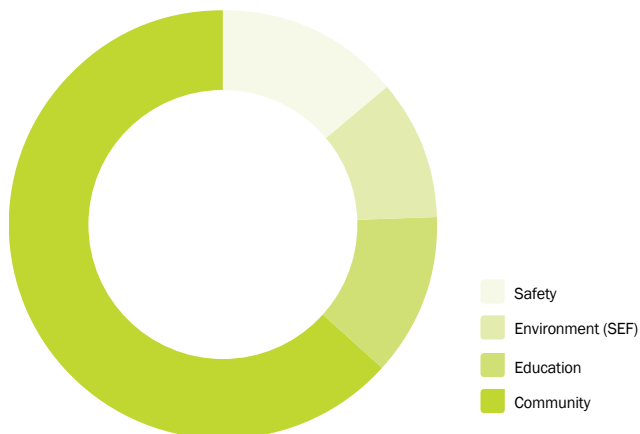
The policy is closely monitored by our Sponsorship Committee led by our Chief Executive Officer and consisting of senior managers from across the business. The committee meets every second month to discuss key sponsorship proposals and monitors existing sponsorships and budgets to ensure their effectiveness.

We continue to encourage our hubs and operational staff in different regions of South East Queensland to assist with sponsorship of local community groups and charitable organisations. Some of these have included the Make a Wish Foundation, Sunshine Coast Health Foundation, St Johns Ambulance and the Ipswich Hospital Foundation.

ENERGEX staff donate to the Premier's flood appeal

During the year, ENERGEX and our staff donated \$151,676 towards the Premier's Flood Relief Appeal. Of the total donation, our staff donated \$75,838 from their own households which was then matched dollar for dollar by ENERGEX. As an organisation, we were very proud to present this donation on behalf of our staff, many of whom were personally affected by the flood crisis.

GRAPH 6: SPONSORSHIP ACTIVITIES FOR 2010/11 BY CATEGORY



Graph 6 provides a snapshot of the distribution of our sponsorship funds within the key sponsorship areas in 2010/11.

In response to our increasing focus on promoting sustainable living, we launched our newest community partnership initiative in March 2011, the ENERGEX Environment and Sustainability Fund. Funded through the sale of our scrap metal and other materials, South East Queensland community groups can apply for a grant from an allocated \$150,000 per year. The first round of grants was released in March and totalled \$50,000. This was awarded to five community groups

- Corinda State High School
- Maroochy Waterwatch
- SEQ Catchments
- Moreton Bay Koala Rescue
- Kumbartcho Festival.

The next round of submissions for the fund, worth a total of \$100,000, will be awarded in October 2011.

TABLE 9: SPONSORSHIP ACTIVITIES FOR 2010/11

LOCAL COMMUNITY INITIATIVES	SAFETY	EDUCATION	ENERGY EFFICIENCY/ ENVIRONMENT	ENERGY CONSERVATION AND COMMUNITIES
Lord Mayor's Community Trust	Queensland Cancer Council: SunSmart Day – raising awareness and funds to fight skin cancer	Bright Futures program – sponsoring high school students' attendance at Committee for the Economic Development of Australia (CEDA) forums	SEQ Catchments	Cleveland State School
Ipswich Festival	Rural Fire Service	Queensland Museum – ENERGEX Playasaurus Place	ENERGEX Junior Landcare activity days	Birkdale State School
Dingo Creek Festival – supporting SIDS and KIDS Queensland	Sunshine Coast Helicopter Rescue Service	Queensland University of Technology	Premier's Sustainability Awards	Star of the Sea Catholic Primary School
St Vincent De Paul	Volunteer Marine Rescue	Queensland Arboriculture Association	Lord Mayor's Business Awards	Buderim Mountain State School
Royal Queensland Show 2010 Brisbane EKKA	State Emergency Service		International River Foundation (Bremer River Forum)	Mountain Creek State School
The Starlight Foundation				RSPCA Noosa/Sunshine Coast Branch
Sunshine Coast Health Foundation (Give Me 5 for Kids)				

Table 9 outlines our key sponsorships worth more than \$5,000.

Supporting energy efficient ideas

In support of our energy conservation community (ECC) program, see page 64, we have provided more than \$125,000 in funding for sustainability projects commissioned by local schools and community groups within the Redlands and Sunshine Coast areas.

The ECC program, which is a joint venture between ENERGEX, the Queensland Government's Office of Clean Energy and the relevant local Council, was established to encourage residents to help the environment and minimise electricity consumption in periods of peak demand.

Energy efficiency was a key criteria for the funding with successful projects including new kitchen appliances, heat reduction window tinting, lighting and sound equipment and solar powered lighting installation.

Supporting our future leaders

Education is one of our key support areas and we have developed a close affiliation with the Queensland University of Technology (QUT).

Last year, we established a three-year \$25,000 scholarship for electrical engineering students. In addition to the scholarship itself, we also offer paid vacation employment to the recipient to assist in their work experience requirements.

We also provide support to the Monique Cramer Memorial Fund. The fund supports an annual award for a female student studying engineering at the Queensland University of Technology – the Monique Cramer Memorial Award.

In 2010, we began donating to the Low Income Support Scheme operating within QUT's Built Environment and Engineering Faculty. This scheme provides assistance to low income students via text book vouchers and a textbook loan scheme.

Case study

Queensland SunSmart Day is an annual event hosted by Cancer Council Queensland to encourage all Queenslanders to get involved in raising funds and awareness for the fight against skin cancer. In 2010, the event was held on Friday 18 November ahead of National Skin Cancer Action Week.

ENERGEX has been the event's major sponsor since it began in 2009. The first Queensland SunSmart Day raised more than \$30,000 for Cancer Council Queensland's work in skin cancer research, prevention and early detection programs and patient support services.

Over 200 supporters hosted an activity on Queensland SunSmart Day 2010. These included child care centres, schools, businesses, and community groups. The highest fundraising school was Amberley District State School who received a \$1,000 cheque from ENERGEX to use towards SunSmart initiatives.

As part of the initiative, Cancer Council Queensland delivered 11 SunSmart community talks to ENERGEX staff at their workplaces around the Brisbane region in November 2010.

Attending university can be an expensive experience. To assist with these costs, we are supporting QUT's Built Environment and Engineering Faculty's Low Income Support Scheme which is providing textbook loans and vouchers to low income students. Since its inception in 2009, more than 100 students have benefited from the scheme.

Being from a low income background means everything (mostly financially related) becomes hard for you. You have to find a way to pay for those much needed expensive text books; and for most of us there is no other solution to this than begging longer hours at work to earn a little more just to help cover these expensive costs... Thanks to the text book loan scheme, it helps us with the load of worrying about paying for those expensive text books, freeing us from those long hours we could've been spending at work and concentrate more on our studies.

We really appreciate this much needed help.

2nd Year Electrical Engineering Student

Educating the community

Through the success of our Community Speakers Program, we are continuing to strengthen our presence in the local community.

We have ENERGEX industry experts who present to a range of audiences from school children and community groups to businesses and local councils on numerous subjects including: the history of electricity and changes to the industry, electrical safety, energy efficiency, renewable energy, work in the community, ENERGEX and the environment, safetree, ENERGEX helicopter patrols and careers in the electricity industry.

Our approach to educating customers about the dangers of fallen powerlines during storms through use of real storm footage continued during the year. This campaign, which highlights the 'real dangers' of summer storms and fallen powerlines, was awarded the 2010 Australian Community Awards private sector category recognising emergency management initiatives that help to build safer communities across Australia. Its continued success to warn residents about the dangers of fallen powerlines is evident with newly-designed post campaign research in March 2011 indicating 79 per cent of South East Queensland residents are aware of the safety campaign and can demonstrate a clear recall of the campaign's key messages.

In its second year, our peak demand education campaign continues to provide an excellent avenue for encouraging the community to help us reduce the demand on electricity during peak times with research showing 8 in 10 respondents aware of the concept of peak demand. This supports several targeted initiatives and trials to help us achieve a smarter, more sustainable network.

As well as our website, consultation and engagement activities, and targeted sponsorships, another key education tool used is our popular Switched On website for kids. More than 294,000 site visits have been recorded this year with registered members from all over South East Queensland receiving the e-newsletter.

As part of our Community Speakers Program, our industry experts present on a range of electricity-related topics to school children and community groups.



supporting our people

WHAT WE SET OUT TO ACHIEVE THIS YEAR	HOW WE PERFORMED
Execute year one of our three-year Power to Perform program	<p>✔ Achieved</p> <p>Successfully implemented first year of program. Page 78</p>
Continue to invest in people leadership and training	<p>✔ Achieved</p> <p>Continued to invest in a range of development programs including apprenticeships, para-professional cadetships, graduate development and staff development. Page 76</p>
Continue to be an employer of choice	<p>✔ Achieved</p> <p>Awarded the 2010 Minister's Award for Excellence – Employers of Australian Apprentices. Page 77</p>
Maintain a high level of employee motivation	<p>✔ Achieved</p> <p>Achieved an Employee Motivation and Performance Index tally score of 65.8 (2009/10 65.87). Page 79</p>

Our people are key to our success. They are instrumental in our ability to serve and respond to our stakeholders, our customers and our regulators.

What we want to achieve next year

- Continue implementing our three-year Power to Perform program
- Finalise our Enterprise Bargaining Agreement 2011
- Continue implementing the ENERGEX Workforce Planning Framework

Building the workforce for the future

This year, we continued to deliver on our people strategy to build a sustainable, adaptable and engaged workforce. This will ensure we have the people, skills, culture and performance required to deliver our business objectives now and in the future.

We are a significant employer in the South East Queensland region, employing 3,892 people as at 30 June 2011 (2010: 3,849). While our workforce is diverse, the majority of our employees are employed in the areas of administrative/clerical, professional managerial and technical serviceperson (see Table 10 for complete listings) and across 31 sites throughout South East Queensland.

This year we recruited 283 new staff (2009/10: 240) with almost one third of these apprentices. This reflects the need to expand our skill and knowledge base to keep pace with our customers' lifestyle aspirations and changing environment.

We recognise flexible working arrangements deliver benefits to the organisation and our employees. We have policies in place to facilitate home-based work, job share, and part time employment. Within our workforce, 3.5 per cent of our staff are employed part time (2009/10: 3.5 per cent).

To ensure we have the right workforce balance and skills, we have developed a whole of ENERGEX Workforce Planning Framework. This allows us to analyse workforce need and resource availability in terms of numbers and skill requirements across the business and to connect separate strategic workforce initiatives under a single umbrella.

In 2011/12, the focus will be on analysing the workforce gaps and risks and developing strategies to position ENERGEX to 'live within our means' for the remainder of the current AER period and to prepare for the next.

TABLE 10: STAFF NUMBERS BY EMPLOYMENT CATEGORY

EMPLOYMENT CATEGORY	EMPLOYEES 2009/10	EMPLOYEES AS AT END JUNE 2011
Administrative/Clerical	728	692
Apprentice	338	367
Electrical Systems Design Advisors	88	93
Executive Contract	147	149
Para-professionals	332	335
Power Workers	186	188
Professional Managerial	596	640
Supervisor	337	378
Systems Operator	67	72
Technical Serviceperson	1018	967
Trainee/Cadets	11	11
Casual	1	0
TOTAL EMPLOYEES	3,849	3,892

Note – Head count includes all permanent and temporary, full-time, part-time and casual employees as at 30 June 2011

Developing our employees' capabilities

In 2010/11, we continued to invest in a range of development programs including apprenticeships, para-professional cadetships, graduate development and staff development. These programs assist to develop our employees' skills, knowledge and experience.

We own and operate a Registered Training Organisation (RTO), EsiTrain, which provides the trade and post-trade technical training required to work on low and high voltage overhead powerlines, underground cables and substations including safety and rescue training. EsiTrain courses are nationally accredited in line with the Australian Quality Training Framework (AQTF).

EsiTrain is also covered by the ENERGEX certification of ISO 9001, ISO 1400 and AS4801. Over the past three years, we have continued our focus on high quality internal training deliveries supported by government funding for apprentice training. Simultaneously, we have been working to drive down our direct costs through initiatives such as EsiLearn, our online training platform, and growing external revenue.

These successes were reached despite flood damage in early 2011 which reduced capacity at the Rocklea technical training facility to 50 per cent. Damage to the facility is currently being repaired with civil and electrical works to improve the pole yard completed in June 2011 and a new building to replace flooded rooms due to be finalised in September 2011.

This year more than 115,536 student contact hours (a measure of training delivery) was given through EsiTrain (2009/10: 136,691 hours).

Our graduate programs are designed to attract recent engineering, business and finance university graduates. Graduates are able to rotate through relevant departments, applying their studies and also learning about different facets of our business. All participants receive personal development and mentoring from our senior employees. There are currently 22 participants in the engineer development program, four in the business program, and four in the finance program (2009/10: 33 graduates).

We currently have 367 apprentices employed in the following trades: electrical fitter mechanics, overhead linespersons and cable jointers (2009/10: 338 apprentices). We have six para-professional cadetship programs running with two programs due to graduate this financial year. Cadetships combine study and on-the-job training, providing participants with TAFE training to gain an Advanced Diploma of Electrical Engineering, which helps to build capability in these employees to fill future para-professional roles across the organisation.

Case study

A new program being piloted is ENERGEX's Positive Power Mob Program that has been developed by ENERGEX in conjunction with the Department of Employment, Economic Development and Innovation – Indigenous Initiatives Division, the Queensland Council of Unions and the Electrical Trades Union of Australia, to provide opportunities for Indigenous Australians seeking electrical apprenticeships.

This year, 16 Aboriginal and Torres Strait Islander people have commenced this pre-employment training program that aims to provide them with the skills necessary to gain and complete a linesperson apprenticeship with ENERGEX.

The program consists of an 18-week course of theoretical and practical training provided by a community organisation called The Spot Community Services and the Metropolitan South Institute of TAFE. The course will provide participants with exposure to ENERGEX's workplace culture, provide tuition in numeracy and literacy skills and will equip program participants to pass the apprenticeship entrance exam.

Other topics of study include, but are not limited to, resume training, interviewing skills, financial management skills, learner's permit training and goal setting skills.

Participants will graduate from the program with a Certificate II in Skills for Work and Training in early July 2011.

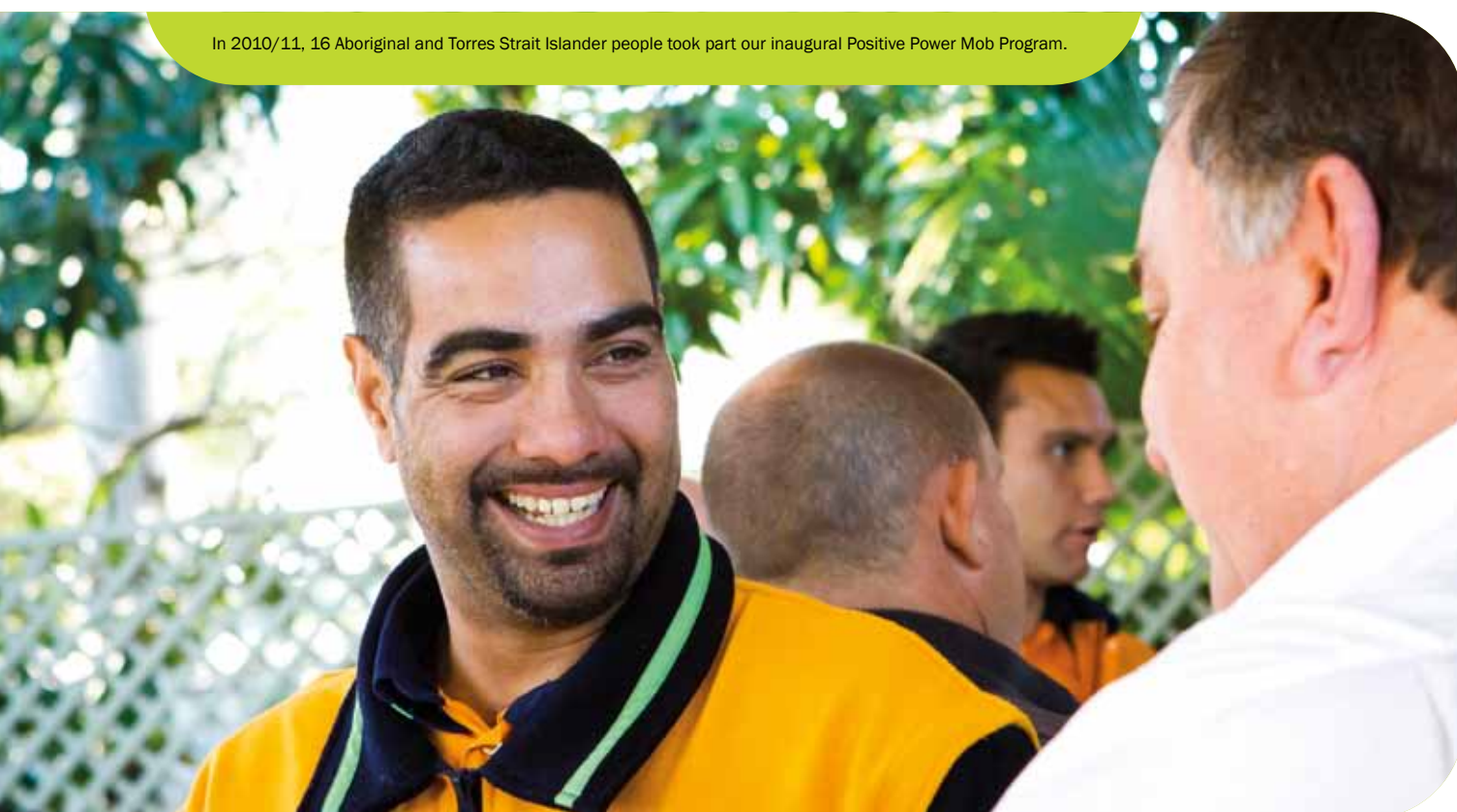
During the training, participants will be given the opportunity to apply for the mid-year intake of Apprentice Linespersons with ENERGEX. On completion of the pilot program, the 18 week course will be reviewed and if deemed successful will be part of our ongoing apprenticeship recruitment process.

The program was completed successfully in June 2011, with six participants commencing as Apprentice Linespersons. A further three have commenced in Power Worker roles with ENERGEX. Other participants achieved career outcomes with other employers including one as an apprentice carpenter and another gaining a traineeship in the mining industry.

An award winning apprenticeship program

The Federal Minister's Awards for Excellence (MAE) is an annual event that recognises and rewards organisations and individuals who make an outstanding contribution towards the training of Australian apprentices.

In 2010/11, 16 Aboriginal and Torres Strait Islander people took part our inaugural Positive Power Mob Program.



After receiving the 'runners up' award in both 2008 and 2009, ENERGEX was awarded the 2010 Minister's Award for Excellence – Employers of Australian Apprentices. The applications were evaluated on their ability to demonstrate excellent standards of training and support for employees in the workplace, as well as the processes and programs that were initiated by businesses to provide positive outcomes for both the employer and Australian apprentices. The award stands testament to our highly successful apprenticeship program.

The Honourable Teresa Gambaro MP, Federal Member for Brisbane sent us a congratulatory letter commending the remarkable achievement. "ENERGEX now offers one of the country's most sought after apprenticeships," wrote Ms Gambaro.

Building effective leaders

Our leadership development programs continue to evolve and gain momentum in the business. Over the past year, 507 training spaces were filled on ENERGEX leadership development programs.

All leadership programs continue to embed our values and leadership capabilities and have received outstanding feedback from both participants and suppliers throughout 2011.

This year a program for new and aspiring leaders and individual coaching for members of the senior leadership team was introduced. Continuation of the successful Executive Development Program, run in partnership with Mt Eliza (Melbourne University Business School) has also been a key focus.

Power to perform

Power to Perform is ultimately about improving our performance through our people. It is a key component of our business platform and will help us to continue to build a performance-aware workforce. An improved workforce means that we are better able to achieve our objectives and targets and continue to provide a safe and reliable electricity supply for our community.

Powering performance

Power to Perform – our performance management framework – continues to encourage a performance focused workforce with the skills, productivity and flexibility to deliver strong business results.

The program is designed to:

- clarify performance objectives and link these with organisational business plans
- facilitate feedback through appraisal of individuals against achievement of these objectives
- recognise and reward performance.

This occurs through setting performance objectives, completing mid and final year reviews, and undertaking performance pay determinations.

In its first implementation year, Power to Perform has increased the company's focus on performance with our leaders and employees working collaboratively according to agreed standards towards a common goal.

The new framework has facilitated uplifts in performance by individuals and the business by providing employees with the guidance, coaching and feedback they need to develop their skills and perform to the best of their ability.

Active Travel Committee

The Active Travel Committee is a group of ENERGEX staff who have volunteered to help promote a wider range of environmentally friendly and healthy transport options across ENERGEX. This initiative aims at improving the health and well being of our community through our staff. The Committee promotes walking, running and cycling to work as an alternative to driving and campaigns to improve public transport options for staff. During the transition to Newstead, the Active Travel Committee assisted staff with planning their new journey through ensuring that staff were kept up to date with transport developments.

Listening to our staff

Results from the 2011 staff survey indicated our employees' motivation levels remained stable with more than 3,100 staff responding to our annual survey, representing a response rate of 79 per cent (2009/10: 85 per cent).

Hinds Workforce Research use the Employee Motivation and Performance Index (EMPI) to measure employee interest, satisfaction and commitment at work. The survey results indicated an overall tally score of 65.8 out of 100 (2009/10: 65.87), placing ENERGEX in the 'Low High Performance Range' of scores.

As in the previous year, the results from the 2011 staff survey will be used in RODA (Receive, Own, Discuss, Act) conversations. The RODA workshops provide a forum for staff and managers to determine the required actions needed based on local level survey results and feedback.

Actions from the previous staff survey, which are continuing into the coming year, included implementing Power to Perform, developing clear membership and expectations of the Senior Leadership Team, continuing to invest in leadership development activities and introducing new internal communication tools.

Throughout the year, employees are also able to voice their concerns or complaints through an independent disclosure line operated by an external company and overseen by Internal Audit. While employees are encouraged to discuss issues with their supervisor, manager, executive general manager or Internal Audit, the confidential disclosure line is available to report suspected fraud and unethical or illegal matters. Its aim is to enhance the existing fraud and compliance frameworks and support our Code of Conduct.

Creating equal employment opportunities

Equal Employment Opportunity (EEO) is a key focus in the energy industry. Our EEO Policy and strategy demonstrates our commitment and continual action to ensure our workplace is free of discrimination and harassment. All employees and potential employees enjoy equal access to opportunities within the company based on their individual merit.

We track diversity in our workplace by measuring the gender balance and people from minority groups employed¹. We ask all new employees to complete an Equal Employment Census in line with requirements of the *Equal Employment Opportunity in Public Employment Act 1992*. Provision of this information is at the employee's discretion, so collection of this information is limited to those employee's who elect to participate in the census. However, in an industry which has traditionally been dominated by males, in 2010/11 our ratio of female to male employees is slightly above the industry median at 1:3.8 as at 30 June 2011.

In addition to a complaint handling system, which includes both informal and formal procedures, we employ specialised Employee Contact Officers who are available to provide information to employees in their attempts to resolve EEO matters informally. Employees may also access our Employee Assistance Program (EAP) for confidential and professional support. The EAP provides assistance through short-term professional counselling and consulting for employees and members of their immediate families who face problems of a personal, family-related or employment nature.

Informing our people of their responsibilities

We continue to implement an employee relations strategy that informs managers and employees of the requirements, responsibilities and processes necessary for a professional employee relations environment. Examples of its success include:

- ENERGEX Drug and Alcohol Policy – As part of our ENERGEX Union Collective Agreement (EUCA) 2008, parties agreed to the joint development of the Management of Alcohol and Other Drugs Standard. During the last two years, we have worked collaboratively with the Unions to develop a policy that meets business and safety needs while also being supported by our employees
- Corporate Property Strategy – We have developed a long term strategy to improve our property portfolio. To do this in an effective way, we are involving employees and unions in the development of individual projects including the successful relocation of large numbers of staff to the new office building at Newstead
- Program of Work Improvement Project (PoW IP) – PoW IP is a cross-divisional initiative targeted to achieve a more efficient and effective Program of Work (PoW) that continues to deliver safe, efficient and reliable energy to our customers. We were able to reach agreement with the Unions on some concerns around employment conditions through a Memorandum of Understanding to allow the project to progress uninterrupted.

¹ For further information regarding our workforce profile please refer to our latest Sustainability Report at www.energex.com.au/about-us/corporate-reports

Communicating with our staff

In 2010, we commissioned external consultants to carry out a communication audit to assess staff satisfaction with internal communication and to develop recommendations to ensure our internal communication function was aligned with best practice. We also wanted to establish profiles of staff communication preferences and needs, and to review and measure the effectiveness of existing communication processes, channels and tools.

The audit findings identified areas of communication strengths and opportunities for improvement and change. On almost all measures, the satisfaction with communication among office staff alone would put ENERGEX into a high-performance category compared with other Australian organisations. However, the results for field staff (our “off line” audience) were typically well below the Australian average indicating that specific needs of field staff were not being met.

Despite the strong overall satisfaction with communication, there were distinct pockets of dissatisfaction and clear opportunities for improvements to increase the relevance, value and timeliness of communication. Seven key areas of focus have been identified as important to improve employees’ overall satisfaction levels with our internal communication and to align the internal communication function with best practice.

Seven key areas of focus have been identified as important to improve employees’ overall satisfaction levels with our internal communication and to align the internal communication function with best practice.

1. Ensure tighter governance around communication practices to improve flow, timeliness, cut through and consistency of messages
2. Develop targeted strategies to support leadership communication
3. Address field staff communication issues to improve engagement
4. Improve audience segmentation, message tailoring and clarity across all channels and tools
5. Improve cross-divisional understanding
6. Pursue technology innovation and upgrades, including intranet modernisation
7. Improve staff understanding of our business strategy and their role in achieving it.

The focus this year, in terms of leadership communication, has been on developing a communication plan for the executive management team as a whole, and on introducing a suite of new tools that will enable them to communicate more directly with employees and in more consistent and compelling ways.

Another focus area was the introduction of a new information design system and supporting templates to provide improved segmentation, tailoring and clarity of messages. The new system, which is in its infancy, helps to reduce excessive communications by directing information depending on the priority of the message and the needs of target audiences.

Intranet modernisation was also an important focus area in 2010/11. In the age of social networking and user generated content, it is critical that we have a solid intranet platform that can support growth into these areas.

Results from our 2011 staff survey indicate our employee motivation levels remain stable and in the 'Low High Performance Range' for Australian companies.



delivering **sustainable** outcomes

WHAT WE SET OUT TO ACHIEVE THIS YEAR	HOW WE PERFORMED
Deliver and implement the revised Carbon Management Plan	✔ Achieved We have exceeded our target with an overall decrease of 12 per cent. Page 87
Advocate embedded renewable energy sources including an expansion of our solar photovoltaic program	✔ Achieved Continued to facilitate these connections. Page 83
Continue environmental training sessions throughout ENERGEX	✔ Achieved Updated training course with 95 per cent of staff having completed the course. Page 83
Maintain certification of our Environmental Management System against the Australian New Zealand Standard Environmental Systems – Requirements with Guidance for Use (ISO 14001)	✔ Achieved Continue to maintain certification against ISO 14001. Page 84
Continue to reduce greenhouse gas emissions against our 2006/07 benchmark level	✔ Achieved Achieved an overall decrease of 12 per cent on our 2006/07 baseline emissions. Page 87

This year, we continued to promote energy conservation through targeted initiatives and trials, implemented strategies to reduce our own environmental footprint and worked with key bodies across South East Queensland to progress in environmental best practice.

What we want to achieve next year

- Continue to reduce our carbon footprint by reducing our carbon emissions in line with the Queensland Government's five per cent reduction target
- Work with the Queensland Government and other industry professionals to develop a sustainable solution to meet increased demand for solar PV installations
- Continue work on our Corporate Property Strategy including gaining approval for key sustainable office designs
- Continue implementing our Environment Strategy with particular focus on our offset strategies

Delivering a consistent approach to environmental management

A new five-year Environment Strategy was developed and implemented to oversee and provide strategic direction across all key environmental areas. The strategy focuses on:

- our Environmental Management System
- sustainability
- biodiversity management
- cultural heritage
- pollution management
- water, waste and energy management
- systems compliance
- environmental communication and training.

The strategy is supported by our Environment Policy, our Corporate Sustainability Policy, Environmental Offsets Policy, Carbon Management Plan, Procurement Policy, and the Environment Operational Plan which states our performance indicators as set out in the Statement of Corporate Intent (page 15).

Offsetting our emissions

Since joining the Australian Government's Greenhouse Challenge in 1996, we have planted almost 300,000 native trees to offset our carbon emissions. In 2010/11, to offset our 2009/10 fleet and air travel carbon emissions, we purchased at a total cost of \$163,000:

- greenhouse friendly abatement credits through Ecofund (5000t CO₂-e)
- Run of the River Hydroelectricity through Ecofund (6000t CO₂-e)
- biosequestration through planting of native trees with Noosa Landcare (8,500t CO₂-e).

These indigenous native plants have the additional benefit of providing wildlife corridors, habitat, increased water quality and other ecosystem services.

This scheme allows the abatement certificate providers to carry out activities on our behalf which decrease greenhouse gases. Refer to Table 11 on page 88 to view a summary of our greenhouse gas emissions.

Working towards sustainability in procurement

Our procurement strategy focuses on ensuring a balance between environmental, ethical and value outcomes. In line with the Queensland State Procurement Policy, we are progressively integrating sustainability into our procurement of goods, services and construction. To achieve this, we have established environmental, ethical and social considerations within our procurement decision matrix. We consider:

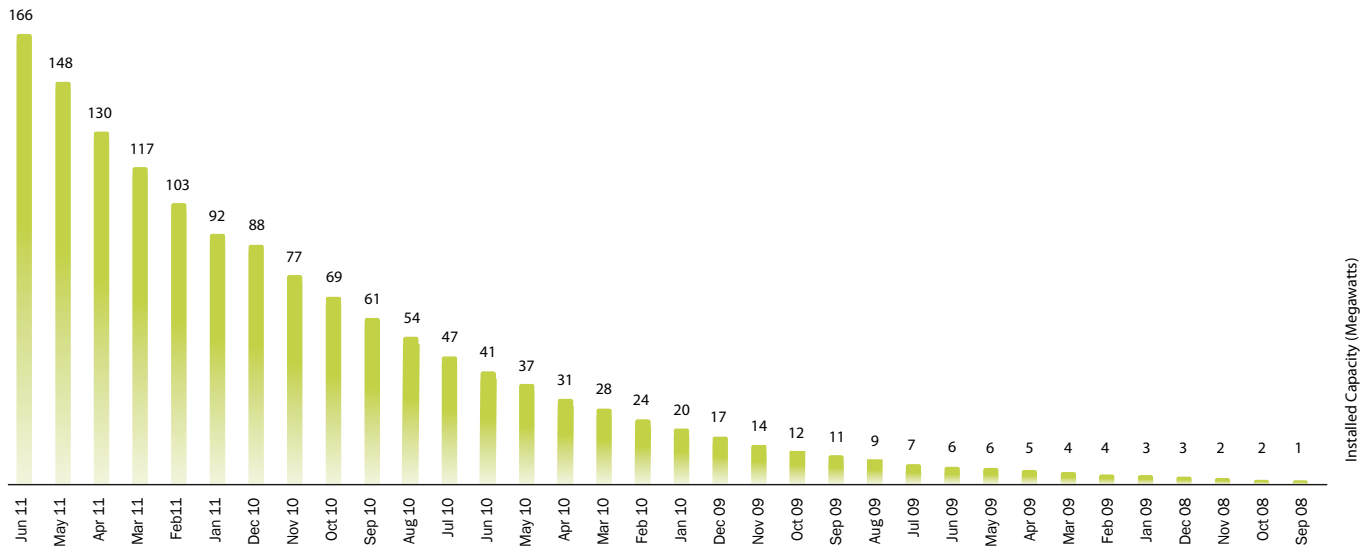
- strategies to avoid unnecessary consumption and manage demand through considering the potential for reduced waste from less packaging, provision of a packaging take-back, products made from recycled or re-manufactured materials or the use of renewable resources
- strategies to minimise the environmental impacts of the goods and services through improved design or manufacturing
- the supplier's socially responsible practices including compliance with legislative obligations to employees
- value for money over the whole-of-life of the goods and services including end of use management, rather than just the initial cost.

We have a dedicated team to examine the 'end to end' recovery of materials with a view to identifying opportunities to recover and recycle, thereby improving end of use management and optimising sustainability. In accordance with the ENERGEX Corporate Sustainability Policy, environmental management requirements are included in all of our contracts with suppliers ensuring the sustainability criteria related to key performance indicators are progressively implemented as procurement activities are undertaken.

We collaborate proactively with our industry partners and suppliers to develop business management decisions and initiatives that will result in sustainable business benefits to both ENERGEX and the supplier.

This year marked the 20th Anniversary of our Supplier Quality Awards, an opportunity to recognise the exceptional achievements of our suppliers. Kennedy's Classic Aged Timber Pty Ltd was announced winner of our 'Innovations in Sustainability' Supplier Award for their work in recycling our old poles and cross arms to sell as recycled timber. This process has been extended to shorter length poles, further reducing the amount of waste that would otherwise go to landfill and reducing our carbon dioxide emissions. As an organisation, we are proud to partner with a company that embeds sustainability as a serious part of their business framework and promotes their vision to help organisations achieve sustainable outcomes for all stakeholders and reduce their carbon footprint.

GRAPH 7: INSTALLED SOLAR PV CAPACITY



Graph 7 represents the increase in energy from installed solar PV systems on our electricity network since September 2008.

Requests from customers to connect and meter new solar photovoltaic (PV) Power systems tripled to more than 70,000.

Supporting embedded renewable energy sources

Over the last year, residents in South East Queensland continued to embrace the use of roof-top and small-scale solar photovoltaic (PV) power systems. The number of requests from customers to connect and meter new systems continued to rise almost exponentially with 2010/11 seeing the number of systems in use increase triple to more than 70,000, and 6,000 megawatt-hours of energy provided by rooftop solar PV systems.

We continued to facilitate these connections despite the huge increase in the number of applications.

With the growth in the number, size and type of small-scale renewable energy sources continuing at an unprecedented rate, we continue to work actively with government, solar photovoltaic installers and clean energy organisations to address network and commercial challenges that come with the rapid growth in the take-up of embedded generation. Our goal is to maintain a customer friendly connection process and recognised benefits for all energy customers.

Building environmental awareness among our people

The ENERGEX Environmental Awareness Training Course was updated this year and supplemented by an online format called EsiLearn. The course provides our employees with a better understanding of the environment and our responsibilities in the field and office with 95 per cent of staff having completed the online training.

A group of enthusiastic staff also formed the Newstead Environment Awareness Team, aka *the Green Team*, to raise sustainability awareness in our new six star office building. This team was responsible for promoting innovative practices to reduce our footprint – in the workplace and home. From promoting re-usable stationery, encouraging bin audits and recycling and sending useful information via emails, the Green Team looks at all levels and areas where action can be taken to protect the environment.

This year we formalised the Corporate Responsibility Working Group formed by representatives from all areas of the business to implement and monitor improvements in corporate responsibility, and the Sustainability Working Group to oversee the sustainability framework and strategy. Our second Global Reporting Initiative (GRI) based Sustainability Report (for 2009/10) was published earlier this year.

Environment is one of the Key Result Areas of our 2010/11 Business Plan and its supporting initiatives include our Carbon Management Plan, Corporate Sustainability Framework, Environment Communication Plan and Climate Change.

Case study

To reduce the environmental impact of the Hays Inlet to South Pine 110kV sub-transmission line duplication project, ENERGEX committed to retaining any remaining bushland on the Murrumba Downs easement that didn't pose an electrical safety risk once the new powerline was upgraded and fully operational.

The bushland area provides a habitat and movement corridor for a variety of wildlife (including koalas, gliders, possums and birds), scenic amenity and forms part of an existing powerline easement that had significant public use for recreational purposes.

Prior to vegetation clearing:

- 40 nesting boxes were installed to compensate for the loss of habitat for sugar/squirrel gliders, micro bats, possums, parrots/lorikeets/rosellas and feather tail gliders
- 10 koala refuge poles were installed to provide safe passage for koalas moving from the river through the easement
- one of the most significant hollow-bearing trees on the easement was retained as a stag tree to provide natural habitat for sugar gliders, brush-tailed possums, scaly-breasted lorikeets and other hollow-dependent species.

All trees that were removed as part of the project are being offset at a ratio of five trees for every one removed in accordance with Queensland State Government policy.

ENERGEX is committed to continually improving the ways we construct and operate our infrastructure.

Adapting to climate change

We are working with Ergon Energy on a Network Adaptation Plan involving a range of initiatives to ensure climate adaptation matters are incorporated into our business planning and operation.

This has involved:

- use of climate change modelling predictions (temperature, rainfall, humidity etc) in asset life planning processes
- including carbon cost forecasts in asset life planning processes
- tailoring research and development expenditure to focus on technologies that are more applicable to a carbon constrained economy
- modifying existing business processes to ensure climate change becomes a part of normal business planning in preparation for the phasing out of the Adaptation Working Group.

Working with industry and government

During 2010/11 we worked with key stakeholders to deliver our energy conservation and demand management programs as detailed on page 64. These programs included Cool Change, Energy Conservation Communities, Rewards Based Tariffs and the Commercial and Industrial program.

Delivering on our environmental responsibilities in the workplace

Our Environmental Management System continues to remain certified against the 2004 version of the Australian New Zealand Standard Environmental Systems – Requirements with Guidance for Use (ISO 14001). The Environment Strategy also ensures we continue to reduce the risk of environmental incidents caused by us or any of our service providers. The effectiveness of this strategy was proven again this year with no infringement notices received in 2010/11.

Offsetting our new distribution assets

When designing and constructing our new electricity distribution assets, vegetation clearance may be required to build and maintain the asset. During 2010/11 we adopted several important pre-offset strategies in accordance with the Queensland Government's offsetting objectives. These objectives require greater consideration of route selection and design solutions to minimise habitat disturbance, vegetation removal and offset areas required.

These strategies included:

- temporarily relocating marine vegetation then re-instating it post construction in a marine area identified by the Queensland Government's Department of Primary Industry and Fisheries as being of very high conservation value
- establishing a non-standard clearing profile to protect a viable native vegetation buffer and koala movement corridor.

In addition to offsetting our assets, we proactively sponsor and participate in the Community Sponsorship Program at the SEQ Water North Pine dam site. Through this program more than 12 hectares of koala habitat has been planted to date with the majority of trees planted in late December 2010.

Reducing our waste and water consumption

We continued to implement several water efficiency initiatives in accordance with our Water Efficiency Management Plan (WEMP) approved by the Queensland Water Commission. This year we further reduced our water consumption by approximately 30 per cent. This figure, however, is only an approximation as inaccuracies with our Newstead corporate office meter meant there was no water billing data available during the year. To overcome this we have used one month's worth of data from the Newstead Building Management System (BMS) as supplied by the landlord and applied assumption analysis to calculate the remaining months estimated consumption.

In 2010/11 our total waste consumption was 3,658.05 tonnes. Of this 9.71 per cent was recycled including 290.55 tonnes of direct waste (predominately concrete, paper and cardboard) and 33.16 tonnes of co-mingle waste (items marked with a recycling symbol including plastic, paper and aluminium cans).

We continued to recycle our waste products and decommissioned assets to raise money for environmental partnerships in South East Queensland. In 2010/11 the program to recycle metal, cable, oil and timber raised more than \$6.5 million. Around 1800 tonnes of metal, 516,405 litres of oil and 15624 metres of timber were recycled (figures as at end of June 2011). We sponsored environmental projects including SEQ Catchments, Landcare Queensland and the ENERGEX Junior Landcare activity program (for further sponsorship activities refer to page 71). A new trial project for staff to recycle mobile phone batteries also began internally.

Using energy efficiently

As part of our Strategic Energy Management Plan (SEMP), which is aligned to the Queensland Government ClimateSmart initiative, we continued to monitor and manage our energy consumption. Remote tracking and reporting of energy use across all ENERGEX corporate sites is received through the recording of electricity account data, electricity sub-meters and building management system data. The data collected is a pivotal tool in identifying potential energy reduction opportunities and cost savings.

In 2010/11 the electricity used at our offices, hubs and depots in Queensland was approximately 16,629,055 kilowatt hours (kW.h), which represents a decrease of approximately 5.52 per cent from 2009/10 and a 2.61 per cent reduction compared to the 2005/06 base year. This decrease is an indicator of improved performance despite our staff population remaining constant over the same period. This year we also committed to purchasing approximately 40 per cent Green Power for all of our corporate sites.

The reduction of our energy consumption has been assisted by the relocation of our head office to the new 'Six Star Green Office Design, V2' accredited building in late 2010. Rated by the Green Building Council of Australia, together with our key workplace initiatives already underway, this move will help us meet the Queensland Government's target of a 20 per cent energy consumption reduction by 2015.

ENERGEX's new corporate headquarters at Newstead has been awarded a 6 Star Green Star rating by the Green Building Council of Australia (GCA), the first of its kind to be registered in Queensland. One of the highest contributing factors in the building receiving this award was the use of recycled materials, namely timber, to complete the décor of the building. Featured throughout the six storey development is recycled spotted gum used for wall and ceiling panelling. The recycled timber holds even greater significance to ENERGEX because it comes from recycled power poles.

Forming part of our relocation from the CBD to our Newstead Headquarters, the furniture disposal project was implemented to track and oversee the disposal of all furniture items to ensure optimisation of future use. The furniture items included chairs, pedestal drawers, filing cabinets, tables, shelves and bins. In total 6,650 furniture items were identified. Of this, only 205 items were disposed to landfill; 3,326 items were purchased at auction; 1,139 items combined were either redistributed to other sites or sold to staff and 9,600kg of scrap metal was recycled. The most positive and timely contribution to the community was the donation of 1,980 furniture items to charity. Feedback suggests these charity items were received with great gratitude and need by many West End community businesses post the January floods.

Improving our fleet

We are committed to a sustainable fleet and, over the years, we have improved the efficiency of our fleet through weight distribution management introducing more diesel vehicles and harnessing the innovations of heavy vehicle design. This year we continued to purchase the highest green rated vehicles in each vehicle category to support the delivery of reduced carbon emissions.

We achieved an 18 per cent reduction (as a month rolling average) in June 2011 against a ClimateSmart target for December 2010 of 15 per cent. This was a good result given Government Owned Corporations were brought into the ClimateSmart scheme approximately 12 months after its introduction. Actions needed to lock in the current position and make progress on the December 2010 target of 25 per cent have commenced and focus on pool operations and review of tool of trade vehicle usage at all major locations.

We also extended our fleet pool vehicle programs to reduce vehicle numbers, capital and operating budgets.

Note – We developed our categories more extensively in the past three years and as such, the revised trend analysis prior to 2008/09 is unavailable

A key element of our property strategy is finding sustainable office and workshop solutions that will reduce our environmental footprint by encouraging energy, water and waste reductions. Our industrial Distribution Centre building, positioned within the Trade Coast Central environmentally sustainable master planned estate, is a great example of these sustainable savings. Through its energy efficiency features, water efficiency benefits and waste management strategies, it will greatly assist us to achieve the Queensland Government's target of a 20 per cent reduction in energy consumption by 2015.

Consolidating our premises

The Corporate Property Strategy (CPS) is an initiative focused on the delivery of improvements to our existing property portfolio to position us for the future.

Endorsed by our Board in 2009, the CPS was established after a major review of our property portfolio against proposed network growth, future business requirements, capability of existing properties, land availability and regional planning issues and constraints. Valued at \$266 million, the strategy is being implemented over a five-year period with funding approved by the Australian Energy Regulator.

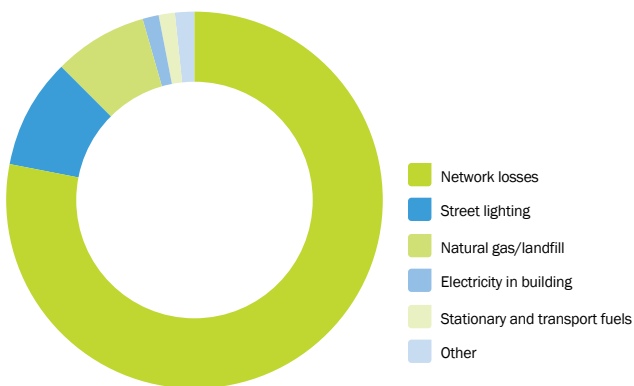
The CPS program includes a significant number of renewal and replacement projects that will reduce operating costs by consolidating workplaces while providing greater environmental efficiencies. Some of the key projects include:

- establishing the Northern Metropolitan Office (NMO) in Nundah to provide accommodation for approximately 450 office-based employees
- significantly redeveloping our Geebung Depot to expand its office and warehousing facilities
- establishing a custom-designed Distribution Centre at Eagle Farm with office and warehouse facilities
- establishing a Southern Metropolitan Office (SMO) at Upper Mount Gravatt to provide accommodation for approximately 220 office-based employees.

These projects will deliver smart, green and connected workplaces that are safe and environmentally sustainable.

The primary source of our greenhouse gas emissions are demonstrated in Graph 8.

GRAPH 8: ENERGEX GHG EMISSIONS BY SOURCE (%)



Graph 8 demonstrates the amount of energy supplied to the grid by solar PVs and the installed capacity of solar PVs in South East Queensland.

Reducing our carbon footprint

Each year we measure our carbon footprint and use the data to implement our Carbon Management Plan. The Carbon Footprint Summary Report, shown in Table 11, calculates our carbon dioxide emissions to establish a base line of current environmental performance and guide appropriate targets and strategies for the future.

In 2009/10 our total carbon footprint was 1,475,475 tonnes of CO₂-e. This represents an increase of approximately 0.1 per cent in comparison to our 2008/09 emissions. We have however achieved an overall decrease of 12 per cent on our 2006/07 baseline emissions.

These results compare favourably with regard to our target of a five per cent reduction in greenhouse gas emissions by the end of 2010. It also puts us on track to meet our future emissions reduction targets of 20 per cent by 2015, and 33 per cent by 2020.

ENERGEX's Scope 1 emissions will substantially reduce in 2010/11 with the sale of the Varnsdorf assets. This will result in the removal of approximately 118,565 tonnes of carbon dioxide.

GREENHOUSE GAS EMISSIONS

Total greenhouse gas emissions 2007–2010 (tonnes CO₂-e)

EMISSION SOURCE	2007/08	2008/09	2009/10
Scope 1 – Direct emissions	108,537	112,604	144,057
Scope 2 – Emissions associated with the use of electricity	129,2161	1,338,264	1,315,254
Scope 3 – Indirect emissions	51,403	22,833	16,164

In July 2008, the *National Greenhouse and Energy Reporting Act (2007)* (NGER Act) established a national system for reporting greenhouse gas emissions, energy consumption and production by corporations. In February 2011, the Department of Climate Change released the NGERs data for 2009–10. The NGERs data relates to the total quantity of carbon dioxide released. As a consequence, larger distributors such as ENERGEX tend to rate higher under the NGERs than smaller distributors.

Although a significant driver for reporting greenhouse gas emissions is meeting our compliance requirements, we also understand and are committed to sharing responsibility for reducing greenhouse gas emissions and improving the sustainability of our operations.

The Federal Government's Carbon Tax scheme is to be introduced in 2012. Excluding light fleet and the Varnsdorf assets, for the 2009/10 year ENERGEX had 15,954 tonnes CO₂-e scope 1 emissions in total that would potentially count towards the facility threshold of 25,000 t CO₂-e that mandates participation in the scheme. It is therefore unlikely that ENERGEX would be required to participate directly in the scheme.

TABLE 11: ENERGEX'S ENERGY CARBON FOOTPRINT (2009/10)

ENERGEX'S ENERGY CARBON FOOTPRINT (2009/10) SUMMARY	CONSUMPTION	CONSUMPTION UNITS	CO ₂ -e (TONNES)
Emissions Sources			
Scope 1 – Direct emissions			144,057
Mobile Combustion – Heavy Load Transport Fleet (>4.5t)	3667	kL	9,899
Mobile Combustion – 'On Road' Transport Fleet	3494	kL	8,851
Natural Gas and Landfill Gas* – production of electricity and steam	2,627,603	GJ	120,100
Diesel – production of electricity	1,356	kL	3,639
Plant Fuel Use	168	kL	306
Air conditioner refrigerants	437	kg	982
SF6 from Switchgear	12	kg	280
Scope 2 – Emissions associated with the use of electricity			1,315,254
Electricity used by ENERGEX	22,452,531	kWh	21,052
Network Losses	1,295	GWh	1,152,550
Street lighting	159,159,951	kWh	141,652
Scope 3 – Indirect emissions			16,164
Employee Air Travel	2,344,465	km	741
Employee Taxi Travel	144,858	km	39
SPARQ Solutions Emissions ⁽¹⁾	251,286	N/A	30
Waste disposed	3,894	Tonnes	4,284
Full fuel cycle for stationary and transport fuel	326,440	GJ	11,070
Scope 1+2+3			1,465,475
Reduction Measures			26,131
Accredited Carbon Offsets			19,500
Green Power Purchased	7,287,208	kWh	6,631

(1) 50 per cent of SPARQ Solutions' emissions are included as SPARQ Solutions is jointly owned by ENERGEX and Ergon Energy

additional corporate reporting

TABLE 12: CORPORATE ENTERTAINMENT AND HOSPITALITY

EVENTS OVER \$5,000	DATE	TOTAL COST \$
ENERGEX Newstead Building Official Opening	16 Dec 2010	25,597
Supplier Quality Awards function	01 Apr 2011	8,841
ENERGEX Annual Excellence Awards (incorporating Customercare Awards) function	06 May 2011	111,392
2011 ENERGEX Apprentice of the Year Awards function	24 Jun 2011	29,390
TOTAL		175,220

Ministerial directions

During 2010/11, the shareholding Ministers gave the following written directions to the ENERGEX Limited Board:

- On 30 May 2011, in accordance with section 108(4) of the GOC Act, in relation to including statements in the 2011-12 Statement of Corporate Intent, including that ENERGEX will not seek to recover 2011-12 increases in revenue arising from the Australian Competition Tribunal's determination on 19 May 2011 in ACT File No 2 of 2010
- On 19 June 2011, in accordance with section 115(1) of the GOC Act, requiring ENERGEX not to make a cost pass-through application to the Australian Energy Regulator in respect of January 2011 flood impacts incurred in the 2010-11 financial year
- ENERGEX has absorbed the financial impact associated with the flood pass through direction this year and will absorb the financial impact of the Gamma direction in future years. Directors have assessed that the corporation will continue to remain solvent following these directions.

Our financial results exceeded our expectations for 2010/11 and we now boast total assets in excess of \$9.8 billion.



TABLE 13: FINANCIAL FIVE YEAR SUMMARY

AS AT 30 JUNE	2011	2010	2009	2008	2007 ⁽¹¹⁾
Profit and Loss (\$M)					
Total revenue	1,736.4	1,467.9	1,336.2	1,403.0	1,261.0
Cost of sales ⁽¹⁾	(390.7)	(345.7)	(306.9)	(303.6)	(255.8)
Employee expenses	(218.6)	(212.1)	(208.1)	(232.5)	(212.6)
Depreciation	(284.1)	(236.0)	(232.2)	(220.6)	(200.0)
Amortisation	(2.2)	(2.7)	(4.5)	(20.9)	(23.2)
Impairment	0.0	(3.8)	1.3	(14.2)	(9.0)
Borrowing costs	(294.3)	(224.7)	(212.5)	(196.2)	(169.1)
Other operating expenses	(214.8)	(182.4)	(197.6)	(215.9)	(205.9)
Operating profit before income tax	331.7	260.5	175.7	199.1	185.4
Income tax equivalent	(97.0)	(75.3)	(47.2)	(58.3)	(62.6)
Net profit	234.7	185.2	128.5	140.8	122.8
Earnings before interest and tax	626.0	485.2	388.2	395.3	354.5
Earnings before interest and tax and depreciation adjusted (EBITDA)⁽²⁾	912.3	727.7	623.6	651.0	586.7
Capitalised interest	27.6	17.3	12.1	6.6	9.7
Balance Sheet (\$M)					
Total assets ⁽³⁾	9,811.9	8,671.1	8,011.0	7,400.5	7,683.7
Total debt	4,769.8	4,094.2	3,872.5	3,344.9	3,268.5
Total shareholders' equity	2,922.4	2,574.9	2,293.1	2,315.1	3,016.0
Capital Expenditure (\$M)					
Property, plant and equipment and intangibles	985.4	1,026.4	871.0	722.3	771.2
Share Information					
Number of shares on issue at year end	875,532,774	875,532,774	875,532,773	875,532,773	875,532,773
Dividends per share (¢)	21.4	16.9	11.7	108.2	57.1
Dividends (\$M) ⁽⁴⁾	187.8	148.2	102.8	946.9	500.0
Dividends/Net profit (%)	80.0	80.0	80.0	672.5	407.2
Ratios					
Earnings per share (¢)	26.8	21.2	14.7	16.1	12.8
Weighted average shares on issue	875,532,774	875,532,773	875,532,773	875,532,773	960,348,120
Return on total operating revenue (%) ⁽⁵⁾	13.5	12.6	9.6	10.0	9.7
Return on average shareholders' equity (%) ⁽⁶⁾	8.5	7.6	5.6	5.3	4.8
Debt/Equity (%)	163.2	159.0	168.9	144.5	108.4
Debt/(Debt + Equity) (%)	62.0	61.4	62.8	59.1	52.0
Return on average total assets (%) ⁽⁷⁾	6.8	5.8	5.0	5.2	5.0
Current ratio (%) ⁽⁸⁾	110.6	118.0	183.4	155.2	655.6
EBITDA interest cover (times) ⁽⁹⁾	2.8	3.0	2.8	3.2	3.3
Statistical Information					
Maximum Demand (MW)	4,687	4,768	4,499	4,142	4,289
Number of employees at year end ⁽¹⁰⁾	3,835	3,784	3,733	3,794	3,863

Notes

- (1) Cost of sales refers to Transmission use of system charges and materials and consumables
(2) Adjusted for total Depreciation and Amortisation and Impairment
(3) Deferred Tax Assets and Liabilities have been netted, with the balance being recognised as a liability
(4) Dividends shown represent amounts provided for in the year and also include dividends that have been provided and paid in the same year
(5) Net Profit/Total Revenue
(6) Net Profit/Average of Opening and Closing Shareholders' Equity
(7) EBIT/Average of Opening and Closing Total Assets
(8) Current Ratio = Current Assets/Current Liabilities
(9) EBITDA/(Borrowing Costs + Capitalised Interest)
(10) Full time equivalents
(11) 2007 amounts include continuing operations results only

International travel expenditure

International travel is undertaken for approved business purposes in accordance with the Government Owned Corporations Air Travel Policy. We also have a Travel Policy for overseas and domestic travel, consistent with public expectations of accountability. The Travel Policy is approved by the Board.

Summarised in Table 14 is the international travel expenditure costs incurred by the ENERGEX Group of companies for 2010/11.

TABLE 14: INTERNATIONAL TRAVEL EXPENDITURE 2010/11

REGION	COUNTRY	PURPOSE	NO. OF VISITS	EXPENDITURE (\$)	SUBTOTAL (\$)
Pacific Rim	New Zealand	To attend the Field Services Management NZ conference and lead a post conference workshop.	1	1,151	
		To witness investigations into the failure mode of ring main units and to develop a long term solution.	6	9,676	
		To make a presentation at the Energy Market Association of New Zealand (EMANZ) Annual Conference 2011. (Airfare and accommodation paid by EMANZ).	1	1,006	11,833
Asia	South Korea, Hong Kong and Singapore	To visit Korea Electric Power Corporation (KEPCo) to assess overseas trends in distribution and automation.	2	14,888	
	Seoul, South Korea	To attend a training course on behalf of Powerlink for repairing 275kV underground cables.	3	30,929	45,817
Europe	France, United Kingdom and Sweden	To attend the CIGRE Electricity Conference in Paris as ENERGEX's representative and visit a number of UK Distribution utilities to discuss relevant issues.	2	41,710	
	Scotland, United Kingdom	To participate in configuration and design workshops regarding the proposed ENERGEX DMS solution and meet with GE product development team.	2	27,646	69,356
USA	USA	Site visits to utilities utilising Advanced Smart Network Technologies (incl DMS) to gain an understanding of the drivers of field productivity.	2	42,931	
		Attendance at conference regarding Ventyx product suite to ensure ENERGEX's long term strategies for FFA are incorporated into the future product developments.	1	16,474	59,405
TOTAL					\$186,411

index and glossary



We operate under strict guidelines and measured programs to ensure we achieve our Program of Work in a sustainable way.

glossary and abbreviations

Australian Energy Market Operator (AEMO): From 1 July 2009, AEMO replaced NEMMCO with a broader national focus on delivering an array of electricity and gas market, operational, development and planning functions. These functions incorporate management of the National Electricity Market (NEM) electricity grid system.

Australian Energy Regulator (AER): From 1 July 2010, the Australian Energy Regulator is responsible for our economic regulation under the provisions of the National Electricity Rules (NER).

Capital Expenditure (CAPEX) Plan: A measure of how effectively ENERGEX is completing the program that is identified in the Network Management Plan.

Capital Program of Work (Capital PoW): Investment in new network infrastructure or improving existing network infrastructure.

CO₂-e: CO₂-e is a measurement to express the relative effect to carbon dioxide a specific amount of greenhouse gases has. It is calculated by multiplying the amount of tonnes of the greenhouse gas by its global warming potential.

Corporate Responsibility Index (CRI): An index used to measure our corporate responsibility and sustainability performance across environment, community/social, workplace, marketplace and business conduct, and ethical governance.

Customer: A party that consumes services or electricity and has a retail contract with a retailer and a connection contract with a distributor. A customer can be categorised in the market as follows:

Large Customer > 100MWh consumption per annum.

Small Customer < 100MWh consumption per annum.

Demand (side) management: Activities which seek to influence the patterns of energy consumption, including the amount and rate of energy used, the timing of energy use and the source and location of energy supply.

Distributor: A party who manages an electricity distribution network (e.g. ENERGEX). Regulations define a distribution entity as the party who provides customer connection services to a customer at an electrical installation or premise. The term Distributor may also be used interchangeably with the term Network. A Distributor is also known as a 'Network Service Provider'.

Electricity Industry Code (EIC or the Code): Under the authority of the *Electricity Act 2004*, the Regulator issued the code to prescribe requirements relating to industry planning, reporting and service standards.

End to end process: The end-to-end Program of Work process starts with planning and ends with delivery (in the plan/program/deliver stages). Delivery may be through internal resources or an external contractor.

Equal Employment Opportunity (EEO): Requires that all employees have equal access to employment opportunities, employment decisions are made on the basis of the individual merit and requirements of the role, and the workplace is managed to ensure absence of harassment.

Global Reporting Initiative (GRI): Sets a standard framework, including principles and indicators, for companies to report on organisational activities encompassing economic, environmental and social performance.

Government Owned Corporation (GOC): An entity created by a government to undertake commercial activities on behalf of an owner government.

Guaranteed Service Level (GSL): Defined by the Code distributors and retailers must adhere to stipulations regarding the timing of reconnecting and disconnecting supply to the electricity network.

Initial Assessment Report (IAR) and Final Assessment Report: A detailed investigation of the potential environmental and social impacts of a proposed project, to support the application for Community Infrastructure Designation.

Key Result Area (KRA): Key Result Areas are organisation wide objectives that measure business performance. There are currently eight KRAs covering Safety, People, Financial Performance, Network Performance, Operational Excellence, Customers, Community and Environment.

KPI: Key Performance Indicator.

kV: Kilovolts (1000 volts).

Lost Time Injury (LTI): Instances where permanent staff suffered a physical injury as a result of a safety incident, which resulted in those staff taking time off work.

Lost Time Injury Frequency Rate (LTIFR): Calculated as the number of lost time occurrences of injury or disease for every one million hours worked over a 12 month progressive period.

LV: Low voltage.

Major event day: Is a statistically low probability event which is calculated using network performance data from the previous five years.

Megavolt amperes (MV.A): The product of voltage and current multiplied by one million.

National Energy Customer Framework (NECF): Established following discussions by the Ministerial Council on Energy, the NECF involves the harmonisation of state-based regulatory frameworks (excluding retail price regulation and community service obligations) for the retail energy market and energy distribution sector into a single set of national rules.

National Electricity Market (NEM): A wholesale market for the supply of electricity to retailers and end-users in Queensland, New South Wales, the Australian Capital Territory, Victoria, South Australia and Tasmania.

National Electricity Market Management Company (NEMMCO): The previous body which operated and administered the National Electricity Market (NEM). Since 1 July 2009, NEMMCO has been replaced by the Australian Energy Market Operator (AEMO).

National Meter Identifier (NMI): Identifies a customer's electricity meter separately to all other meters. It is used when customers transfer from one retailer to another.

Network Management Plan (NMP): The plan is prepared annually to explain how ENERGEX is managing the network to meet customer and shareholder aspirations. The NMP is a requirement of the state government's Electricity Industry Code (EIC or the Code).

Operational Expenditure (OPEX) Plan: A measure of how effectively ENERGEX is completing its maintenance program as identified within the Network Management Plan.

Peak Demand: The maximum amount of electricity used at one time. Each day, electricity peaks in the early evening, as people start returning home and activity in the home starts. Once or twice a year, electricity peaks at summertime and winter.

Program of Work (PoW): Taking plans for new network investments and plans for ongoing network maintenance from the concept stage (design) through to delivery, ensuring the projects are delivered on time and within budget by achieving best practice in the project management.

Program of Work Improvement Program Project (PoW IP):

An ENERGEX initiative that aims to improve the PoW estimation process.

Queensland Competition Authority (QCA): An independent statutory authority charged with implementing competition policy and funding approval for electricity companies in Queensland. Funding approval from 1 July 2010 will be via the AER.

Retailer: The party from which a consumer has contracted to purchase electricity.

Sectionalising: Restoring power to one section of a feeder (powerline) at a time after an interruption to isolate the cause of a fault.

Service Target Performance Incentive Scheme (STPIS): Introduced by the AER, STPIS is intended to encourage distributors to maintain and improve service performance for customers and operates concurrently with our Minimum Service Standards (MSS) obligations focusing on unplanned performance.

Smart meter: A general class of meter which will not only measure kilowatt hours but also 'quality of supply' functions. It is capable of being read remotely.

Social media: Media disseminated through social interaction using various forms of technology and transforms people from content consumers into content producers. Forms can include, but not limited to, internet forums, weblogs, social blogs, wikis, podcasts, pictures, instant messaging and social media services including FaceBook, YouTube, Twitter, MySpace and LinkedIn.

Statement of Corporate Intent (SCI): ENERGEX's annual strategic planning document.

System Average Interruption Duration Index (SAIDI): The average duration (in minutes) of the long duration (more than one minute) outages.

System Average Interruption Frequency Index (SAIFI): The average number of long duration (more than one minute) outages experienced by a customer over a period of time.

Zero Incident Process (ZIP): ENERGEX's workplace safety awareness program that focuses on the 'person' component of the Safety Culture Model. It gives participants an insight into the way their brain works, their thinking, their attitudes and how this drives their behaviour. It is designed to empower people to take control of their personal safety by becoming more effective within the systems they work in. ENERGEX uses ZIP under licence from Sentis Pty Ltd.

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positive energy