Annual Report 2020-21

Energy Queensland

About this report

As our key stakeholder report, Energy Queensland's Annual Report highlights our sustainability contribution across our most material economic, social, environmental and governance topics.

This report covers the Energy Queensland Group's (the Group's) overall performance from July 2020 to June 2021, meeting best practice reporting standards with guidance from the Global Reporting Initiative and the International Integrated Reporting Framework, as well as our legislative requirements.

It covers Energex Limited, Ergon Energy Corporation Limited, Ergon Energy Queensland Pty Ltd and Yurika Pty Ltd. Commentary is also provided on the Group's other subsidiary companies.

This and earlier Annual Reports are on our website at www.energyq.com.au/annualreport

We welcome feedback to help us improve our reporting. Comments and requests for hard copies can be directed to community@energyq.com.au

Our aim is to be a truly trusted partner to our customers, and the wider community, in the energy transformation.

We're addressing safety concerns around our ageing electricity networks, enabling more to benefit from solar energy, and empowering our people to find new, financially sustainable solutions fit for tomorrow's world.

We see a bright future.

Energy Queensland is committed to connecting respectfully with Queensland's Aboriginal and Torres Strait Islander peoples and communities.

We acknowledge Aboriginal and Torres Strait Islander people as the First Nations people of Australia and the Traditional Custodians of this land and its waters.

We pay our respects to Elders past, present and future for they hold the memories, the traditions, the culture and knowledge of Aboriginal Australia.

Contents

About us

Energy Queensland is Queensland’s 100% owned group of electricity distribution, retail and services businesses.

As a Government Owned Corporation, we deliver electricity across Queensland through our ‘poles and wires’ businesses Energex and Ergon Energy Network.

Our retailer, Ergon Energy Retail sells this electricity to customers throughout regional Queensland.

These essential service activities are supported by a range of innovative infrastructure-related services delivered through Yurika.

The Energy Queensland Group, formed in June 2016, energises Queensland communities from Tweed River to Torres Strait and from Brisbane across to Birdsville. We also deliver services across Australia.

Our vision

We energise Queensland communities.

Our purpose

To safely deliver secure, affordable and sustainable energy solutions with our communities and customers.

Our values

Safe	Knowledgeable	Innovative	Leading	Listening	Engaged	Diverse
We are committed to keeping our people, community and customers safe	We openly share our knowledge	We strive to make our business better	We lead and follow each other to success	We respect and hear each other	We work as a team to be the best we can be	We are diverse which makes us stronger

Our statistics

7,526
employees

apprentices 461

178,000km
overhead powerlines

29,000km
underground power cables

33
stand-alone power stations

37
large-scale solar renewables connected

2.3 million
connected customers

746,000
retail customers

1.7 million
power poles

3 customer solutions centres

3 network control centres

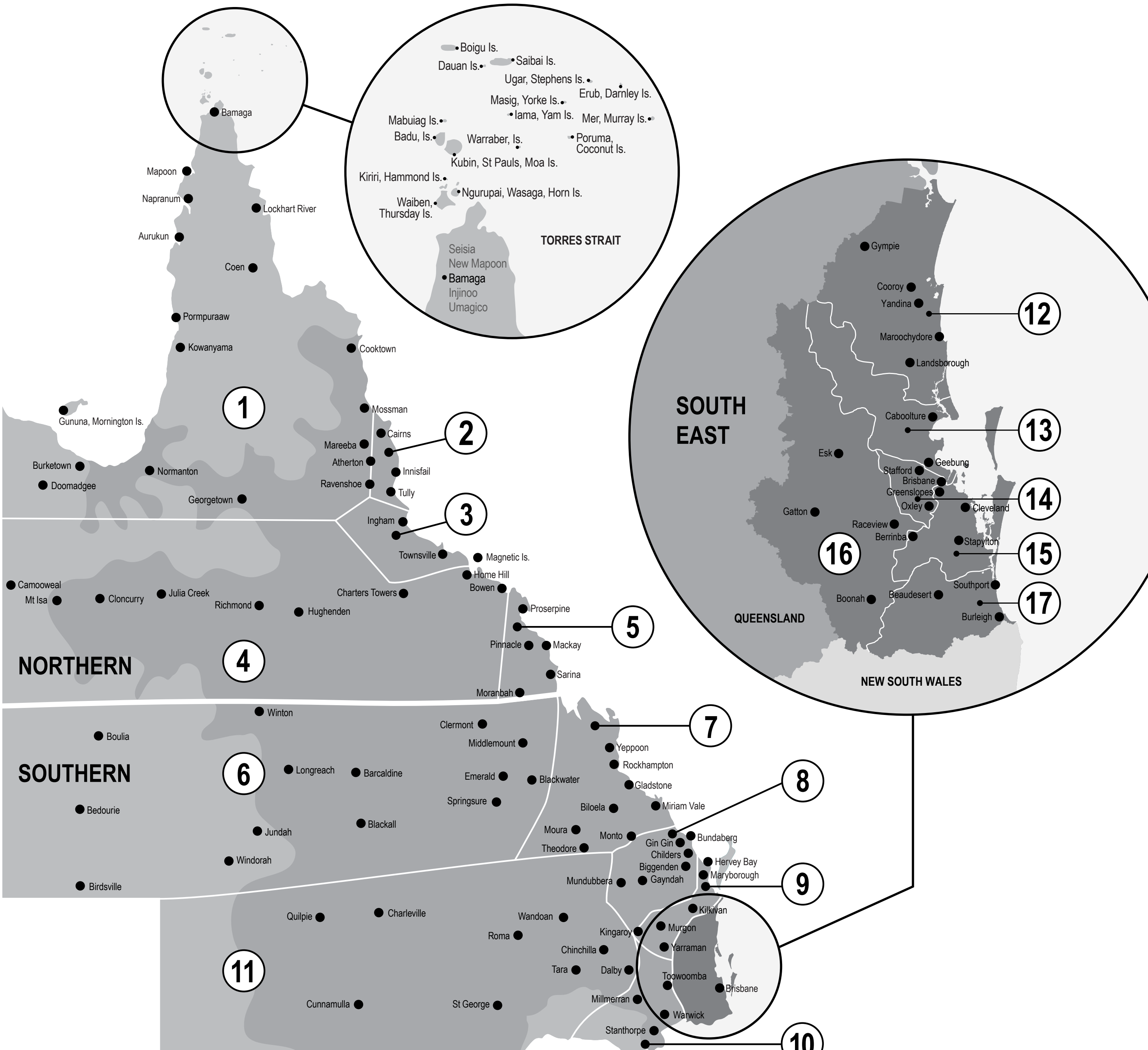
690,000
small-scale solar energy systems connected

Our core service area

Our 17 service areas with 127 depots and offices ensure we are well placed to energise communities across Queensland.

1 Far North
2 Tropical Coast
3 Herbert
4 Flinders
5 Pioneer
6 Central West
7 Capricornia
8 Bundaberg Burnett
9 Fraser Burnett
10 Darling Downs
11 South West
12 Sunshine Coast
13 Brisbane North
14 Brisbane Central
15 Brisbane South
16 Ipswich Lockyer
17 Gold Coast

- Regional network - Ergon Energy Network
- Isolated supply - Ergon Energy Network
- Ergon Energy Retail
- South East Network - Energex
- Depot locations



The year in a snapshot

Our customers

Electricity prices fall for a fourth year in a row

In regional Queensland retail prices decreased 7.3% for a typical residential customer on Tariff 11 and 3.7% for the typical small business customer on the Tariff 20.

Making it easier to get in touch

Ergon Retail's new and improved Contact Centre Technology (CCT) telephony system, modelled by feedback from our customers, went live.

320,000 now benefitting from MyAccount

As well as other benefits, encouraging customers to check their eligibility for rebates through Ergon Retail's self-service portal saw a three-fold increase in applications.

Delivered new connections in line with economic stimulus

Double the normal level of subdivisions were connected to Ergon Network with the COVID-19 economic stimulus packages from the Australian and Queensland Government.

Customer Index 7.2

Target ≥6.8 out of 10* – The index has shown steady improvement over the last four years with service improvements achieved by Ergon Retail, Ergon Network and Energex and Yurika.

Our community

$1.1 billion investment in critical community infrastructure

Result 95.7%: Target ≥90%* – with an ahead of target delivery, the most notable area was the $504 million safety-driven network renewal investment in the Ergon network. We replaced almost three times the kilometres of aged powerline conductor.

9 of 12 reliability targets met

Result 75%: Target 100%* – customer satisfaction with power reliability improved for a second year in a row to 59%, despite the planned outage impact linked to the scale of safety-driven works underway on ageing sections of the Ergon network.

Our escalated emergency response activated eight times

Our response to storm and cyclone events again showed our readiness, all while maintaining ongoing operating protocols to protect against COVID-19. We also played a critical role in the response to the Callide Power Station outage.

Network monitoring has already potentially saved lives

We undertook a low voltage network monitoring trial, which saw 20,000 devices installed in switchboards across Queensland, helping us improve the safety and power quality of our networks.

Connecting with First Nations people

We supported First Nations-owned businesses through our procurement process, engaged First Nations interns through the CareerTrackers program, continued our prevocational programs for First Nations candidates, and supported the Queensland Museum's Torres Strait Islands exhibit.

Partnering with our community in uncertain times

We continued to support the SES, Rural Fire, the Queensland Theatre and Ballet, the RFDS, and a wide range of other local endeavours that are truly delivering value in our local communities.

Our people

1.1 Significant Incident Frequency Rate

Target ≤1.8 – this result is a notable improvement again in 2020-21, with our Safety is Defence program and Learning Teams focused on areas with highest potential for harm.

6.1 Total Recordable Injury Frequency Rate

Target ≤6.8* – a significant improvement from the 7.5 from last year and, pleasingly, outperforming our target.

2.3 Lost Time Injury Frequency Rate

Target ≤2.0* – lost time injuries remained at the rate of the previous year, short of our improvement target. Safety continues to be a priority.

60% employee engagement

Target ≥72.4%* – employee engagement decreased from last year's strong mid-COVID-19 score in line with the average benchmark. This survey is helping us better focus our efforts towards sustainable improvement.

104 new apprentices

Bringing the apprentices completing a qualification with us to 461 across Queensland, supported by 15 engineer and data graduates participating in our graduate program.

Our environment

Battery storage plan launched

The launch of our Local Network Battery Plan trial will help address the minimum demand challenge and support the Queensland Government's 50% renewable energy target by 2030.

Queensland Electric Super Highway is here

With 31 charging locations now spread from Coolangatta to Port Douglas, the charging network is helping to stimulate EV adoption, attract EV-driving tourists to regional Queensland, and meet future local demand.

Making great strides towards being asbestos free

To safeguard our people and the community, asbestos-containing materials, waste and soil have been removed from 43 substations and commercial sites, 12 depots, two owned residences, and one office.

Our economic value

$1,903 million expenditure

Target ≤$1,878.4 million* This Standard Control Services expenditure reflects a significant capital and operational investment across our networks to ensure we meet safety requirements and compliance.

$302 million Net Profit After Tax

Target ≥$97.1 million* – a sound profit result (while down from $483 million in 2019-20) with reducing customer debt, lower interest rates, favourable market outcomes, and efficiencies.

4.4% Return on Capital Employed

Target ≥3.4* – this result, while down as expected on previous years (5.8% in 2019-20), is above target in line with the profit result achieved.

* Part of our formal performance agreement with our shareholding Minsters, set through our Statement of Corporate Intent.

Chairman and CEO's Message

"Our priority is on safety, keeping the lights on and the business's financial sustainability."

This year we strengthened our efforts in three priority areas: safety, keeping the lights on, and the business's financial sustainability.

Our many achievements across these areas are not only central to addressing today's challenges, but fundamental to our ability to navigate the transformation to a low carbon energy future.

Our industry's interface with customers has traditionally had very distinct components, from generation to delivery, but these roles are now blurring. Continuing uptake of solar, and other technologies such as electric vehicles, has resulted in customers, big and small, changing how they use our networks and the services they need from market participants.

To respond to this shift, and enable customer choice while still maintaining the safety and security of supply, we are preparing now for the grid of the future.

It has been a purposeful and productive year.

A critical investment in the network for the safety of all Queenslanders

We invested $1.5 billion in the state's electricity networks in 2020-21 to ensure the safety and security of supply and, more broadly, to meet the future needs of our customers.

Funds were allocated to asset inspection, maintenance and renewal to address the safety and performance challenges of an ageing network. The elevated levels of capital investment, particularly in regional Queensland, is being targeted to ensure we meet essential asset safety standards.

To undertake this critical work across our 178,000 kilometres of overhead powerlines and 1.7 million power poles we have enhanced the delivery effectiveness of our program of works. Compared to the previous year, we replaced almost three times the quantity of aged powerlines, and delivered a 19% increase in asset inspections. This drove a 13% increase in power pole replacements/reinforcements and a 20% increase in substation defect rectifications.

We are also gaining safety benefits from technological change as we transform our networks into an intelligent state-wide grid. For example, the safety risk associated with low voltage lines is being addressed by the roll out of smart monitoring devices.

From a workplace safety perspective, our people responded well to everything put in front of them, even with the additional challenges COVID-19 threw our way. They showed true leadership in keeping our people and the community physically safe, and their fellow team mates mentally healthy in unprecedented times.

Our focus on strengthening our learning culture and addressing potentially fatal hazards has resulted in a notable decrease in the number of significant incidents.

Keeping the lights on night and day, throughout the year

The year saw us once again demonstrate the emergency response capability across the Energy Queensland Group.

We had our share of severe weather events, from hailstorms in the South East to cyclonic conditions in the Far North and everything in between, with our crews and support personnel acting quickly and safely to restore power supplies.

We also played our part in responding to the Callide Power Station incident in May 2021 that led to state-wide power outages. Power was restored to the majority of the 470,000 customers impacted within two hours, and the need for controlled load shedding during the evening peak was avoided. This event provided significant insights into the broader emerging challenges around overall system stability and the changing load profile on our networks state-wide.

During the year we had already seen a dramatic drop in day-time minimum system demand with the previous year's 700MW of additional rooftop solar energy connected to Queensland's electricity distribution networks exceeding the Australian Energy Market Operator's high case forecast of 300MW to 400MW.

An industry wide response to minimum demand is an immediate imperative. By 2030 it is forecast that there could be 8.7GW of renewable energy connected to our distribution networks, compared to a total summer peak of just over 8.2GW in demand, creating reverse power flows.

As part of our response, we're fast tracking our Local Network Battery Plan. We are initially installing 40MWh of network-connected battery energy storage as part of a five location trial where rooftop solar penetration is high. The batteries will allow the energy made locally to be stored locally for use locally during the evening peak in demand. This initiative will support the Queensland Government's goal of 50% renewables by 2030.

We're also taking action in other ways. We're progressing changes to the way we move the load we already have under control as part of our demand management program to create a 'solar soak', establishing flexible 'solar' export limits. We are also looking to tariff reform to incentivise daytime energy use, and to encourage the take up of 'behind the meter' energy storage.

Significantly more storage will be required to maintain security of supply as we move to even higher levels of rooftop and large scale solar. Our customers investment in batteries will need to be augmented by storage capacity throughout the supply chain.

In addition to system security, we increasingly need to manage voltage and reverse power flows at the distribution level.

To advance the integration of Distributed Energy Resources, like solar and batteries, into the network we're using data to give us greater visibility of the demand and solar energy input to our networks at any point in time.

We're also working with our customers to find solutions, from consultation on connection standards, to trials and feasibility studies into microgrids and stand-alone power systems (SAPS). Through trial SAP projects we have demonstrated that we can meet the electricity requirements of customers and communities at the edge of the grid through more economic solutions than 'grid supply'.

Delivering value to Queensland through our financial returns and lower bills

Our focus on our financial sustainability is delivering significant economic value to Queensland and addressing the ongoing affordability of our services for the benefit of our customers and all Queenslanders.

The Group made a Net Profit After Tax of $302 million, which, while down from 2019-20, was above our budget target of $97.1 million. This will allow us to pay a dividend of $220 million to the Queensland Government in 2021-22, ultimately benefiting the people of Queensland.

Our economic contribution supports a range of state-wide energy-related initiatives, including the Uniform Tariff Policy, which discounts power bills across regional Queensland where it costs more to supply power, and the $50 electricity asset ownership dividend payment being paid to all Queensland households.

Our focus on efficiencies, along with decreases in finance charges and wholesale energy costs, has helped sustainable savings flow to our customers through lower bills.

The St Vincent de Paul Society Tariff-Tracking Project's report in November 2020 showed Queensland has the lowest electricity prices across the National Electricity Market.

This is the fourth year in a row that Ergon Retail's bills have fallen. In 2021-22 regional Queensland households are projected to see an average decrease of $101 in their annual bill and a typical small business customer an average of $79 reduction.

Looking forward we'll continue to focus on efficiencies. Right across our businesses we've looked at where we can reduce costs, in areas like property, travel and fleet so we can spend more where it is needed to meet our networks' safety and performance priorities.

To drive further efficiencies and ensure we can meet our customers' needs into the future our Digital Enterprise Building Blocks program will continue rolling out new systems allowing our people to adapt, learn and embed new processes.

We are also proactively pursuing opportunities to grow our unregulated business. Yurika has strengthened its position in the marketplace this year not just as a significant electrical EPC (Engineering, Procurement and Construction) contractor, but with an integrated end-to-end offering including energy infrastructure services and telecoms, digital solutions and metering under one unified brand.

We see a bright, electric future

We thank our customers, communities and other stakeholders for their support, and our people across the state and in other markets for their efforts, as we drive all elements of our business forward in what will continue to be a changing energy industry.

Phil Garling
Chairman

Rod Duke
Chief Executive Officer

What matters most

Our principles for engagement

We're committed to ensuring:

- We're accessible and inclusive in engaging, interested or impacted stakeholders
- Our communications are easily understood, timely and appropriate
- Open transparency in our decision making processes and outcomes
- Our engagement is responsive and improves with feedback and measurement.

Best practice engagement

We are committed to best-practice engagement, as the first step to delivering sustainable energy solutions for Queensland.

The electricity industry is a complex and challenging environment with a diverse range of stakeholders both across our service area within Queensland, and nationally. Our stakeholders are those we serve, or could potentially be impacted by our operations, or could support or affect our ability as a business to deliver for our customers.

We refreshed our stakeholder framework and engagement satisfaction measure this year – with the survey tracking our efforts to keep our stakeholders informed, to being accessible, to continue to listen and respond to concerns, and to collaborate for better outcomes. Our stakeholder engagement satisfaction score was 7.0/10.

We are actively engaging with our end-user customers, community stakeholders, industry partners (who help service our customers), and a range of government stakeholders and industry regulators.

We recognise that working collaboratively increases our collective knowledge and improves decision-making as a business and a society. It is key to building trust, through social and relationship capital and, in turn, supporting our licence to operate and grow.

Our top 10 sustainability topics

In 2019 we undertook a major issues assessment to identify and prioritise the topics that matter most to our stakeholders and, in 2020, a formal review of these key economic, social and governance topics. Since then we have continued to monitor the top 10 topics, shown here, to maintain a deep understanding of the contribution we can best make to sustainability.

Our response to these areas of corporate responsibility is addressed throughout this report. This is also aligned with the maturity self-assessment provided in our 2021 Energy Charter Disclosure Report. For Energy Queensland, an issue is considered material if it is important to stakeholders and can enable, or prevent, the Group from achieving its purpose and/or medium-to-long-term objectives.

Most Material Topics

ENERGY AFFORDABILITY AND VALUE – As an essential part of modern life, affordable energy, choice and control, and a sense of value, is important from both a cost of living and a business competitiveness perspective.

HEALTH, SAFETY AND WELLBEING – Community safety, around the many facets of electricity supply, and our workplace health, safety and wellbeing is as critical at the personal level as it is to the wider community, and to our business (engagement, resilience and productivity).

DISASTER RESPONSE – Queensland's exposure to natural disasters and other risks (incl COVID-19) requires a high level of emergency preparedness and electricity-related response to ensure community resilience and enable recovery, and protect those most vulnerable.

TRUST AND TRANSPARENCY – There is a significant need to engage meaningfully, build trust, report transparently, be accountable and deliver on promises. A strong social licence, through 'doing the right thing', will be critical as the energy industry transforms.

CUSTOMER SERVICE EXPERIENCE – To remain relevant, the market expects a positive customer service experience, how and when the customer wants to engage. The experience must be easy and generate long-term value for customers.

SECURITY AND RELIABILITY OF SUPPLY – With the increasing dependency on electricity, power outages have the potential to cause major economic and social impacts – a well-managed, secure energy ecosystem is critical.

THE TRANSFORMATION TO A LOW CARBON ENERGY FUTURE – Queensland is moving to a low emissions energy future – advocacy, investment, products and services are required to support an increase in renewable energy.

ENERGY INCLUSION AND VULNERABILITY – Many live-in vulnerable circumstances and face 'energy poverty' with health, safety and other social impacts. They require affordable electricity tariffs, energy literacy education and 'bill' assistance.

ECONOMIC DEVELOPMENT AND JOBS – Access to competitively priced network connections and electricity tariffs is central to sustainable economies. We also contribute jobs, and traditional and future-focused skills development, and other flow on community benefits.

ADVANCEMENT IN TECHNOLOGY – Digital and energy technology change is disrupting the way the energy sector works. The shift to decentralised energy resources needs innovative solutions and to be effectively managed to deliver for Queensland.

Performance report

Customers are at the centre of all we do.

Our focus is on delivering affordable, sustainable energy solutions.

We're improving the service experience today and evolving our offering to meet their needs into the future.

Electricity prices fall for the fourth year

For the fourth year in a row, the Queensland Competition Authority (QCA) has set lower retail electricity prices for regional Queensland in 2021-22.

These reductions are mainly from projected decreases in wholesale energy costs components of the price stack. These rates are also supported by the 2020-21 reduction in the cost of electricity distribution.

Overall, the retail prices result in a 7.3% decrease in the annual bill for a typical residential customer on Tariff 11 and a 3.7% decrease for the typical small business customer on the Tariff 20.[1]

In line with prices coming down, the Queensland Household Energy Survey showed electricity bill concern lessened again in 2020 with moderate to high levels of bill concern continuing to decline from 71% in 2017 (the highest bill concern in the last decade) to a new low of 47% in 2020 [2].

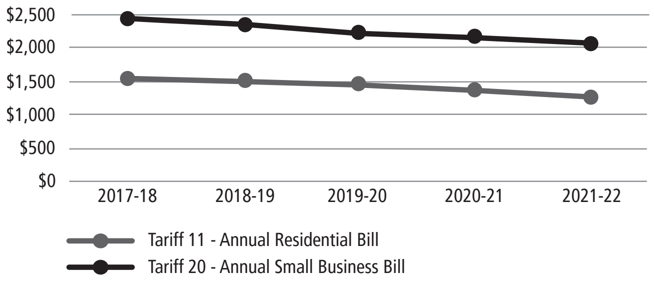
The regulated tariffs[2] offered across regional Queensland by Ergon Retail are set in line with the Queensland Government's Uniform Tariff Policy. The policy reduces the prices customers pay in the eastern zone of regional Queensland by around 10% compared to the cost of supply, and by around 50% for those in the western zone. The cost difference is met by the Queensland Government's Community Service Obligation (CSO).

The QCA also introduced new residential and business tariffs, which customers can access on an opt-in basis, to take advantage of lower usage or demand rates during off peak periods or where they are willing to have their usage controlled during the day. Ergon Retail business customers with a digital meter are able to compare these tariff options using the Energy Analysis portal.

These tariffs reflect changes to network tariffs introduced in 2020-21. For customers outside our retail footprint on Energex's network, we also developed an online calculator for customers to assess the benefits of transitioning to one of our new time-of-use or demand network tariffs.

To assist business customers on a range of legacy tariffs, we are helping them on to the standard tariffs, with the Queensland Government's Electricity Tariff Adjustment Scheme. Here we are providing transition rebates to offset increased bill costs, or where eligible, access to three new limited-access obsolete retail tariffs, or alternatively, the other eight new business tariffs.

Electricity bills continue to fall



1 Annual electricity bills based on the typical/median usage by customers on Tariff 11 (4,210kWh) and Tariff 22 (6,443kWh) only. Other tariff options are available.

2 Queensland Household Energy Survey 2020. Question: These energy suppliers provide my household with a reliable energy supply. Scale 0-10; Agree 8-10.

Helping Queensland bounce back from COVID-19

The COVID-19 pandemic continued to create uncertainty and economic stress for many throughout the year.

To help, Ergon Retail's multimedia campaign, 'Help Made for You', encouraged residential customers to get in touch for bill extensions, payment plans and eligibility for Queensland Government rebates and concessions. We also actively sought to help business customers whose trading had been disrupted due to COVID-19 and, where possible, set up payment arrangements. Our focus on helping those impacted from the COVID-19 lock downs were above the Statements of Expectations made by the Australian Energy Regulator (AER). Small customers accessing our Customer Assist program, or who are working with us, are not disconnected or referred to debt collection agencies.

To better understand who and how people were being affected, as well as the ongoing impacts around COVID-19 as time goes on, Energy Queensland partnered with other Energy Charter signatories to co-fund the COVID-19 Consumer Research. This research continues to inform our approach to supporting our customers.

We're local, and 100% Queensland owned

We understand that energy prices and affordability continue to be an issue for our customers. It is why Ergon Retail launched the 'Your Energy' campaign in April 2021.

The campaign, with an honest guide on what to look for in choosing an energy retailer, highlights the need to understand the different fees potentially incorporated in market offers. It reinforces the value of Ergon Retail as regional Queensland's energy retailer through three core elements: with Ergon Retail, what you see is what you get; we get you, because we're owned by you, we're local and always will be; and with our people living and working across regional Queensland, we support our customers and the communities in which we live.

As events started up across regional Queensland, we were excited to be back face-to-face with our customers after a tough year, holding a variety of 'Bring Your Bill' days in Rockhampton, Yeppoon, and Townsville, and talking with customers at community events, like the Toowoomba Royal Show and Rockhampton and Fraser Coast shows. These events allow us to help our customers understand their electricity charges and how to save, and to meet our commitment to being 100% transparent.

Being Queensland Government-owned, we were able to credit residential bills with a $50 electricity asset ownership dividend . We also continued to support our customers with the Queensland Government's concessions, rebates and drought relief. We participated in a trial with the Queensland Government to digitise applications for the Home Energy Assistance Scheme. Eligible customers can now apply for a one-off emergency assistance payment of up to $720, available once every two-years, through an email or SMS link rather than a paper form via the post office.

Ergon Retail's commitment to fostering inclusion

Ergon Retail have continued this year as part of our Financial Inclusion Action Plan (FIAP), under the program lead by Good Shepherd, to deliver on a commitment to fostering inclusion. Through this plan, we are demonstrating our commitment by helping to ensure financial inclusion, developing financial resilience, promoting inclusive growth, reducing inequality and raising awareness of our services.

To help build on this work, we partnered with the Indigenous Consumer Assistance Network (ICAN) Learn to provide scholarships for seven regional Queenslanders to complete their Diploma in Financial Counselling to provide further support for our customers. We also travelled to a number of the First Nations communities we serve; we held monthly engagement activities in Woorabinda and provided face-to-face energy literacy and customer support across eight of our communities who use card operated meters from Gununa (Mornington Island) to Bamaga.

Ergon Retail also continued to take steps to better support customers experiencing family violence, in line with the Australian Energy Council's release of a draft rule change expanding protections in this critical area. These include improving system capability to instigate security and privacy safeguards, training specialist staff to support customers, defining debt management procedures including waivers, and ensuring the process is consistent and equitable.

In regional Queensland we have also supported over 5,000 customers who rely on electricity to support the management of a medical condition. In regional Queensland, Ergon Network works closely with Ergon Retail to ensure these customers do not experience adverse impacts caused by power outages. In the South East, there are more than 24,400 customers reliant on powered medical equipment who are supported by Energex and their local retailer.

Making it easier for our customers to get in touch

Our new and improved Contact Centre Technology (CCT) telephony system went live at the beginning of 2021. Driven by customer feedback, the improvements were made after extensive customer research looked at what customers thought about the former Interactive Voice Response (IVR) system. The new system upgrades include improved navigation for customers, making it easier for callers to find what they are looking for, as well as the introduction of virtual hold or call back functionality, helping us optimise call volumes during call avalanche events. The menu has been streamlined and features an improved list of menu options to make it easier to follow.

Our online tools are also helping customers stay in control. Over 320,000 customers are now registered on our electricity account portal, which means that over 50% of our customers are now benefitting from e-billing.

Ergon Retail is also continuing to support the digital-energy transformation, rolling out more than 59,000 digital meters during 2020-21. This takes the total number of digital meters across our regional Queensland customer-base to over 197,000. This means that more than 174,000, or approximately 23%, of our customer sites have digital metering, allowing them to utilise tools that can help manage energy use and access the benefits of remote meter reading.

Delivered new connections in line with economic stimulus

2020-21 saw a significant surge in residential subdivisions connecting to the network with the COVID-19 economic stimulus packages from the Australian and Queensland Government. This was most notable across the Ergon Network, which saw double the normal level of this type of connection.

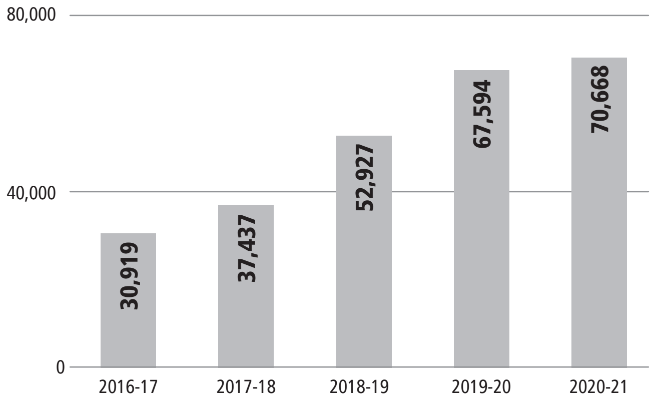
This aligns with a further increase this year in the number of new solar energy systems connected.

In addition to the high levels of new residential solar, there was an escalating number of large commercial rooftop solar systems connecting to our networks, with the strongest growth in the South East. This included the Queensland Government's Advancing Clean Energy Schools program, which connected 281 solar systems totalling 17MVA .

In the area of large customer connections, we continued to improve the customer experience, with a dedicated project sponsor as a single contact point for new, large business connections; increased cost transparency; and flexibility with payment plans.

During 2020-21, the number of applications for the connection of medium and large-scale (>30kVA) renewable energy generating systems to our networks grew again. We are currently connecting five large projects with solar, wind and/or batteries. Another 50 renewables projects are in the enquiry to connection phases; over 400MVA of large-scale solar may be committed before the end of 2021.

Annual solar connections continue to increase



The number of solar connections this year across Queensland continued to grow, boosting the total solar electricity generation capacity connected to the network by over 15%.

Customer Blueprint improves customer experience

In our commitment to provide a great experience for our customers, we have identified a range of new and improved service upgrades through our Customer Blueprint Project. This project was initiated to identify the best approach to upgrading our existing data systems, which currently manage all of Ergon Network and Energex's customer and market data, transactions, and interactions. As these systems reach the end of their life, we now have an opportunity to improve them while meeting our compliance commitments.

We are also making changes to our systems and processes in response to a number of industry reforms which take effect in late 2021. These include:

- 5-Minute Settlement (5MS) – requiring meter data to be captured and settled in the market in 5-minute intervals (rather than the existing 30 minutes)
- Global Settlement (GS) – this allocates a proportionate amount of residual energy cost to all retailers in the market on settlement (rather than the current 'settlement-by-difference' model where the local retailer bares the entire cost).

Customers also benefitted from other system enhancements. One is helping assure customers that the latest information we have about 'dogs on the premises' is correct and that their request to be notified of a meter read is in place. This follows communications on the importance of having dogs restrained when the meter reading is scheduled for our employees' and contractors' safety. The system enhancement enable our frontline staff to see the meter reading notification sent to the customer and to confirm in real time the details logged in our customer portal.

Customer Experience Scorecard

Customer advocacy drives steady improvement

Throughout the year, we focused on embedding our corporate Customer Advocacy Framework, the mechanisms that collate customer insights to raise awareness and motivate change across the Group. A key component of the framework is engaging customers and stakeholders on important issues to inform our decision-making, especially for regulatory topics like Dynamic Operating Envelopes, Two-Sided Markets and the Review of Metering Services.

To guide service improvements, we also survey customer satisfaction following our key service interactions for each customer group, from the large businesses to our residential customers. This is reported as a Customer Index. The index has shown steady improvement over the last four years, improving moderately (0.13) in the last 12 months. The above target result of 7.2 out of 10 for 2020-21 exceeded both target (≥6.8) and stretch target (≥7.1) with service improvements achieved by Ergon Retail, Ergon Network, Energex and Yurika.

We also collaborated with other energy organisations on initiatives to improve customer outcomes, through our membership of the Energy Charter. Our progress has been assessed against the Charter's principles in our 2021 Energy Charter Disclosure Report.

In addition, we piloted new Key Performance Indicators to be introduced in 2021-22 to raise the bar by benchmarking us against others in relation to Customer Satisfaction (CSAT) and a Net Trust Score (NTS).

Making it easy to contact us

With regional based Ergon Retail Customer Solution Centres in Rockhampton and Townsville, our people are there to assist customers with a broad range of needs, from bill support to energy advice. There continues to be a significant focus on providing the best possible customer experience which is reflected in Voice of Customer survey results, indicating satisfaction at 82.1%. Thanks to the introduction of new Contact Centre Technology in 2021, first call resolution can now be tracked more accurately based on customer call frequency. The result for the year based on this is 92.3%.

Call volumes in the Ergon Retail Customer Solution Centre showed a reduction on previous years as customers look to use alternative channels to contact us, such as the MyAccount portal. COVID-19 support initiatives also reduced the need for people to contact us.

As an outcome of our response to COVID-19, staff in the Ergon Network and Energex Customer Operations Centres are now able to work from home, enabling us to more quickly stand up an effective and efficient workforce during any kind of event. This proved extremely beneficial in managing the peaks in call volumes during the last storm season.

CALL ANSWERING	TARGET		RESULT	
Unplanned Outage Enquiries	Ergon Network	Loss of supply, emergency calls ≥77.3% answered in 30 secs	87.3%	▲
	Energex Network	Loss of supply, ≥85% answered in 30 secs	88.9%	▲

Making contact

Customer calls answered by our customer solutions centres

Ergon Retail calls	731,080	▼
Ergon Network calls	242,144	▼
Energex calls	286,607	▼

Website

3.3 million

views of our outage information

Social media

234,100

followers on our platforms, which represents a 11% increase from 2019-20

Learning from complaints

We continue to report customer complaints to our Executive Committee and Board, including case studies demonstrating systemic issues for attention.

In addition, we report on annual benchmarking for retailers conducted by the AER, which shows Ergon Retail received a monthly average of 0.04 complaints per 100 customers throughout the year, a stronger performance than 2019-20 and benchmarking well against other retailers.

Ergon Network and Energex continue to outwork improvements in relation to metering experience for residential customers. Changes were made to the complaints process last year to better address customer complaints traditionally escalated to the Energy and Water Ombudsman Queensland (EWOQ).

For our Network businesses, our improvement focus has been on time to resolve issues at the first point of contact. This provides the best outcome for our customers, and business efficiencies. This is not always possible, generally for complaints relating to quality of supply, our contractors, meter reading and field delivery involve working with the relevant managers and teams to resolve.

Network referrals to the EWOQ are in line with best practice performance across the industry. Energex and Ergon Network received 0.02 complaints per 100 customers on average each month through the year.

Yurika continues to transform to better provide end-to-end customer solutions

Yurika has strengthened its position in the marketplace by offering integrated end-to-end solutions under one unified brand. In mid-2020, Yurika began its brand consolidation project. Beginning with Nexium Telecommunications then followed by Metering Dynamics, both brands have now taken on the Yurika name. The integrated solutions now offered under the Yurika brand include energy, infrastructure and supplies, telecoms and digital solutions, and metering.

Yurika also continued its internal digital transformation to reduce costs-to-serve, while also enabling future technologies and further improvements to our customer experience.

We are now offering digital services to the market

The new digital services business line introduced this year is in response to advancing technology applications and growth opportunities related to the Internet of Things (IoT) and telecommunication sectors. It is focused on delivering improved connectivity solutions to remote, regional and rural Queensland to enable organisations to take advantage of the data informed processes and automation efficiency benefits that IoT can provide.

The digital team is currently working with local government to enable the expedited roll out of 5G technologies to support their Smart City ambitions. This improved connectivity will support the growth of innovation hubs in regional and rural Queensland locations.

The bespoke digital service offering includes network designs, facilities access solutions, IoT platform access and connectivity management.

Smart Solar goes big and powers up the Cowboys

Commercial and industrial customers are taking up Yurika's Smart Connected Solar solution as the energy platform to manage their energy costs, and improve their carbon emissions, with its bundle of modular distributed energy components and smart metering. It brings together solar panels and 24/7 monitoring technology with the ability to add batteries and additional options, such as electric vehicle charging stations.

This includes Queensland Investment Corp (QIC) who have partnered with Yurika to deliver solar on five shopping centres around the country. The total project portfolio is in excess of 14MW of renewable energy installed onto some of the country's largest and high-profile retail precincts. Yurika most recently completed the installation of 13,340 solar panels on the roof of the Robina Town Shopping Centre – a 5.4MW system capable of providing 50% of the centre's energy consumption. It also makes the centre in Robina home to the largest rooftop solar system in the southern hemisphere.

Yurika's innovative design and cutting-edge smart solar technology has also helped the North Queensland Cowboys tackle its energy costs and reduce their carbon footprint. While the Cowboys got ready for their NRL season, Yurika managed the installation of solar energy on the roof of the club's newly constructed high-performance centre – a 264kW Smart Connected Solar array consisting of six hundred 440W panels and two inverters.

Yurika has had success in telecommunications and metering

Yurika has continued to grow its telecommunications business in 2020-21, with a number of significant projects and major advances in capability. Along with extending the in-house monitoring service to include National Broadband Network (nbn) support for major accounts, we have also continued to connect Queensland Government facilities state-wide as part of the package of network data services. Under a contract for a major government agency, we have connected over 1,100 sites so far, supported by a 24-hour critical response capability. Sites across the state are being connected via our fibre networks and the nbn, plus fixed wireless and satellite services in remote regions.

Yurika has independent connections from our fibre networks to all 22 nbn points of interconnect in Queensland. Additionally, we have extended our capability, through a partnership arrangement, for delivering nbn services into New South Wales, Victoria, South Australia and Tasmania.

We have also supported the establishment of QCN Fibre through the delivery of thirty fibre builds across Queensland.

During the year Yurika also continued to scale up its national footprint as a metering services provider with an average of 10,000 plus meter installations per month this year for residential, as well as commercial and industrial customers across the National Electricity Market (NEM).

Safely, reliably, and sustainably.

Maintaining the safety and security of our network is our pressing priority.

We’re collaborating to ensure our social licence and deliver benefits to the broader community.

Investing in network safety, security and reliability

Across the state, Energex and Ergon Network delivered a $1.1 billion program of works this year to ensure our networks remained safe and reliable, and to provide the electricity infrastructure needed to support the state's economic development.

Our largest investment area is in the renewal of our networks. Across the state we are continuing to invest in asset inspection, maintenance, refurbishment and replacement strategies to address the performance challenges of an ageing network.

This investment is most notable in the Ergon network, with the $504 million investment in network renewal. This escalated level of investment is part of a multi-year, safety-driven response to an elevated rate of pole, cross arm and conductor defects, which will continue into future years.

This year, across the Ergon network, 13,500 poles were replaced or reinforced to address the defects being identified across the one million poles throughout regional Queensland's electricity network, up from the historical replacement of 8,500 poles. Our regional Queensland investment also saw an additional targeted 9,000 customer service wires proactively replaced, in addition to the 15,000 replaced or repaired on defect, up from the historical total targeted replacement of 4,500 services. It also saw just over 300 kilometres of ageing copper conductor replaced across Ergon Network's coastal regions, as well as the replacement of condition-based circuit breakers in a number of major substations.

In the South East, a $231 million renewal investment also continued to maintain the safety standards of poles, cross arms and conductors (300 kilometres of overhead copper lines were reconductored).

The safety risk associated with ageing low voltage lines is also being addressed with low voltage monitoring devices.

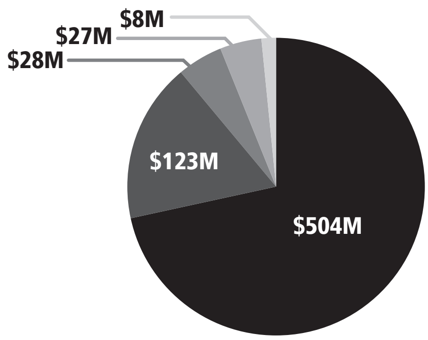
Our focus on delivery saw us achieve 95.7% for our program of work delivery index, well ahead of our target of 90%. This result was supported by embedding improvements to the way we forecast, program, schedule and supervise delivery of our works program. This measure includes operational works, as well as the design and commissioning of our capital projects.

Using technology to better target our investment

We continued to use technology to deliver smarter solutions, including aerial asset and vegetation monitoring management technology. The LiDAR image capture has been used this year in the South East to provide a virtual version of the real world to identify safety issues, especially useful for powerline clearance issues, to better target our defect remediation programs.

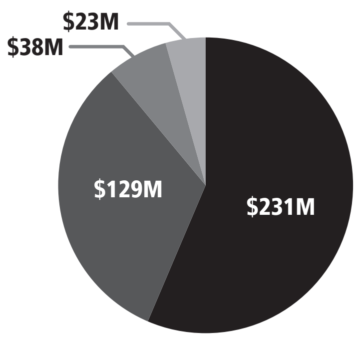
We are also looking to machine learning to support defect management, with computer-aided analysis of high-resolution imagery of pole top structures now being used to more efficiently to identify broken or deteriorated assets for replacement.

Ergon network investment



- Renewing the network
- Connecting new customers
- Meeting growth and demand
- Investing in our generation assets
- Reliability and other targeted investment

Energex network investment



- Renewing the network
- Connecting new customers
- Meeting growth and demand
- Reliability and other targeted investment

Our communities

Ensuring a safe and reliable supply

502,900
asset inspections

25,000
poles replaced or reinforced

660km
overhead conductor replaced

32,100
customer service wires replaced or repaired

5,200
powerline clearance issues addressed

723,400
spans of vegetation managed

Projects delivered

During the year, we commissioned the following large network projects:

- a new 17 kilometre, dual-circuit 132kV powerline from Palmwoods to West Maroochydore in the Sunshine Coast – $106.7 million
- upgraded the fire protection at the Ann Street Substation, Brisbane – $2.4 million
- upgraded the Lomandra Drive Substation, Nudgee – $5.8 million
- replaced transformers at Clayfield Substation, Brisbane – $10.9 million
- replaced aged equipment at Alexandra Headland, Sunshine Coast – $2.8 million
- upgraded West Dalby Substation – $3.7 million
- replaced transformers at Pirrinuan Substation, near Toowoomba – $2.8 million.

Other major projects well progressed across the state include substation refurbishment and upgrades in Kilcoy, Black Mountain, Tennyson Street (Mackay), Howard (near Maryborough), Dysart, Yarranlea (Toowoomba), as well as the construction of a new substation and powerline in Gracemere.

Future Grid Roadmap taking us in the right direction

Central to our investment plans is Our Future Grid Roadmap. This strategy has been updated in 2020-21 to reflect both our increased understanding of our ongoing journey towards an intelligent state-wide grid and impacts of growing numbers of solar energy systems connected to our networks.

Our networks are experiencing increasing numbers of days where demand for electricity while the sun is shining falls to very low minimum levels, and then experiences high energy loads again in the early evening. This large daily fluctuation between forward and reverse flows can challenge the quality of power supply, the capacity of the network and, in some cases, the broader stability of the entire electricity system.

Ergon Network and Energex are progressing well in the development and implementation of advanced energy and digital technology solutions to support our customers in leveraging the benefits of distributed energy resources. This includes trialling new ways of managing the connected systems and exploring the use of batteries to store solar energy during the day and releasing it back into the network at peak times when it is needed. These approaches will continue to allow our customers to unlock the benefits of new energy technologies like solar, batteries and electric vehicles, while maintaining a safe and secure electricity supply at all times for all customers.

This digital capability, along with the other innovative trials underway, will help create the capability we need to continue to deliver on our vision and customer expectations into the future.

The Micro-grid and Isolated Systems Test (MIST) facility, located in Cairns, has come into action this year as an important strategic initiative. Isolated community generators are now tested at the MIST facility prior to being sent out to site. Along with this, new control systems for the power management of our isolated communities have now been successfully proven.

Our advanced, real-time digital simulator linked with hardware-in-the-loop has provided pre-launch testing for new Australian Standards in inverter technologies. Testing for stand-alone power systems (SAPS) inverters are also part of the achievements of the new facility.

The MIST facility will continue to extend its application to provide ongoing support for the communities we serve that are not connected to the main grid, for future microgrids and to enable new, low voltage technologies to support our network. It will also be able to provide services commercially.

At the community level, Ergon Network has trialed two network support SAP solutions – one near Mount Isa and one on the coast near Gladstone. The learnings from these trials have supported our engagement with the AER and other stakeholders on the development of the regulations around these solutions.

Following the success of the solar pump trial and engagement with the AER, Ergon Network is identifying other eligible customers who may similarly benefit with a solar pump as an alternative to grid supply for low load connections.

Network Performance Scorecard

Minimising the outage impact of planned safety works

Our Queensland Household Energy Survey 2020 showed customer satisfaction with power reliability improved for a second year in a row to 59% (up from 58% in 2019, and 55% in 2018).[2]

For 2020-21, network performance met all but three of the 12 outage frequency and duration targets, an overall result of 75% of targets met. These standards, which include both planned and unplanned outages, are set as part of our Distribution Authorities.

The below target results for Ergon Network's Minimum Service Standard (MSS) for the Urban, Short Rural and Long Rural System Average Interruption Duration Index (SAIDI) were largely as a result of the vital planned outages linked to the scale of safety-driven works underway on ageing sections of the network. Our priority on planned defect remediation and repair works, over the past two and a half years, and a continuing investment, is essential to the safety and reliability of supply to our regional communities.

The number or frequency of unplanned outages or emergency outages, which are a major safety risk and inconvenience to our customers, is trending down across Ergon Network's three network categories, while the average duration for the unplanned outages is stable.

To keep the impact and the duration of outages to a minimum, we have been focusing on improving the bundling of works, fast tracking the return of equipment into service and the use of live-line techniques and mobile generation, as well as increasing line patrols, in addition to other initiatives.

ERGON NETWORK	2019-20	2020-21		TARGET (MSS)
Number of outages per customer (System Average Interruption Frequency Index)				
Urban Distribution	1.77	**1.45**	▼	≤1.98
Short Rural Distribution	3.88	**2.99**	▼	≤3.95
Long Rural Distribution	6.34	**5.60**	▼	≤7.40
Average length of outages - minutes (System Average Interruption Duration Index)				
Urban Distribution	219min	**213min**	▼	≤149min
Short Rural Distribution	412min	**427min**	▲	≤424min
Long Rural Distribution	1,037min	**976min**	▼	≤964min

ENERGEX	2019-20	2020-21		TARGET (MSS)
Number of outages per customer (System Average Interruption Frequency Index)				
CBD Distribution	0.02	**0.06**	▲	≤0.15
Urban Distribution	0.62	**0.57**	▼	≤1.26
Short Rural Distribution	1.31	**1.23**	▼	≤2.46
Average length of outages - minutes (System Average Interruption Duration Index)				
CBD Distribution	5min	**5min**	—	≤15min
Urban Distribution	69min	**65min**	▼	≤106min
Short Rural Distribution	156min	**167min**	▲	≤218min

Reporting based on the MSS exclusion criteria outlined in in each network's Distribution Authority.
Ergon Energy Network data includes our regulated main network and excludes our isolated networks.

Managing a changing demand profile

The growth in solar energy generation across Queensland is having an increasing impact on electricity flows through our distribution networks.

Solar is changing the shape of load profiles across the day, and throughout the year, 'hollowing out' the load during the middle of the day by creating an alternative source of supply for not only the owner of the solar system, but others in the local area who share the solar energy exported.

This has significant implications for the grid, as it lowers the minimum demand system-wide, with the potential to impact system stability, and creates local network challenges around managing reverse power flows and voltages.

Minimum demand is in the lowest level of demand for electricity on the grid in a given day, week, or year. In South East Queensland, the year's minimum demand fell from 1,136MW in September 2019 to 768MW in September 2020, and in regional Queensland from 1,128MW in September 2019 to 961MW in August 2020.

Historically, the key issue for networks was increasing peak demand (driven largely by air conditioners), with Energex's peak demand growth averaging over 7% every year between 2001 and 2010. However, the dramatic decline in minimum demand is now the primary challenge. There is an increasing number of zone substations experiencing reverse power flows compared to the previous year.

Solar energy's impact on peak demand has been limited – due to the peak occurring later in the day when generation has declined. While demand on Energex's network was lower than the previous year by around 500MW (to 4,570MW), the majority of this decline was due to mild weather, with demand expected to recover to over 5,000MW over the summer of 2021-22. On Ergon's regional Queensland network the annual peak in demand was also down to 2,587MW during the 2020-21.

The impact of COVID-19 on peak demand was mainly visible in the Brisbane CBD and the Brisbane Airport. More broadly, in the South East, business customer energy use dropped by 7.7% between April and October, a significant 575GWh decrease on the previous year.[3] In contrast, residential energy use increased by 5.8%, a 250GWh increase over the same timeframe, primarily driven by more people working from home.

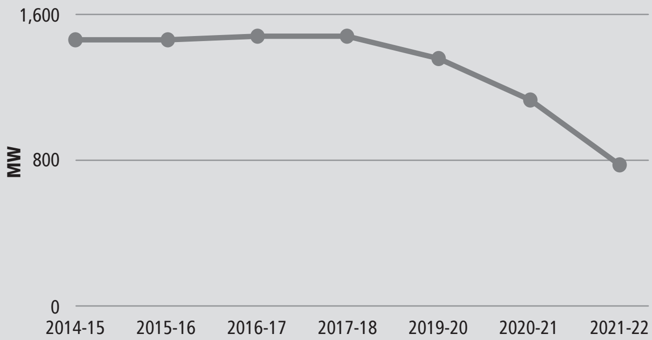
Uncertainty in the economic outlook remains high. At this stage, there is no clear indication of when international travel restrictions will be eased. However, the size of the economic stimulus measures introduced were historic and will have positive ongoing impacts.

We are continuing to improve our modelling and monitoring to forecast future demand scenarios.

[2] Queensland Household Energy Survey 2020. Question: These energy suppliers provide my household with a reliable energy supply. Scale 0-10; Agree 8-10.

[3] The April to October period was used as good timeframe to examine COVID-19 impacts due to comparable weather/temperature recorded.

Reduction in minimum demand on the distribution networks



In the South East, September 2020 saw a dramatic 32% drop in the lowest level of demand for electricity from the grid for the year compared to the previous year. Further decreases are expected across both networks in the coming years.

ENERGEX	2019-20	2020-21	
Number of connected customers	1,507,357	**1,528,132**	▲
Network-wide peak/maximum demand	5,069MW	**4,570MW**	▼
Network-wide minimum demand	1,136MW	**768MW**	▼
Electricity delivered	21,154GWh	**21,132GWh**	▼

ERGON NETWORK	2019-20	2020-21	
Number of connected customers	745,477	**753,401**	▲
Network-wide peak/maximum demand	2,623MW	**2,587MW**	▲
Network-wide minimum demand	1,128MW	**961MW**	▲
Electricity delivered	13,567GWh	**13,477GWh**	▼

Guaranteed Service Levels

We are committed to making sure the safe and efficient delivery of electricity to your home or business meets industry standards. Where we fail to meet our commitment, we provide a Guaranteed Service Level (GSL) payment to the electricity account holder.

During the year, a number of storm events impacted local reliability on the Energex network. These unplanned events – like the major outage in the Sunshine Coast in October 2020 that saw 5,500 Network Reliability GSL payments made – were not declared natural disasters and, as such, we provided a higher number of GSL payments overall this year compared to the previous year for failing to meet our service standard.

Other GSLs include appointments, new connections, reconnection timeframes and wrongful disconnections. Over the last 12 months we faced significant resourcing challenges associated with COVID-19 pandemic and an overall increase in customer service requests across the state.

GUARANTEED SERVICE LEVEL PAYMENTS	ERGON NETWORK		ENERGEX	
	2019-20	2020-21	2019-20	2020-21
Network reliability	4,859	**4,271**	1,349	**9,710**
Notification planned interruptions	885	**568**	423	**625**
Other	167	**108**	831	**1,373**
TOTAL PAYMENTS	5,911	**4,947**	2,603	**11,708**

Our communities

Demand management capability strengthened

Together, Ergon Network and Energex have the largest demand management program in Australia. Through our Demand Management Plan, we run a number of customer incentives programs as an alternative to costly network investment.

Through discounted tariffs, our load control capability ensures high demand appliances (like hot water systems and pool pumps) are not overloading the network during the evening peak. Across Queensland the homes taking advantage of these tariffs provided a peak load reduction of 694MVA this year to minimise network impacts.

During the year we continued to promote our PeakSmart air conditioning program. This program reduces peak demand by dropping the air conditioner into a lower performance mode when the network is under stress. Across Queensland there are now 89,336 customers with PeakSmart installations, making up to 156MVA of diversified load available during periods of high demand.

Our targeted program rewards business customers undertaking energy efficiency, load curtailment, load shifting or embedded generation to reduce demand. This program provides 41.8MVA under control that can be leveraged to support the network and defer network investment.

Historically, most of our effort has been on implementing demand management solutions to address peak demand. Increasingly, demand management has a growing role to play in addressing the minimum demand challenge – in flattening the demand curve by shifting demand to fill the 'trough' in the middle of the day caused by the level of rooftop solar energy systems connected into the system, while still lowering the evening peak.

Throughout 2020-21 we have undertaken a number of trials, working with industry and customers, to investigate the demand management capabilities of future technologies including electric vehicles (EVs), Home Energy Management Systems (HEMS) and behavioural demand response. These new technologies will work alongside our existing demand management programs to optimise the performance of the future grid.

Our long-term collaboration with Queensland's irrigators, and, earlier, other agricultural customers, saw new load controlled tariffs introduced this year.

Our team is at the ready for natural emergencies

Our Emergency Management Teams activated eight times over the season in response to storm and cyclone events all while maintaining ongoing operating protocols to protect our staff and communities against COVID-19. As an essential service we know that our disaster readiness and the resilience of the network is critical. Across our portfolio of companies, our teams are well-versed and practiced in emergency response and have robust plans in place to respond across the state.

To increase our preparedness this year, we enhanced our Geospatial Concept of Operations platform, which allows us to visualise the entire electrical network geospatially and overlay relevant layers of information relating to flood and inundation, bushfire fire prone areas, meteorological forecasts and other external agency information. This collaboration with other agencies and information providers, like Queensland Fire and Emergency Services and Geoscience Australia, assists us in the planning and restoration process for escalated weather events that affect our network.

Following fires in 2019 threatening the Toowoomba region around Perseverance and Cressbrook Dams, Ergon Network has received funding for relevant line upgrades to the dams. Additionally, we received funding for sixteen mobile generation injection points across the state. These upgrades will ensure network resilience should the region be threatened again in the future, a perfect example of 'building back better' for our customers and communities.

This year, Energex introduced a lightning tracker to our power outage website, which shows the level of storm activity during severe weather events, to help manage expectations during the power restoration process. It was particularly valuable when, in late November, Springfield Lakes and surrounds bore the brunt of 413,000 lightning strikes accompanied by hail the size of cricket balls, which at the peak of the storm saw 95,000 homes without power.

Queensland also had two cyclone events. The first, Cyclone Imogen, battered Karumba and surrounds in January, which saw crews and equipment being helicopter lifted into Normanton via Georgetown to restore power to 1,500 customers. Later in the year, the system that formed into Cyclone Niran saw crews restore power to 43,000 across Far North Queensland when gale force winds and heavy rain brought down trees and powerlines across Cairns, Tully and Innisfail.

We continued to build productive relationships as part of the Queensland Chapter of the Thriving Communities Partnership and its Disaster Planning and Recovery Project. Through the second phase of the project, which has built on the national virtual roundtable in late 2020, we gained a greater understanding of the relationship between the experiences of individuals, first responders and front-line service providers. This is now advancing collaborative opportunities for positive change.

Playing a critical role in the response to the Callide outage

The capability of our response, and readiness, was also demonstrated in May this year in the hours following a major incident at the Callide Power Station in central Queensland, which interrupted power supplies to more than 470,000 customers state-wide, from Cairns to the border in the South East.

Callide Power Station went offline abruptly just before 2pm after the incident saw three of the major generator's four turbines shut down, and within seconds impacted several other power stations, resulting in around 3,100MW disappearing from the Queensland power grid, and multiple transmission lines tripping with widespread power outages.

Our response was critical to managing the safety and security of the system. Ergon Network and Energex worked with Powerlink Queensland to address safety and network stability concerns, and progressively restore power supply. Our network response included shedding controlled loads such as hot water, and working closely with our major customers, Queensland's large mining and port operations, to help curtail 400MW of demand.

At the same time, Ergon Retail used its 35MW gas-fired power station in Barcaldine to assist in the system's security of supply and to manage energy market risks. Additional generation was also brought on via commercial agreements with Yurika.

Power was restored to the South East within two hours and the remainder of Queensland was restored by early that evening. To support the community, additional contact centre staff were online taking calls within minutes of the event starting, whether working from the home or office, to assist with the large call volumes.

Our public communications were also critical as we appealed to the community to assist by reducing electricity use into the evening peak. In the 24 hours following, Ergon Network and Energex's social media (Facebook and Twitter) reached a total of 887,000 customers with 158,000 engagements (shares, comments, reactions). Customer sentiment was generally good, with Ergon Network and Energex's social media platforms, peaking at 75% positive for Energex Facebook customers.

Our efforts, collectively as an industry, managed the loss of generation reserves, with generation capacity brought back online, and avoided the need for controlled load shedding into the evening.

Community awareness remains key to safety

In early 2021 a community safety learning team brought all divisions of the business together to help align and improve the effectiveness of our future community safety efforts. This is refreshing Energex and Ergon Network's strategy for building safety awareness, educating and encouraging behavioural change in the community. We are also collaborating with the Electrical Safety Office, Workplace Health and Safety Queensland and many other at-risk industry worker associations to promote powerline safety and reduce the risk of incidents, with a focus on the most at-risk sectors.

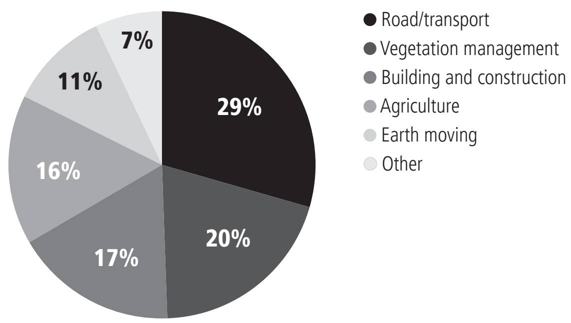
We continue our award-winning 'Take Care. Stay Line Aware' communications campaign, now in its third year, which captures viewers' attention and positively influences their decisions to take safe actions in the event of a powerline emergency. We are now seeking to increase awareness and educate our customers on how to respond if they experience an electrical shock or tingle at home.

We also continued to encourage business owners, machinery operators, tradespeople and other workers to download the look up and live app to help plan and work safely around the electricity network. The app has been downloaded to 7,500 devices and has been accessed over 80,000 times in the last year. There has been a slight decrease in incidents this year and our community safety team remains vigilant in promoting powerline safety to the community.

Our Safety Heroes education program broke another participation record in 2020 with 1,417 primary schools registered across the state. This represented 97% of all Queensland primary schools. The teaching resources are designed for a variety of ages and abilities from prep onwards, including a social stories booklet for students with Autism Spectrum Disorder, and more complex interactive lessons aligned with the Australian Science Curriculum for Year 6.

As part of our commitment to ensuring electrical safety remained top of mind during COVID-19, we launched Heroes at Home, a series of fun creative activities and electrical home safety information for students and families.

Community contact with the networks



During the year there were 340 community powerline safety incidents involving contact with our network.

Network monitoring has already potentially saved lives

To keep the community safe, we undertook an important low voltage network monitoring trial. Supported by the Queensland Government's Advance Queensland initiative and Technology Partner, Redback Technologies, the trial saw 20,000 Redback network devices installed in switchboards across Queensland by early 2021. This investment downstream of our traditional monitoring devices is helping us to improve the safety and power quality of the network. Already 40 alerts have been responded to as a result of the monitoring, potentially preventing high-risk safety incidents.

It is also helping us get ready for a future where more solar systems and new technologies, like electric vehicles and battery storage systems, are connected to our network.

Connecting with Queensland's First Nations people

The Group's First Nations Connections Plan incorporates an Innovate-level Reconciliation Action Plan, endorsed by Reconciliation Australia. The Plan is a commitment to strengthening connections with Queensland's First Nations peoples and communities. Following an extensive co-design process with employees and representatives from First Nations communities, the three-year plan is now mid-way through implementation.

In 2020-21 the key achievements have included strengthening our support of First Nations-owned businesses through procurement process, engaging our First Nations interns through the CareerTrackers program and continued our prevocational programs as an introduction to the Electrical Supply industry for First Nations candidates.

We supported the Queensland Museum's Torres Strait '*Island Futures: What lies ahead for Zenadth Kes*' exhibit, and our partnership with JUTE Theatre Company continued into its third year. The Dare to Dream program, involving the creation, development, production and touring of inspirational stories to regional and remote communities of North Queensland, is made by First Nations artists. The program travels for up to 10 weeks across rural and remote communities, spending a full week in each school and community to embed their inspirational message.

Supporting local economies

Our state-wide presence provides economic benefits through local procurement, local employment and career opportunities in the communities we serve.

For 2020-21, we spent more than $914.5 million on direct purchases from Queensland suppliers. We have incorporated the principles, targets and commitments of the Queensland Procurement Policy into our procurement processes, and work in partnership with our communities to develop industry capability and capacity, and secure broader economic and societal benefits.

Partnering with our community in uncertain times

Working with the community to emerge from the uncertainty of the past year, our community investment program worked with our existing partners to ensure shared value for our local communities.

We continue our support of Queensland State Emergency Service (SES) and Rural Fire volunteers, ensuring all Queenslanders are assisted during their time of need. Community resilience and support is also a key theme for our Rural Aid and Kookaburra Kids partnerships, which provide support and resilience building programs to rural communities and families impacted by mental illness respectively.

As Principal Partners, our support of the Queensland Museum's Island Futures exhibit is empowering conversations about the Torres Strait Islanders' place in present-day Australia. We also continued our support of the arts with our long-standing Queensland Theatre and Queensland Ballet partnerships.

During the year our network businesses also supported a wide range of grass-root endeavours across the state including vital economy-boosting events, family and domestic violence prevention activities, community pantry services and STEM and more inclusive education programs. We continued to work with our Community Fund recipients who each benefitted from our $5,000 grants.

Ergon Retail continued its long association with the Royal Flying Doctor Service (RFDS QLD section). This year marked the 21st year for the partnership, with donations raised to date totalling more than $16 million. Over 165,000 of our customers and employees currently participate in the voluntary donation scheme, with every cent going towards vital medical equipment, healthcare initiatives or their aircraft replacement program.

Ergon Retail also continued to support the RFDS's Local Heroes Awards, now in its sixth year, which recognises those who selflessly give their time and energy to the Flying Doctor Service. The winner receives a $7,500 grant to give back to their community.

With the easing of restrictions, Ergon Retail have proudly been out in the community at regional shows, including the Toowoomba Royal Show and Fraser Coast Show. Our support has also continued for Ronald McDonald House Charities North Queensland through volunteering and sponsorship of the Family Room.

People are at the heart of our business.

Our people

Our priority is their safety.

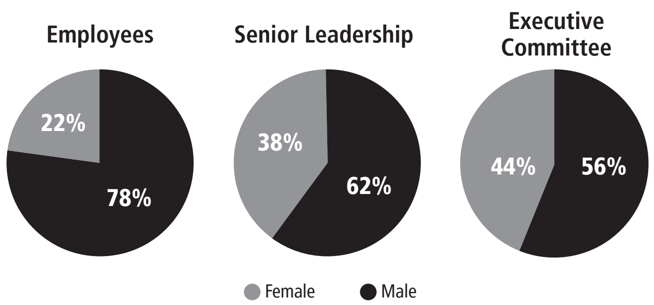
We're embedding a people-centred culture to help us transition to a workforce supported by ever advancing technologies, ready for the future.

We have over 7,500 employees across Queensland, and in the other markets that we're operating in, around half living and working in regional areas.

Our people statistics

7,526
Employees

7,221
Full Time Equivalent



4.8%
Employees from a non-English speaking background

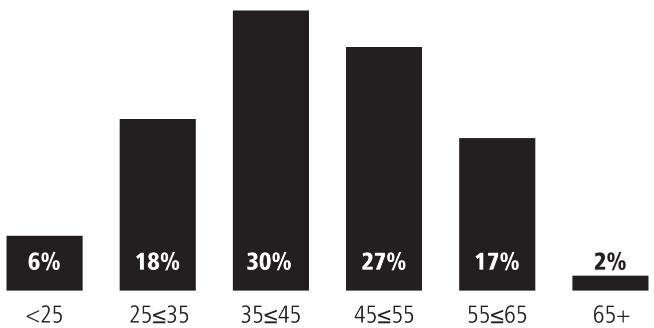
2.7%
First Nations employees

2%
Employees with a disability

Location
Aproximately half of our employees reside and work in regional areas.

46%	28%	26%	<1%
South East	Southern	Northern	Interstate

Age profile of workforce



Safety is Defence is driving changes in the field

Our home-grown safety leadership program, Safety is Defence is showing strong signs of being embedded into the organisation. This year saw new initiatives, like Work Group Leader Wednesday, enable our leaders to spend valuable time with their people in the field to drive changes in the workplace. Our Area and Regional Managers also spent up to three months in the field to help achieve sustainable safety outcomes. Off the back of this success, as part of Safety is Defence, we will continue to lead with a strong focus on empowering leaders with more time in the field. We also continue to support continuous learning throughout all levels of operations by facilitating quarterly learning groups.

Learning Teams are now embedded into our Learning and Assurance Framework and bring together front-line personnel to undertake deep reviews across different processes and hazards to identify learning opportunities and solve complex problems. The open sharing and learning of how work is done has led to many process improvements and has been a key contribution to a reduction in significant incidents.

The program adapted to COVID-19 restrictions by implementing multiple local satellite learning groups that feed systemic learnings for the organisation. Learning Teams topics have included apprentice management, asset inspection, retaining skills in rural locations, commissioning electrical equipment, community safety, contractor management and the low voltage generator connection process

Providing the safety tools to get the job done safely

This year, we have implemented a new planning tool to plan safe work, 'Situation, Mission, Execution, Administration, Communication, Safety' (SMEACS). This is our tool to continue to drive improved and consistent safety behaviours in every job, every day, everywhere. The SMEACS process highlights fatal hazards and assists in identifying controls that must be in place before we can undertake work. It also ensures there is a consistent message and intent that is relayed through the reporting chain, with minimal risk of miscommunication along the way.

To support the SMEACS, an application is in development to improve the ease with which our workers access this information.

In January this year, we introduced the HazChat app to all iPads for field workers. This app allows our workers to complete a hazard hunt on their device and share the results with the workers involved on the job. This approach has seen a reduction in significant incidents.

We have also implemented new processes with regard to heavy vehicle chain of responsibility. This means loading and unloading exclusion zones and load restraint has started to be implemented across all depots.

Addressing fatal hazards with critical controls

Within 2020-21 the focus around health and safety has started to shift from introducing new, large-scale programs to a transition to assurance and continuous improvement activities.

Two cornerstones of this shift are the creation of the Health, Safety and Environment (HSE) Assurance Program and focus on fatal hazards and critical controls. The HSE Assurance Program will ensure all relevant processes and hazard areas are reviewed for effectiveness at a minimum of every three years, with many reviewed multiple times during this time frame.

The focus on fatal hazards, from working on or near electricity to driving or working on or near roadways as examples, is aligned with the Significant Incident Frequency Rate (SIFR) being the key organisational safety metric.

Energy Queensland began the installation of In Vehicle Asset Management (IVAM), an in-vehicle telematic system that enables the collection of data such as vehicle location, kilometres, plant hours, journey routes and driver behaviour. IVAM is focused on enhancing the safety of our people with duress and vehicle accident notification functionality, as well as improving the management of our fleet asset and performance. The installation of the necessary hardware has begun in approximately 2,800 vehicles across the state.

Employee well-being focus with COVID-19 and mental health

From March 2020 until now, we have been agile in responding to the challenge of COVID-19. Following the advice of Queensland Health and SafeWork Australia, those who can work from home have done so as required, with the majority returning to the office from October 2020 while meeting the physical distancing requirements. This ongoing response has required significant support and co-operation from our employees.

To assist our employees in these uncertain times, especially during the initial response, additional mental health resources have been provided.

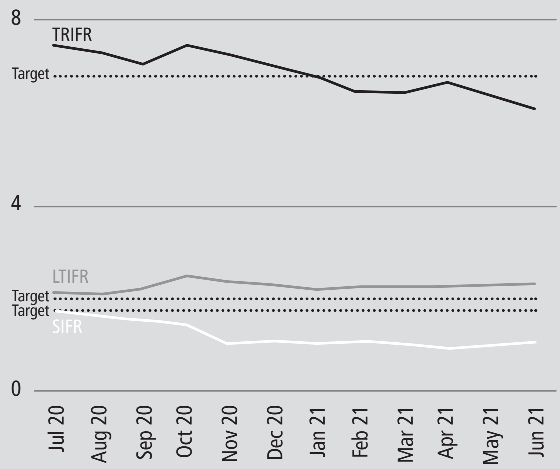
We have continued to build on the mental health platform already established. The Mental Health Action Plan has been revised and a number of key governance activities have been completed, including a mental health risk assessment and the implementation of the mental health management plan. In addition, the focus has broadened from a focus on our 'workers' to include 'the work' we do and 'the workplace'. Key activities underway include roll out of the critical incident management plan, bullying and harassment awareness and a focus on young workers, female field workers, difficult conversations and resilience.

Workplace Safety Scorecard

During 2020-21, we achieved a notable improvement in the Significant Incident Frequency Rate, with a result of 1.1 (18 incidents), compared to 1.9[5] (32 incidents) in the previous year, and well below the target of 1.8. This measure was introduced in 2019 to focus efforts on the risks that have the highest potential for harm. The result was realised through the roll out of our Safety is Defence program combined with the success of our Learning Teams.

We also outperformed our target of 6.8 for Total Recordable Injury Frequency Rate bringing the rate down to 6.1, again a significant improvement on last year. The Lost Time Injury Frequency Rate remained at the rate of the previous year at 2.3, short of our improvement target.

Significant, Total and Lost Time Injuries



The Significant Incident Frequency Rate (SIFR) and the Total Recordable Injury Frequency Rate (TRIFR) improved, ending the year significantly better than target (flat line) with less significant incidents injuries.

WORKPLACE SAFETY	2019-20	2020-21		TARGET
Significant Incident Frequency Rate	1.9[5]	**1.1**	▼	≤1.8
Total Recordable Injury Frequency Rate[4]	7.5[5]	**6.1**	▼	≤6.8
Lost Time Injury Frequency Rate[4]	2.3	**2.3**	—	≤2.0

[4] Statement of Corporate Intent TRIFR and LITFIR target: 5% improvement.
[5] The 2019-20 results were recalculated due to a change to the number of hours worked previously recorded.

Our People Strategy – the four themes

Creating a great employee experience

- Our people are at the heart of Energy Queensland
- Their experience at work makes it easy for them to thrive and achieve outcomes for our customers and communities.
- Our people are able to bring their whole selves to work, are safe and feel that they belong.

Growing our people for a digital future

- Our people develop and grow with the right skills, capabilities and experiences; adapting to the evolving nature of work a digital world.

Transforming the way we work

- We deliver through collaboration and work as a team.
- We are agile and able to quickly adapt to the changing needs of our customers and communities.

Leading with purpose

- Our leaders connect our people to the greater vision and purpose of Energy Queensland, inspire and empower our people to be the best that they can be.

Our people

Creating a great employee experience and culture

Energy Queensland's overall employee engagement result for this year was 60%, a decrease from last year's strong mid-COVID-19 score to earlier levels. The result is in line with the average score of other Australian and New Zealand (ANZ) businesses of 61%. Our target was 72.4%, reflecting our aspirational goal to be in the top quartile of ANZ businesses benchmarked. This survey is helping us better understand what drives engagement to focus our efforts towards sustainable improvement.

We continue to assess our level of customer centricity as a key component of Energy Queensland's culture. Our customer enablement score of 6.6, which tracks how employees think we are delivering on our customers' needs, exceeded our >5.7 target for the year. While there are areas for improvement, the results indicate the majority of employees feel they are empowered to deliver on our customers' and communities' needs.

Reward and recognition for the efforts of our people is critical and continues to be a focus. Over the past year, more than 24,000 'IgniteEQL' recognition cards were sent, which is an increase of 8% from last year. Along with this, in May 2021 we celebrated excellence across our organisation with 37 employees receiving the annual 'Up in Lights' award out of a field of over 130 nominees. Nominated by their peers, the awards recognised employees' efforts in transformational achievement and outstanding performance aligned to the SKILLED Values and the categories of Industry, Customer, Community, Operational Excellence, and our Apprentice of the Year.

Inclusion supports engagement

This year, Energy Queensland's paid parental leave provisions were updated to be inclusive of parents of all genders. This enables any parent who is the primary caregiver of their child to access up to 14 weeks paid leave in the first year following birth or adoption. In addition to the positive health benefits for families in enabling this important time together, there are strong benefits for gender equity and the organisation in enabling care to be shared more evenly between parents.

Women continue to be well represented at the senior levels of the organisation, making up almost half of Executive Committee, with the formal appointment this year of both Ayesha Razzaq as Executive General Manager, Retail and Carly Irving as Executive General Manager Yurika, and 38% of senior leaders overall.

Energy Queensland continues to actively encourage females in STEM careers. For more than a decade we have supported of University of Queensland's Women in Engineering program, which seeks to increase the enrolment of female students into engineering disciplines. Our support of Dream Big included a dozen staff offering mentoring support and insights into energy industry STEM careers. Also, Yurika became a foundation partner of the innovative UNIQ You program which uses digital platforms to connect mentors and school students to provide STEM opportunities across Queensland.

The Energy Queensland Pride network of LGBTI+ employees and allies continued its work throughout 2020-21, building on inclusive practices like establishing a gender affirmation guide to support transgender employees and celebrating key occasions like 'Wear it Purple Day' in August. This year the network made LGBTI+ awareness training available online and on demand for employees and worked to expand its reach across the business. Energy Queensland's submission to the Australian Workplace Equality Index (AWEI), measuring LGBTI+ inclusion in Australian organisations, saw Energy Queensland recognised as a bronze tier employer for the first time

Getting the right future skills for a digital world

Energy Queensland is engaging in workforce capability planning to understand and plan for skills and knowledge needed by our people into the future. Skills like digital literacy, change agility and data analytics are relevant for all our people to help them adapt to changes in their jobs and the changing nature of work. Specific workforce domains like Engineering require knowledge about internet protocols and communications systems management to remotely control network assets and receive data to better predict and plan for maintenance requirements. Our technicians need skills in Internet of Things (IoT) integration to help them correctly install equipment that increasingly relies on internet connectivity to operate, making our network safe and reliable. Workforce capability planning also identifies critical roles and capacity requirements so we can ensure we have skilled people in the right locations to meet our customers' needs.

Our online, real-time learning platform, LinkedIn Learning has seen over 55% of our staff access online training to improve their skills in a diverse range of areas from improving or developing emotional intelligence to enhancing resilience and business innovation foundations.

Our virtual reality (VR) capabilities have continued to increase and benefit the business, with VR training aids now deployed in each of our seven major training locations across the state. This innovative approach to training is assisting our apprentices and tradespeople to practice their electrical polarity testing skills in a safe environment. The next phase of our VR program is a training aid which covers the 'Electrical and Visual Testing of a Domestic Installation' and will be used to train our apprentices as part of their apprenticeship.

Graduate and apprentices

Our graduate program continues to build the pipeline of engineering, data and digital professionals to meet our future workforce capability needs. We currently have 15 graduates across Queensland developing in the fields of electrical engineering, computer engineering, data science, renewables and communications and control. We continue to attract large numbers of applicants for the program with the 2021-22 intake seeing us onboard 11 new graduates into our program.

We also continue to support university students with industry placement opportunities to gain real world experience and to partner with other organisations to increase female and First Nations participation in STEM programs. This year, our partnership with CareerTrackers has enabled us to host three First Nations students over the summer period.

In 2020 we saw the number of women applying for apprenticeships double, following a successful campaign marketed to women ahead of the formal apprentice recruitment campaign. The approach encouraged women to register to learn more about an apprenticeship, with more than 2,000 women expressing interest. In total we recruited 104 apprentices of all genders, among them underground cable jointers, distribution linespersons and electricians, taking the number of apprentices completing a qualification with us to 461 across our diverse regions of Queensland.

This year, in addition to offering traditional electricity industry work experience, we facilitated an opportunity for two schools to be part of a pilot initiative to foster iOS mobile application development and nurture coding skills within Queensland. Apple chose to feature this story on its global Newsroom site and CEO Tim Cook shared his support for the story via Twitter to 12.9 million followers.

During 2020-21, we also recruited and trained 22 new customer service roles in our regionally based retail and network call centres in Townsville and Rockhampton.

The digital building blocks to transform the way we work

Over the past twelve months we have continued to deliver several foundational digital system initiatives to further support Energy Queensland to work in an agile and dynamic market, have the ability to rapidly respond and continue to deliver service to our customers and communities.

A core component of our digital foundation is the Digital Enterprise Building Blocks (DEBBs) program of work, which by 2023 will provide a consolidated, modern digital platform, reduce system duplication, and enable our people to access the information they need, via multiple device options. We tested our digital solutions in-house with teams working entirely remotely across states for a sizable portion of the year proving a high level of delivery capabilities.

In late 2020 we completed the upgrade of our fleet of mobile phones across Energy Queensland, providing the backbone for upcoming mobile solutions to be deployed. We delivered the capability for a more automated employee provisioning process for our IT Service Desk teams and finalised the deployment of capability to support the management of risk and controls in line with the corporate risk framework across Energy Queensland. We continued to support core procurement capability with system improvements, including the addition of a clause library to support our contracts and tendering processes.

With a focus on supporting our teams to work where they need to, we delivered several mobility solutions. This included commencing the roll out of a paperless, mobile way of working for teams conducting Energy Queensland supplier audits and the toolsets to support our field crews and network control teams to complete switching activities on iPads.

We extended on core foundational elements, including Wi-Fi modernisation in readiness for DEBBs, and upgrading our firewalls and Wide Area Network to improve our security posture. We also completed our first major SAP evergreening activity and progressing the migration of additional elements of content onto the corporate content management platform. Another significant milestone was the completion of foundational work to upgrade our technical network, which was required to support our digital footprint across our network control room locations and upgrade the existing Distribution Management System in readiness for a broader rollout in 2021. We also delivered the first elements of the capability to manage our asset maintenance planning, with fleet management the first area to benefit.

To continue the move to unified systems, we transitioned our expense management processes, consolidating all expense claim activities into a new platform, SAP Concur. Our technical training, leadership skills and professional learning is also now accessible via a single learning platform.

Energy Queensland's commitment to preserve the confidentiality, integrity and availability of all information assets had continued to be a priority in 2020-21. Throughout the year, our 'Cyber Uplift Program' has continued to deliver significant improvements in security controls aimed at protecting information and assets, as well as driving further progress in achieving Australian Energy Sector Cyber Security Framework maturity milestones.

Skilled to lead with purpose

Developing our leaders has been a key focus in 2020-21. More than 900 leaders have participated in our SKILLED leader workshop, with face-to-face rollout completed in 2021. The SKILLED Leader program now has a dedicated online program accessible by all employees, capping off the program, and providing a resource for years to come. The Energy Queensland Leadership Program was launched online in 2020 and is now the primary source of leadership development for employees. This program considers all levels of leadership and acknowledges that all employees can develop as leaders.

As we move into a digital world, we have employed relevant platforms for our leaders to further support building the leadership capabilities required for our future-state culture and to inspire and engage our people. Workplace from Facebook is now the digital communications and collaboration platform that the leadership team use on a regular basis to connect with their teams across the state. The livestream function allows them to provide real-time video updates to their teams, no matter where they are geographically located.

A low carbon energy future transformation.

Our environment

Investing to support distributed renewable energy and decarbonising transport.

Ensuring best practice environmental standards across our operations.

A low carbon energy future transformation

Through the support across the Group the connection of solar energy to Queensland's electricity distribution networks continued to outstrip forecasts.

We are getting ready to support double the amount of solar energy connected into our networks by 2030, generated from well over a million rooftops. Queensland's distribution networks now have more solar capacity connected than the combined capacity of the Stanwell, Millmerran, Tarong and Tarong North power stations.

We have seen solar go from a niche technology to almost 40% of detached houses and over 10% of businesses across Queensland with rooftop solar, with some areas well above these averages.

In addition to this, the size of the rooftop solar continues to increase, up from 4.2kVA in 2015-16 to an average of 6.7kVA at the end of 2020-21. To accommodate this, in July 2020 Ergon Energy Network and Energex released a new Connection Policy to allow increased system capacities on our networks.

Maximising the use of our network to share solar

We have continued our work on the ground-breaking Solar Enablement Initiative, our innovative solution to improve the visibility and integration of solar energy into our networks. The Distribution System State Estimation (DSSE) engine has been successfully embedded into our networks' operational technology environment. This capability, when scaled across the network, will provide an efficient way to generate a complete and consistent picture of how the network is performing in real-time and to determine the maximum solar export the network can accommodate without breaching local network safety or performance limits.

This work supports the future introduction of flexible export limits for new, large solar energy systems, allowing more energy to be exported locally when the network capacity is available, with lower dynamic export limits only applying when needed to avoid overloading the network.

The calculation of this Dynamic Operating Envelope (DOE) considers network conditions plus forecasts of system parameters for our connections, including both local solar energy generation and energy demand. Enabled solar energy systems will be able to automatically respond to the published envelope increasing export if that's an option or reducing export if required.

During the year, to develop the framework for this, we collaborated with a range of industry stakeholders on a new Dynamic Customer Connection Standard for distributed energy resources. The standard and associated contracts received overwhelming support.

Importantly, this work reduces the need for costly network upgrades. It is about ensuring our customers are able to continue to affordably connect renewables to the network, share more solar energy than ever before through existing and new markets, and benefit from the advances in technology.

We are also updating our existing solar connection standards, in line with the latest Australian Standards, to deliver improvements in safety and support system security for Queensland. The revised inverter standard will be introduced in December.

Storing energy locally, for use locally

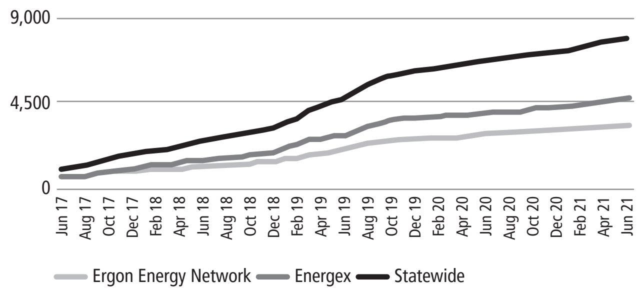
The year saw the launch of our Local Network Battery Plan to help address the minimum demand challenge and support the Queensland Government's 50% renewable energy target by 2030.

The Local Network Battery Plan is seeing an additional 40MWh of network-connected battery energy storage installed across five trial locations where rooftop solar penetration is high, with site preparations already progressing in Townsville, Yeppoon, Bundaberg, Hervey Bay and Toowoomba. The batteries will allow the energy made locally, during the day, to be stored locally, for use locally during the evening peak in demand.

This follows Yurika commissioning a pilot, large-scale battery at Bohle Plains, Townsville. The 4MW/8MWh Tesla Powerpack is designed to enable more capacity on the network locally for rooftop solar and better manage the evening spike in demand for electricity through the summer. The fully secured site has four rows of modular battery banks, with communications and electrical switching equipment.

To continue the energy transformation, batteries are needed throughout the electricity supply chain, at the customer premise, distribution and transmission levels.

Battery energy storage systems connections continue



A market in Queensland for 'behind the meter' batteries is beginning to emerge to store 'daytime' solar energy for use at night. With the ongoing interest in solar, we expect this trend to ramp up as battery prices fall. Together with demand and time-of-use tariffs, batteries can help customers save, and help the grid.

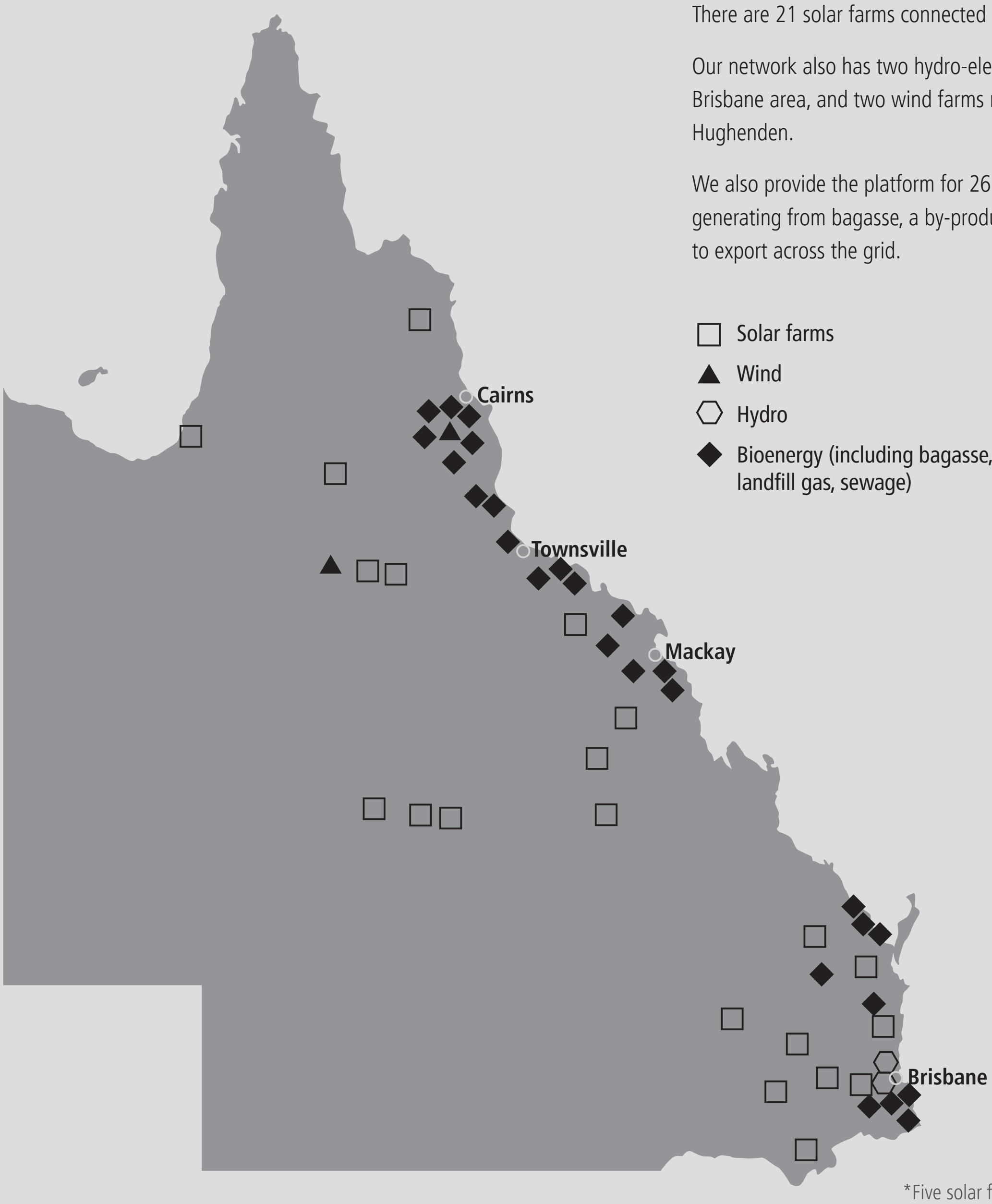
Our support for renewable energy

Our distribution networks support almost 690,000 rooftop and other small-to-medium solar energy systems.

In total, more than 4.4GVA of distributed solar energy resources are now connected – making our networks a sharing platform for renewable energy. This is not only supporting renewable energy investors, but the environment, our residential and business customers, and the wider community.

SOLAR ENERGY CONNECTIONS	NUMBER	TOTAL CAPACITY
Small-scale (≤30kW)	686,927	3,285,687kVA
Medium-scale (>30 – 1,500kW)	2,466	275,422kVA
Large-scale (>1,500kW)	41	866,224kVA
TOTAL CONNECTIONS	**689,434**	**4,427,332kVA**

Major renewables on our networks (>3MVA)



There are 21 solar farms connected with six more under construction.*

Our network also has two hydro-electric generators connected, in the Brisbane area, and two wind farms now connected in Atherton and Hughenden.

We also provide the platform for 26 large bioenergy connections, mostly generating from bagasse, a by-product of Queensland's many sugar mills, to export across the grid.

- Solar farms
- Wind
- Hydro
- Bioenergy (including bagasse, biogas, wood waste, landfill gas, sewage)

*Five solar farms have two network connections each.
**Locations are indicative only.

Our environment

Renewables adding sustainability to isolated communities

We launched an Isolated Networks Strategy with the ambition to support our isolated communities develop and participate in renewable energy supply while providing safe, sustainable, cost effective and reliable networks.

Through 2020-21, Ergon Network approved more than 130 solar energy connections across our isolated networks, over 1,300kVA, a significant increase on the previous year. The majority of this new capacity was made possible through deployment of power system functionality upgrades for dynamic connections, allowing solar energy system connections to proceed where not previously practical without risking reliable supply. A significant share of this came from the Diamantina Shire Council's project to install solar in Birdsville and Bedourie, and the continuation of the Decarbonising Remote Communities partnership with the Queensland Government and Yurika.

Ergon Network is progressing feasibility studies to advance the micro-grid capability in our isolated communities. Funded through the Australian Government's Regional and Remote Communities Reliability Fund, these studies will help us move to supplying up to 100% of community power demand in isolated networks from renewable energy resources during periods of high solar energy generation, optimising renewable generation and minimising diesel usage. The studies' preliminary modelling, functionality development and community engagement have started in Birdsville, Bedourie, Windorah and Jundah, with further engagement planned for Mapoon and Burketown later in 2021.

Supporting the economics of renewable energy

Ergon Retail is one of the largest purchasers of renewable energy in Queensland with 880GWh of renewable energy bought through power purchase agreements in 2020-21.

In recent years, we have supported the viability of a range of large-scale renewable energy projects through these agreements, including the Mt Emerald Wind Farm, south-west of Cairns, and Lilyvale Solar Farm, north-east of Emerald. Our power purchase agreements also support electricity from biomass, largely from Queensland's many sugar mills – providing a major economic contribution to the industry and their local communities. These partnerships have secured more affordable renewable energy for our customers.

Ergon Retail also continued to operate a 35MW gas-fired power station in Barcaldine to complement our energy market needs.

With one of the highest penetrations of rooftop solar energy systems in Australia, this year Queenslanders shared around 735GWh of rooftop solar energy across our networks, benefiting the owner of the system and other consumers.

To support this, Ergon Retail credited thousands of residential and small to medium business customers a total of $45 million during 2020-21 for the solar energy they exported back into the grid through regional Queensland's 7.8c/kWh feed-in tariff (FiT). Ergon Network and Energex also paid $198 million state-wide for the energy exported by our customers on the Queensland Government's Solar Bonus Scheme's 44c/kWh feed-in tariff.

Outworking our plans to an Electric Vehicle future

This year we developed an overarching Electric Vehicles (EV) Strategy, covering Yurika, Ergon Retail, Ergon Network and Energex. The strategy is designed to place Energy Queensland in the ideal position to capitalise on the opportunities that the inevitable increase in EVs will present.

It supports collaborative relationships with Queensland Government, and the many other stakeholders who are paramount to us playing our roles effectively.

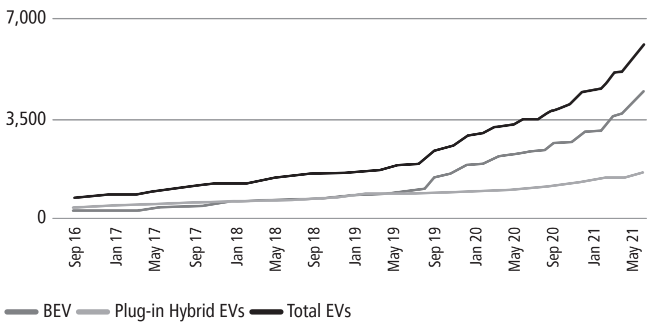
The strategy builds on the tactical plans released by Ergon Network and Energex over the past year. These plans outlined the areas of focus for the network businesses around EVs, with new tactics around tariff education, workplace charging and electrifying fleets, and helped to stimulate collaboration opportunities.

As part of these plans, we successfully launched the EV SmartCharge Queensland program, involving almost 200 EV owners across the state volunteering to install a 3G monitoring device in their car to help us understand when, where and how they charge. We have also conducted supplementary surveying to help us understand why they charge the way they do. This first-of-a-kind research in Australia is providing deep insights that are informing our EV initiatives and forecasting of the potential impact of charging on our networks.

We also updated our online EV information for aspiring EV owners and anyone interested in understanding more about the optimal charging arrangements for EVs and what to consider when buying an EV.

In addition, we added to our fleet of BEVs and PHEVs with our first electric Elevated Work Platform truck, creating a quieter, emissions-free environment for our workers and customers.

The rate of adoption of Electric Vehicles in Queensland



The number of EVs on Queensland roads rose notably in the 12 months to June 2021, from 3,400 to 5,800. More than 70% of those EVs are pure electric Battery EVs (BEVs), led by Tesla, and the remainder are Plug-in Hybrid EVs (PHEVs).

Yurika finishes stage two of EV fast-charging stations now looking ahead to stage three

This year Yurika commissioned the last charge station in the second stage of the Queensland Electric Super Highway (QESH), bringing the total number of locations to 31 spread between Coolangatta and Port Douglas. This charging network is helping to stimulate EV adoption in the Sunshine State, attract EV-driving tourists to regional Queensland, and ensure we are able to meet future local demand.

As we look to plan stage three, we will use what we have learned in current charging and usage levels to assist our planning. The Hamilton site is the most popular site, followed by Coolangatta. The next stage of the project will expand the super highway from just under 2,000 kilometres to almost 3,800 kilometres and will add another 18 electric vehicle charging sites, all of them in outback locations spreading through western Queensland.

It is important that the QESH is not only in South East Queensland but also in remote regions, to ensure the whole of Queensland can enjoy its benefits.

Our Carbon Scorecard

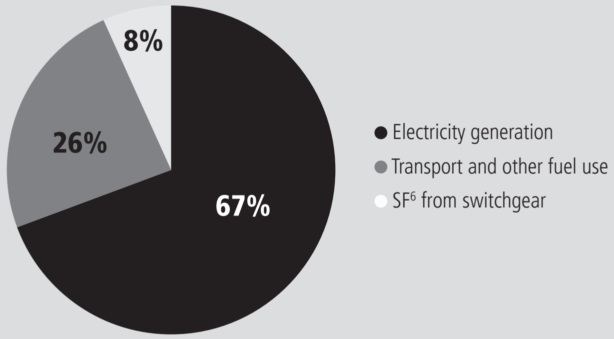
Energy Queensland's overall carbon footprint, including both direct and indirect emissions, equated to 1,725,282 tonnes of carbon dioxide equivalent (tCO_2-e) in 2019-20 (the most up to date data at time of writing this report). This footprint, reported annually to the Clean Energy Regulator, is largely due to the energy that is lost while distributing electricity across the network (an indirect, Scope 2 emission).

Energy Queensland has a Low Carbon Future Statement with commitments to enabling the transformation of the Queensland electricity industry to a low carbon future and to building greater resilience in our network, communities and across our businesses to mitigate potential risks of a changing climate. The statement makes a commitment to proactively reduce our carbon footprint, with a target for reducing our controllable greenhouse gas emissions by 17% by 2030.

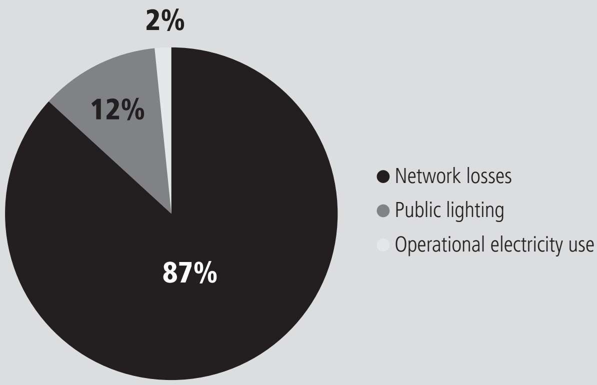
Areas of concentration for carbon reductions include reduction of the fossil fuels used to generate electricity in isolated communities, our transport fleet and the use of electricity in our buildings and depots. The statement supports the Queensland Government's target to achieve 50% renewable energy generation in Queensland by 2030.

A five-year program of the replacement of over 200,000 mercury vapour streetlights with more efficient LED alternatives has commenced, with over 24,000 replacements completed this year. When finished, the emissions from streetlights is projected to save around 40,000 tCO_2-e.

Our direct emissions - Scope 1



Our indirect emissions - Scope 2



ISOLATED GENERATION STATISTICS	2019-20	2020-21	
Diesel generation	116,355MWh	**121,226MWh**	▼
Renewable generation	1,543MWh	**1,620MWh**	▲
Total generation	117,898MWh	**122,846MWh**	▲
Emissions saved by supplying with renewable generation	1064tCO_2-e	**1,117tCO_2-e**	▲

Our environment

Making great strides towards being asbestos free

The aim of our prioritised asbestos removal plan is to safeguard our people and the community from exposure to asbestos by eliminating asbestos from the built environment. This year, we have removed 6,850sqm of Asbestos Containing Materials (ACM) and 1,520 tonnes of asbestos contaminated soil from another 58 Energy Queensland assets, including 43 substations and commercial sites, 12 depots, two company owned residences and one office. In addition, our workers and contractors have removed approximately 120 tonnes of ACM from our customer premises and from the electrical networks. There are now only 56 Energy Queensland sites across the state that have been identified as containing asbestos, with the majority to be addressed in the coming year.

An environmental win with waste recovery improving

As part of our commitment to reduce environmental impacts from our operations we continued to focus on management of our waste. This year's improvements in waste separation increased our diversion of waste from landfill by 18%. Diversion of all waste types has averaged 42% for the last 12 months with continual improvements in our waste avoidance and waste separation and collection processes. As our waste contractors recycling initiatives progressively become operational, we will see further reductions in the quantity of waste sent to landfill and an increase in our waste that will be reused, repurposed and recycled.

Working with First Nations to protect cultural heritage

Energy Queensland continues to engage and collaborate with First Nations People across Queensland and the Torres Strait to identify and protect cultural heritage items and values prior to the undertaking of powerline and ancillary construction activities.

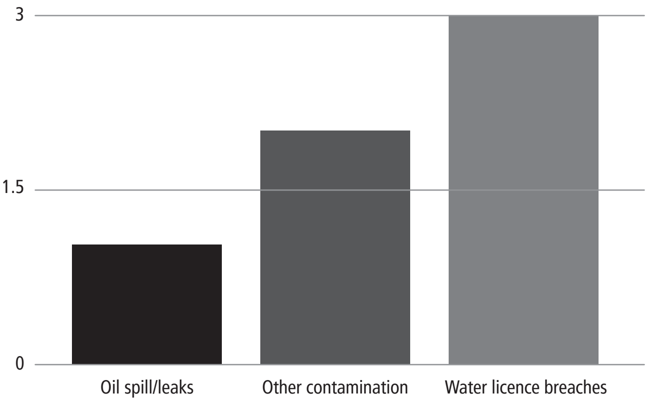
Over the past year some significant sites were identified in South-West Queensland and, working closely with the First Nation Groups, impacts to these sites were able to be negated and recorded for future preservation.

Ensuring best practice for No Oil to Ground project

The inclusion of No Oil to Ground as a focal point in the Energy Queensland Environmental Sustainability and Cultural Heritage Policy (released in June 2020) ensured that leaders and staff would continue to support and, where appropriate, apply continuous improvement in the management of hydrocarbons and chemicals across the network. Some of the initiatives that are being developed or are in place include:

- Trials of new oil/water separator devices to determine effectiveness and appropriateness in various substation and power generation sites
- The development of an Oil Containment Standard for substations
- After a previous review, the integration of improved environmental controls associated with fuel management into the Remote Embedded Generation capital works program
- The move to oil loss reporting through a digital application
- Investigating the use and impacts of alternative oil products in electrical equipment.

Notifiable environmental events



During 2020-21, Energy Queensland notified the Department of Environment and Science (DES) of six events. One was related to an oil or hydrocarbon leak from a small oil pipeline, one event occurred when a burst water main released water over a construction site causing sediment to leave the property, one incident reported legacy waste in a waterway and three notifications related to slight water quality exceedances outside of site license requirements. One Clean-Up Notice was issued by DES for the oil leak incident. No Penalty Infringement Notices (PINs) have been issued.

Our environment

Our financial contribution to Queenslanders.

Delivering on business efficiencies has been critical in an environment of financial constraints and to our longer-term financial sustainability.

Sound profit in line with focus on financial sustainability

Energy Queensland made a consolidated Net Profit After Tax of $302 million (down from $483 million in 2019-20).

This is the first financial year result for the 2020-25 regulatory control period. The AER's revenue determination for this new five-year period reset our revenue allowance for our regulated distribution businesses, Energex and Ergon Network (collected through retail electricity bills), is lower than at any time during which we have been regulated under the AER.

The impact of this reduction, as our largest revenue source, and a conservative position on the impact of COVID-19 was foreseen in our forecast profit result of $97.1 million.

However, customer electricity account debt continued to reduce, thanks to the Queensland Government $200 Household Utility Bill Relief Assistance package and the $50 electricity asset ownership dividend payment. We also benefitted from lower interest rates through our Finance Charges, and favourable unrealised movement on trades driven by the unwinding of mark-to-market hedging, and we continued as a business to have a major focus on our financial sustainability, reducing our operating expenses from $1,843 million to $1,692 million.

Total expenditure for our core Standard Control Services was $1,903 million, above the target of $1,878 million. This expenditure reflects a significant capital investment across our networks, as well as operating and maintenance to ensure we meet safety requirements and compliance.

The Return on Capital Employed was 4.4% (5.8% in 2019-20). This ratio result is primarily due to the lower Earnings Before Interest and Tax (EBIT) reported by the Group.

To keep a sustained focus on costs we are continuing to transition to contemporary systems, technology and processes that will not only deliver operating efficiencies, but a competitive advantage in what is an increasingly dynamic operating environment. These, and further efficiencies, will be vital to operating within future revenue constraints and keeping the pressure off prices.

Through dividends to the Queensland Government, our economic contribution partly supported a range of state-wide energy-related initiatives, such as the $454 million Community Service Obligation payment.

Business efficiencies supports lower electricity prices

One of our primary commitments to our stakeholders in revising our network strategies and investment plans for the period from 2020 to 2025, through the AER's revenue determination process, was to help take the pressure off electricity prices, and continue to drive down the cost of distributing the electricity across Queensland.

To realise this goal, in line with the AER revenue determination, we have been driving forward sustainable cost efficiencies to pass savings through to our customers. Under the 2020-21 Pricing Proposal, through the first year of the 2020-25 regulatory control period, almost all Energex and Ergon Network customers experienced a decrease in distribution charges in 2020-21, from 2019-20 (the main component of the network charge). This has supported lower retail electricity prices.

Where the dollars flow

Customers

- **$4,023M** Retail and Distribution revenue
- **$256M** Other unregulated

Queensland Government

- **$454M** Community service obligation
- **$120M** Customer rebates

$574M
Funds from the Queensland Government to support customers

Energy Queensland

$4,853M
Revenue

$420M
Returns to Queensland Government

- **$262M** Feed-in-tariffs (payment to customers)
- **$580M** Transmission charges
- **$609M** Finance costs
- **$2,982M** Operating expenses (incl. depreciation)

- **$220M** Dividend
- **$72M** Competitive neutrality fee
- **$128M** Tax

The above numbers show how transaction flow between Energy Queensland, the Queensland Government and our customers. The classifications are different from the revenues and expenses presented on page 45, which are presented as per the Australian Accounting Standards.

Financial summary for Energy Queensland Limited (Consolidated)

This section explains the key financial outcomes for Energy Queensland Limited to 30 June 2021. This commentary is not comprehensive – for full disclosures refer to the Annual Financial Statements for Energy Queensland Limited and its controlled Entities, available online at www.energyq.com.au/annualreport.

Where does our revenue come from?

Energy Queensland's total revenue to 30 June is $4,906 million consisting of electricity Retail sales ($1,796 million) and Distribution revenue ($2,584 million). The Queensland Government's Community Service Obligation subsidy to 30 June is $454 million.[4]

What are our main expenses?

We continue to review our operating and capital programs and activities, identifying savings through increased efficiencies and initiatives.

Our total expenses to 30 June are $4,604 million, consisting of total transmission charges and electricity purchases of $1,210 million, in line with electricity sales.

Depreciation, amortisation and impairments to June of $1,021 million continues to be a substantial expenditure due to the considerable capital employed in the provision of electricity distribution services.

Our finance costs to 30 June of $681 million correlates with the average debt balance and interest rates of the last 12 months.

The total payments made for solar exports into the network through feed-in-tariffs was $262 million to 30 June. The Queensland Government's Solar Bonus Scheme continued to decline as the number of eligible customers gradually reduces.

What dividends do we return from profits to our owners?

Our 2021 dividend will comprise of Net Profit After Tax, adjusted for non-cash items, of $220 million, which will be paid to our shareholder, the Queensland Government in 2021-22, ultimately benefiting the people of Queensland.

What assets do we own?

Our total asset base is carried at $26.8 billion. Property, plant and equipment are the major components of our asset base, at $24.4 billion, which includes mostly regulated electricity network assets. Our network assets are revalued to fair value on an annual basis.

[4] Community Service Obligation offset subsidy payment has been reclassified to revenue. Previously this subsidy was disclosed as an offset expense against transmission charges and electricity purchases.

What are our liabilities?

Total liabilities are $23.1 billion this year. Our largest liability, the interest-bearing loan with Queensland Treasury Corporation, is at $18.2 billion with $809 million in loan drawdown this year to fund business requirements, including capital investment. We remain committed to maintaining a sustainable financial position by managing our long-term debt levels to an appropriate target gearing ratio as considered appropriate by our Board, in consultation with our shareholder. The Debt to Regulated Asset Base Ratio is 73% (2019-20: 70.7%).

What was our capital investment?

We have delivered $1,513 million in capital investment, strengthening our commitment to meeting the requirements of our communities and future needs. We continue to maintain our service levels and reliability and make appropriate investment in the growth of the distribution network. Our Standard Control Services-related investment in the network was $974 million (2019-20 $949 million).

OUR REVENUE	$MILLION 2019-20	$MILLION 2020-21
Revenue and Other Income	5,361	4,906
OUR EXPENSES		
Transmission Charges and Electricity Purchases	(1,256)	(1,210)
Operating Expenses	(1,843)	(1,692)
Depreciation, Amortisation and Impairment Expense	(1,065)	(1,021)
Finance Charges	(714)	(681)
OUR PROFIT		
Net Profit After Tax	483	302
OUR ASSETS		
Current Assets	973	1,216
Non-current Assets	25,069	25,538
Total Assets	**26,042**	**26,754**
OUR LIABILITIES		
Current Liabilities	1,700	1,317
Non-current Liabilities	20,992	21,808
Total Liabilities	**22,692**	**23,125**
Net Assets	**3,350**	**3,629**
OUR INVESTMENT		
Total Capital Investment	1,598	1,513
DIVIDENDS		
Dividends Declared	443	220

Corporate governance statement

Energy Queensland Limited is a Government Owned Corporation (GOC) reporting to the Queensland Government, via two shareholding Ministers, on behalf of the communities across Queensland.

Shareholding Ministers during 2020-21 were:

- Hon Cameron Dick MP, Treasurer, Minister for Infrastructure and Planning (until 11 November 2020), and as:
- Treasurer and Minister for Investment (from 12 November 2020)
- Hon Anthony Lynham, Minister for Natural Resources, Mines & Energy (until 11 November 2020)
- Hon Mick de Brenni, Minister for Energy, Renewables and Hydrogen and Minister for Public Works and Procurement (from 12 November 2020)

Energy Queensland Limited is the parent company of operating subsidiary companies including Ergon Energy Corporation Limited, Energex Limited, Ergon Energy Queensland Pty Ltd, Yurika Pty Ltd, Metering Dynamics Pty Ltd and Ergon Energy Telecommunications Pty Ltd whose main business is the provision of regulated electricity distribution, retail services to customers and other unregulated business activities.

Energy Queensland Limited is governed by an independent Board of Directors whose primary role is to provide effective governance, oversight and strategic direction of the affairs of the Energy Queensland Group. This ensures the interests of the shareholding Ministers are protected while having regard for the interests of all stakeholders including community stakeholders, customers, industry partners and employees. To assist the Board, four Committees have been established namely, Audit; People, Safety and Environment; Regulatory and Policy; and Risk and Compliance.

Energy Queensland Limited's corporate governance practices are in line with the Australian Securities Exchange (ASX) Corporate Governance Council Principles and Recommendations (4th edition), where applicable, and the Queensland Government's Corporate Governance Guidelines for Government Owned Corporations. These provide a framework of eight principles that guide our corporate governance arrangements.

Principle 1 – Foundations of Management and Oversight

Energy Queensland Limited's Board Charter outlines the role of the Board and sets the framework for the Energy Queensland Group's long-term success providing effective governance, oversight and strategic direction over Energy Queensland's affairs. The Board Charter supports Directors and Executives in understanding their governance responsibilities. The Charter is reviewed every two years and can be accessed by the public via Energy Queensland's website. Charters also exist for the subsidiary companies and the Board Committees. The activities of the subsidiary companies are overseen by their own boards made up solely of executive members.

The Energy Queensland Board has established four committees to assist the Board in fulfilling its oversight, responsibility and performance of its functions in key areas in accordance with Committee Charters, which are available on the Company's website:

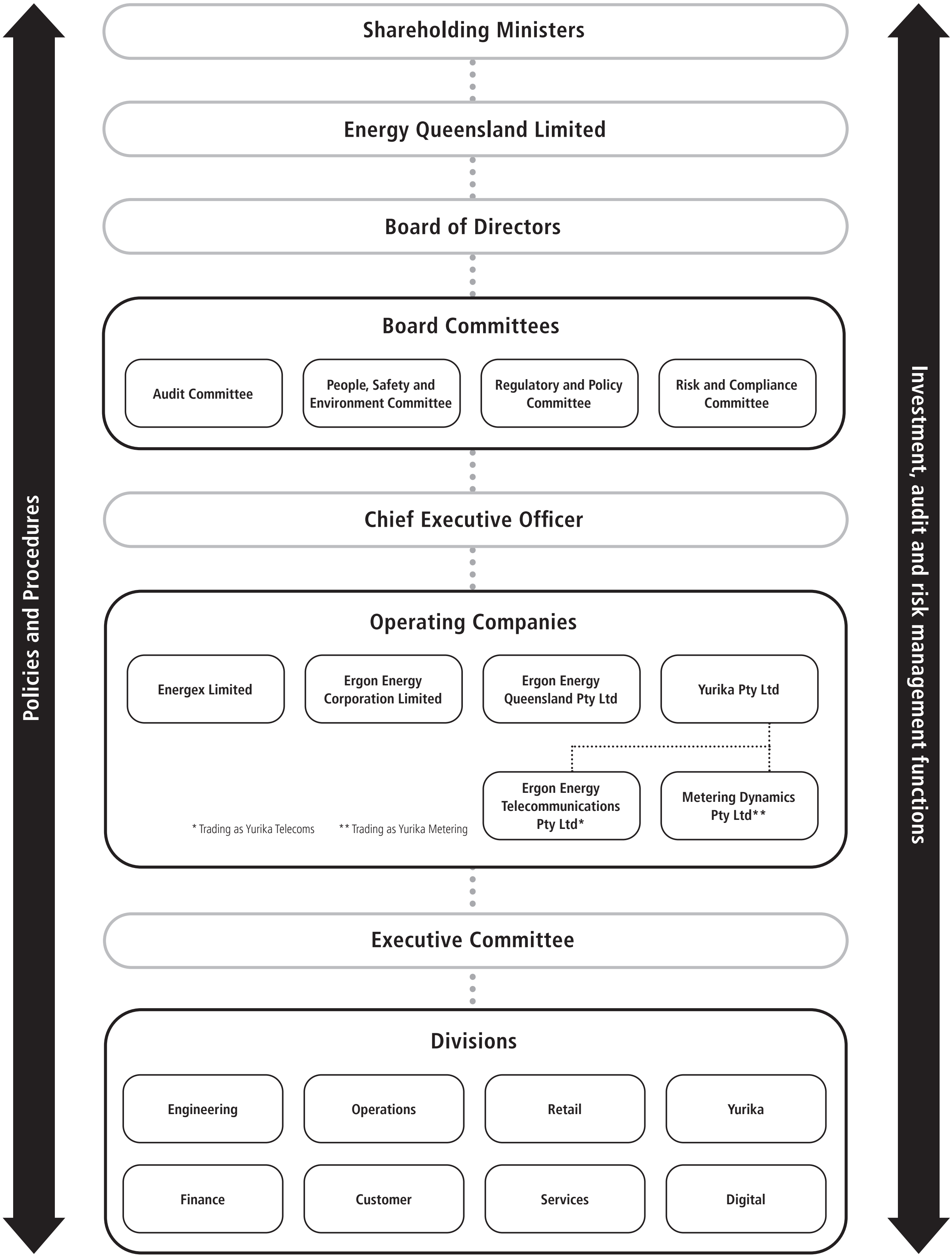
- Audit Committee – Financial Integrity and Financial Reporting, Effectiveness of Fraud and Internal Control Framework, Audit, Policy Framework, and Investigations
- People, Safety and Environment Committee – People, Safety, and Environment
- Regulatory and Policy Committee – Energy Regulatory Issues, Ring-Fencing, and Regulatory Determinations
- Risk and Compliance Committee – Risk Policy and Framework, Risk Appetite, Risk Identification and Management, Risk Culture, Compliance Policy and Framework and Compliance Culture.

In addition, the Governance and Delegations Policy provides the framework for decision making and identifies the matters reserved to the Energy Queensland Board and its subsidiaries companies, as well as the Chief Executive Officer and Executive Committee. The reporting relationship and decision-making responsibilities of the Energy Queensland Boards and subsidiaries are documented in the Group's Governance Framework.

All new directors attend a structured induction session to ensure they understand roles and responsibilities, functions of the Board and Committees, and corporate expectations. New directors also receive an overview of Energy Queensland's operations and the Energy Queensland Board Handbook.

Energy Queensland's Executive Committee comprises the Chief Executive Officer and eight other executives. The team is based across Queensland. Other key roles within the organisation include the Company Secretary and the General Counsel. Key Performance Indicators and targets for senior executives are agreed on an annual basis with a performance review conducted during the year. The performance review of the Chief Executive Officer, including setting of key performance indicators, is conducted by the Chairman on an annual basis in accordance with a defined evaluation process. Following on from this, the Chief Executive Officer conducts performance evaluations of the Executive Committee, including setting of key performance indicators on an annual basis with a half-yearly check in pursuant to a defined performance review process.

Our governance framework



Board of Directors

Phil Garling
Chairman

BBuild FAIB FAICD FIEAust

Phil Garling joined the Board and was appointed Chairman in 2016. He is also member of the Regulatory and Policy Committee.

Phil brings to his role as Chairman 40 years of experience in the Australian energy, construction, infrastructure and investment sectors, gained through an extensive board and executive career.

Phil is currently Chairman of Tellus Holdings Ltd as well as the Chairman of Newcastle Coal Infrastructure Group. He is a non-executive director of Downer EDI Limited and Charter Hall Limited. He has previously been a non-executive director of Network NSW, which was formed when Ausgrid, Endeavour Energy and Essential Energy merged in July 2012 and was the inaugural Chairman of the DUET Group for seven years. He has also completed the AICD Advanced Diploma.

Phil's understanding of the energy sector and his broad corporate experience are a valuable asset in guiding the future direction of Energy Queensland Limited.

Vaughan Busby
Director

B.Pharm MBA GAICD

Vaughan Busby joined the Board in 2017. He is the Chairman of the Risk and Compliance Committee and a member of the Regulatory and Policy Committee.

Vaughan currently serves as a non-executive Director for ASX listed EOL, a company providing specialist software to the energy industry and is the Chairman of Netlogix Australia, a supply chain logistics company. He is also a non-executive Director of Contigo Software Limited.

Previously, he was a Director of Ergon Energy Queensland, and the Managing Director for HRL Morrison & Co Australia, an infrastructure fund manager responsible for managing the NZX listed fund Infratil.

He has served as the Chairman of Perth Energy, a vertically integrated energy retailer in Western Australia and as a non-executive Director for Lumo Energy, an energy retailer operating in Victoria, South Australia, New South Wales and Queensland. He was also a non-executive Director of Infratil Energy Australia, a wholesale energy trading company. Vaughan was the Chief Executive Officer and Managing Director of Energy One, an electricity retailer.

He has extensive experience, not only in the energy industry, but also in turn-around and corporate restructuring. Vaughan holds an MBA from the IMD Business School in Switzerland.

Mark Algie
Director

BA(Politics) MBA CAHRI GAICD

Mark Algie joined the Board in 2016. He is a member of the Audit Committee and the People, Safety and Environment Committee.

Mark is a highly experienced human resources executive with over 15 years' experience across numerous sectors including defence, heavy engineering, construction, utilities, infrastructure and media.

He is currently the Managing Director of Human Outsource which specialises in the provision of human resources and psychology services. Mark is also a Non-Executive Director on the board of AEIOU Foundation.

Previously Mark has held appointments as Director, Events and Custom Media for News Corp Australia and Human Resources Director with APN, Australian Regional Media. He also spent four years with Tenix Australia in a number of HR appointments including as Manager Human Resources Infrastructure, and two years with Ergon Energy Corporation Limited as a Senior Employee Relations Consultant. He began his career as an Army Officer with the Department of Defence.

Teresa Dyson
Director

LLB(Hons) BA MTax MAppFin GAICD

Teresa Dyson joined the Board in 2016. She is the Chair of the Audit Committee and a member of the Risk and Compliance Committee and the People, Safety and Environment Committee.

Teresa is also a non-executive director of Seven West Media Ltd, Genex Power Ltd, Energy Super until its merger with LGIAsuper on 1 July 2021 and from that date Ms Dyson became a director of LGIAsuper, Shine Justice Ltd, Northern Territory Power and Water Corporation, the National Housing Finance & Investment Corporation and the Foundation for Alcohol Research and Education.

She is a member of the Gold Coast Hospital & Health Services Board, the Foreign Investment Review Board and the Takeovers Panel.

Teresa has over 20 years legal experience advising the private sector and governments on complex infrastructure, mergers and acquisitions, finance transactions and social infrastructure. She was formerly a partner of Ashurst Lawyers and Deloitte Australia.

In 2011, Teresa was named Woman Lawyer of the Year by the Women Lawyers Association of Queensland.

Hugh Gleeson
Director

BEng(Civil) FAICD FIE Aust

Hugh Gleeson joined the Board in 2016. He is Chair of the Regulatory and Policy Committee and a member of the Risk and Compliance Committee.

Hugh has over 30 years of experience in energy and utilities and was the CEO of the electricity and gas distribution businesses United Energy and Multinet Gas for 12 years. He brings to the directorship significant experience in the areas of energy policy and regulation, together with broad experience in the operations and management of utility businesses.

Hugh is a professional engineer and has served on the boards of the Energy Supply Association of Australia and the Energy Network Association and has also been involved in the water sector.

He is currently a non-executive director of Melbourne Water Corporation, gas distributor GDI (EEI) Pty Ltd (Allgas Energy), electricity distributor Ausgrid and Collgar Wind Farm.

Hon. Paul Lucas
Director

B.Econ, LL.B., MBA, MURP, Prof. Cert. Arb., MPIA, FAICD

The Honourable Paul Lucas joined the Board in 2021. Paul has extensive experience with regulated utilities in the energy, rail, and aviation sectors at both a state and federal level. His background provides him with a particular understanding of regional and remote communities, together with governance, risk and strategy expertise. Dual qualified as a Solicitor and Urban Planner, he is a consultant to a major Eastern Seaboard law firm.

He is an independent Director on the Boards of: The Institute for Urban Indigenous Health; Kokatha Aboriginal Corporation; and PKKP Aboriginal Corporation. He is a Director of the Central Highlands Development Corporation and the State Advisory Council of the National Heart Foundation. He conducts DFAT funded courses internationally in areas including governance, infrastructure and disaster resilience. He is the Queensland President of the Australian Institute of International Affairs.

Paul has previously served as Chair of the Cross-River Rail Delivery Authority and as a Director of Airservices Australia and Powerlink. A former Deputy Premier of Queensland, he served as a Minister for 11 years in a variety of portfolios, including Energy, Infrastructure & Planning and Local Government.

Karen Lay-Brew
Director

B.AS(Computing), MBA, MAICD

Karen Lay-Brew joined the Board in 2021. Karen brings extensive international experience in Chief Information Officer and Chief Productivity Officer roles in multinational corporations, including BHP, Microsoft and Honeywell Asia Pacific, with responsibility for implementing systems and technologies, culture change and operational excellence.

She currently serves as a non-executive Director for Multicap, a leading support organisation for people with disabilities, particularly those with high and complex needs and their families.

Karen has served on high-level Australian Government boards for a number of years, and was previously a director and President of Australian Business Software Industry Association, now renamed DSPANZ, and continues to serve on its Government Relations Committee.

She is the Managing Director of 3Pillars.Digital, which supports organisations to apply contemporary and digital technologies to deliver sustained business outcomes. The 3Pillars group provides management consulting services to numerous industries, including mining, utilities, defence and public sector.

Helen Stanton
Director

BEng(Minerals Processing) GAICD

Helen Stanton joined the Board in 2016. She is the Chair of the People, Safety and Environment Committee and a member of the Audit Committee.

Helen brings strategy, risk and governance expertise to the Board, with extensive utilities governance experience. Her career includes operational, leadership and commissioning roles in the mining industry. More recently Helen has worked as a consultant supporting organisations to formulate strategies for bottom line, sustainable improvements.

She is Deputy Chair of Northern Australia Primary Health Limited and was previously a non-executive director of Ergon Energy Corporation Limited and Northern Territory Power and Water Corporation.

Principle 2 – Structuring the Board to Add Value

Energy Queensland's Board of Directors, including the Chairman, are independent, skills-based non-executive directors appointed for a set term by the Governor-in-Council in accordance with the *Government Owned Corporations Act 1993* (Qld).

Details of the Directors' qualifications, skills and relevant experience are on page 48. The number of Board and Committee meetings held, along with Directors' attendances, as well as the term of Directors are set out in the Directors' Report, in the Energy Queensland Limited Annual Financial Statements, on page 63.

The Energy Queensland Board ensures that Directors' independence is maintained through the Directors Conflicts of Interest Policy, which is supported by a Conflict of Interest Protocol. Energy Queensland has also adopted a Securities Dealing Policy and an Appointment of Energy Queensland Nominees to External Boards Policy to support the maintenance of Directors' independence and effectively manage conflicts of interest. In addition, the Board Charter provides that with the prior approval of the Chairman, each Director has the right to seek access to independent professional advice required to fulfil their role at the company's expense.

Board performance evaluations are conducted by an external party every two years and are in accordance with the *Government Owned Corporations Guidelines*. These evaluations include assessment of director skills and experience, Board culture and meeting dynamics, the quantity, quality and timeliness of information and decision making. Opportunities for improvement and development identified during the evaluation performance conducted during the 2020-21 reporting period have been progressed and monitored to ensure the continued effectiveness of the roles of the Board and Committees, key relationships and governance processes. The next Board performance evaluation is due to be conducted in September 2022.

Principle 3 – Promote Ethical and Responsible Decision-Making

Energy Queensland is committed to ethical and responsible decision making and has in place an Integrity Framework that supports this via policies and guidelines, as well as internal networks and support. Culture is a key element of the governance framework to promote ethical and responsible decision-making. Energy Queensland has developed tools and measures to assess and monitor the culture of the organisation to provide insight to the Board as to the state of the culture. The Board has also taken a number of steps to ensure that it engages with employees and customers through regular Board visits and site tours.

The Employee Code of Conduct sets the standard for how employees operate in accordance with business ethics, social objectives, and corporate values and associated policies. Advisers, consultants and contractors are expected to comply with high ethical standards aligned with the Code of Conduct. New employees receive induction training on ethical business practices, including the Code of Conduct with regular refresher training and updates provided to all employees.

The Board also has a Directors Code of Conduct to assist in its decision-making process. A declaration of Directors' interest is a standing agenda item at the commencement of every ordinary Board meeting.

Decision making is delegated under the *Corporations Act 2001* (Cth) and formalised in the Governance and Delegations Policy. Decision making is further guided by policies established under the Group's Governance Framework.

Principle 4 – Safeguard Integrity in Financial Reporting

The role of the Audit Committee is to assist the Board in fulfilling its oversight responsibility of the Energy Queensland's financial integrity and reporting, effectiveness of the fraud and internal control framework, audit, policy framework and investigations in accordance with the Audit Committee Charter. The Chair of the Audit Committee is not the Board Chairman. Details of the Directors appointed to the Audit Committee are set out in the Directors' Report, in the Energy Queensland Financial Statement, on page 63.

The internal and external auditors are invited to attend Committee meetings to present relevant reports and discuss any concerns with the Committee, without management influence. The Queensland Audit Office is Energy Queensland's external auditor.

The Audit Committee defines the internal auditor's scope of work through establishment of an Internal Audit Charter and Internal Audit Plan. Internal Audit is an independent function that assists the Board and Management in the effective discharge of their responsibilities.

Principle 5 – Make Timely and Balanced Disclosure

The Board has reporting and disclosure obligations to the shareholding Ministers under the *Government Owned Corporations Act 1993* (Qld) and *Corporations Act 2001* (Cth).

Energy Queensland provides the shareholding Ministers with a copy of the audited accounts for each financial year, a half-yearly report and an annual report in accordance with the requirements of the *Government Owned Corporations Act 1993* (Qld). Energy Queensland also provides Quarterly Shareholder Reports to ensure that the shareholding Ministers have access to material information regarding the company and its subsidiaries including its operations, financial performance, financial position and governance.

Energy Queensland has in place a framework to facilitate the reporting of wrongdoing and the protection of those who disclose wrongdoing and is required to comply with the whistleblower protection requirements under the *Public Interest Disclosure Act 2010* (Qld) (PID Act) and the *Corporations Act 2001* (Cth). The Public Interest Disclosure and Whistleblower Policy encourages the reporting of Public Interest Disclosure matters under the PID Act (which are considered on their merits based on the nature, extent and scope of conduct that has given rise to the complaint made by employees or contractors of Energy Queensland) and Whistleblowers Disclosures under the *Corporations Act 2001* (Cth) about Energy Queensland's operations or an activity that could adversely impact the organisation. Public Interest and

Whistleblower Disclosures are properly dealt with, assessed and appropriately investigated (where necessary) and managed. Protection is provided to disclosers from reprisal and/or victimisation. A procedure for dealing with Public Interest Disclosure is available on Energy Queensland's website.

Principle 6 – Respect the Rights of Shareholders

Energy Queensland develops a Statement of Corporate Intent and Corporate Plan setting out the key strategies and performance targets for Energy Queensland annually and on a five-year rolling basis. The Statement of Corporate Intent is made publicly available on the Energy Queensland's website with the respective Annual Report.

In addition to regular quarterly reporting and this Annual Report, Energy Queensland reports to its shareholding Ministers in a timely manner on all issues likely to have a significant financial, operational, social or environmental impact in accordance with obligations under legislation and government guidelines. Energy Queensland also reports on senior executive appointments and remuneration in accordance with the Policy for Government Owned Corporation Chief and Senior Executive Employment Arrangements.

Energy Queensland works cooperatively with the shareholding Ministers on these issues to deliver the best outcomes for customers and the Queensland community. The Board Chairman meets regularly with shareholding Ministers and their representatives, as part of a broader government engagement program, to ensure active dialogue throughout the year.

The Chief Executive Officer and various senior managers and employees liaise with representatives of shareholder departments on a regular basis.

Shareholding Ministers require certain decisions to be approved by shareholders under the Investment Reporting Guidelines for Government Owned Corporations. The current thresholds are notified through the Statement of Corporate Intent and are set out in Energy Queensland's Governance and Delegations Policy.

Principle 7 – Recognise and Manage Risk

The role of the Risk and Compliance Committee is to assist the Board in fulfilling its oversight responsibility of Energy Queensland's approach to risk management, compliance management and organisational resilience and continuity. The Regulatory and Policy Committee also assists the Board in fulfilling its oversight responsibility of the regulatory matters for Energy Queensland Limited. Both Committee Charters are available on the Company's website.

Energy Queensland's approach to risk management aligns with the principles of AS/NZS ISO 31000:2018 Risk management – Principles and guidelines for managing risk.

Energy Queensland is committed to embedding a risk management approach across all levels of the business to support the delivery of strategic and operational objectives. The Risk Management Policy sets out the overarching risk management architecture, principles and expectations to enable Energy Queensland to utilise appropriate integrated practices in order to be a resilient, flexible, adaptable, and sustainable business.

The Board retains ultimate responsibility for risk management and for determining the appropriate level of risk that the Board is willing to accept in the conduct of business activities.

The Chief Executive Officer and Executive Committee have ultimate accountability for ensuring that the Group has identified and managed material enterprise risks and has effective risk management strategies. Each executive is accountable for ensuring enterprise risks are identified and managed within their business unit and for having appropriate crisis, disaster, incident, emergency management and business continuity planning in place. New and emerging risks or issues are considered by the Executive Committee, Risk and Compliance Committee and then the Board in accordance with risk escalation processes.

To ensure appropriate systems and processes to enable delivery of Energy Queensland Limited's corporate strategy are in place, the Risk and Compliance Committee and the Audit Committee also provide oversight in relation to the appropriateness and effectiveness of risk management frameworks, processes and reporting, and the effectiveness of the internal control framework.

Fraud and corruption prevention

Energy Queensland is committed to promoting and achieving an ethical and transparent culture of integrity and best practice governance. Fraud and Corruption are incompatible with this culture and present a risk to the achievement of strategic objectives. Energy Queensland is committed to preventing, identifying and addressing Fraud and Corruption by raising awareness of Fraud and Corruption risks and implementing controls aimed at reducing the opportunity to commit Fraud or Corruption and increasing the likelihood of Fraud or Corruption being detected.

All allegations of Fraud or Corruption are treated seriously, investigated and appropriate action taken. We notify and refer suspected or actual instances of Fraud or Corruption to the appropriate authorities as required. Energy Queensland does not tolerate victimisation or reprisals against persons who report suspected Fraud or Corruption.

Energy Queensland's Fraud and Corruption Prevention Policy outlines obligations for fraud identification and prevention, as well as the processes for reporting, recording and investigating allegations including compliance with public interest disclosure requirements.

External audit

Energy Queensland Limited submits to a number of external audits in pursuit of world-class practice to meet certification against Australian and International Standards for the management of our electrical and data infrastructure and associated services. The Group achieves certification and accreditation as a formal attestation to International and Australian standards demonstrating to customers, community and interested parties our commitment to empower an Electric Life.

The Group maintains certification for ISO9001 Quality Management System, ISO14001 Environmental Management System, AS/NZS4801 Occupational Health and Safety Management System, together with accreditation to International standards ISO/IEC 17020 – Inspection, and ISO/IEC 17025 – Testing and Calibration to demonstrate competency, authority, or credibility of technical competence.

In addition to certifications and accreditations, the Electrical Safety Office (ESO) mandates a prescribed Electricity Entity must maintain a Safety Management System and that it is assessed and validated by an accredited auditor, and this is conducted annually.

Internal audit

Energy Queensland's 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 enable the Board and the Executive Committee to monitor, in a timely manner, any material matters affecting our operations.

The General Manager Risk and Internal Audit reports administratively to the Company Secretary, and has unrestricted access to the Chief Executive Officer to discuss any matter relating to the finances or operations of the business, and reports independently to the Audit Committee on progress against the Internal Audit Plan and resolution of issues raised in reports. The Internal Audit Charter (available online) adopted by the Board is reviewed on a regular basis.

Entertainment and hospitality

To provide the transparency expected of a Government Owned Corporation, we report on entertainment and hospitality expenses over $5,000 incurred as part of normal business. In 2020-21, there were no events with expenses over $5,000.

Principle 8 – Remunerate Fairly and Responsibly

The People, Safety and Environment Committee assists the Board with its oversight of employee issues concerning:

- developing and maintained a skilled workforce that meets Energy Queensland's requirements
- a remuneration policy which leads to remuneration that is fair and to market
- performance management and behaviours that are consistent with the values and goals of Energy Queensland and that value the customer, probity, teamwork and a successful organisation.

Energy Queensland's remuneration strategy and practices are aimed at ensuring attraction and retention of highly competent and capable employees at all levels by providing an appropriate combination of competitive, fixed and variable remuneration components. Remuneration packages for executives comply with government guidelines to achieve a balance between public accountability and transparency. Non-executive directors' fees and executive's remuneration packages including at-risk payments are reported in the Financial Statement at pages 116-117. 'At-risk' payments are contingent upon the Board's assessment of the company's overall performance and shareholder expectations.

A performance management framework linking performance to the strategic objectives of the organisation promotes continual performance and opportunities for professional development for all employees with reviews conducted on an annual basis.

The People, Safety and Environment Committee, assesses the performance of the Chief Executive Officer and the Group based on key performance measures set by the Board each year and the Statement of Corporate Intent. The Board also has oversight of the performance assessments of senior executives undertaken by the Chief Executive Officer.

The People, Safety and Environment Committee Charter can be accessed by the public via Energy Queensland's website.

Directions and Notifications

The shareholding Ministers notified the Board of Energy Queensland on 14 August 2020, under section 114 of the *Government Owned Corporations Act 1993* (Qld), that the *Queensland Building and construction Code of Practice 2000* is to apply to the Energy Queensland Group.

The Executive Committee

Rod Duke
Chief Executive Officer

GradDipMgt BEHons (Chemical)

Rod Duke commenced as Chief Executive Officer of Energy Queensland Limited in April 2020. Prior to this he held the role of Chief Executive Officer of the Gladstone LNG project operating company for Santos and its partners.

Rod is also the Chief Executive Officer and a Board Director of all subsidiary companies of Energy Queensland Limited.

Rod brings extensive executive and energy industry experience working in senior roles at Santos, Singapore LNG Corporation, the Energy Market Authority of Singapore and Woodside.

He has a strong commercial and safety focus with more than 35 years professional international experience in operations, commercial, marketing, trading, development, projects, engineering, construction and commissioning areas of the natural gas industry as well as leading transformational projects.

Rod holds a Graduate Diploma of Management and a Bachelor of Engineering (Chemical) with Honours. He is a member of the University of Queensland School of Chemical Engineering Industry Advisory Board, a Board Director of the Clean Marine Fuels Institute, and a Board Director of Energy Networks Australia (ENA).

Peter Price
Executive General Manager, Engineering

BEng(Hons) MEng MCIPS FAICD

Peter Price was appointed to the Energy Queensland Executive in November 2016 and is responsible for leading the Group’s engineering and asset management strategies, which includes the safe and efficient management of the Group’s electricity distribution networks.

Prior to joining Energy Queensland, Peter was a member of Energex’s executive management team for ten years. His career with Energex included managing and leading capital planning and program delivery, asset management, procurement, regulatory issues and the growth of new commercial businesses.

Peter holds both a bachelor degree (with honours) and a masters degree in engineering from the University of Queensland, and is a fellow of the Australian Institute of Company Directors. Peter is also Chair of Energy Skills Queensland and Deputy Chair of TAFE Queensland.

Paul Jordon
Executive General Manager, Operations

GAICD, INSEAD

Paul Jordon was appointed to the Executive Committee in December 2017. He is responsible for leading the operations and maintenance of our electricity distribution network including the merging and transforming of Ergon Energy Network's and Energex’s associated operational streams including works programming, field delivery, substations and a dedicated emergency planning and response team into an innovative global leader in the Energy industry.

Prior to his current appointment Paul led the customer service elements of the Ergon Network which included ensuring the safe and efficient operation and maintenance of the distribution network.

Paul has more than 30 years’ experience in the electricity distribution and retail fields, both in Australia and internationally and brings a wealth of knowledge to all aspects of the EGM Distribution role including specialist levels of expertise in disaster preparedness and response and is a passionate advocate for the safety of our employees and our communities.

Ayesha Razzaq

Executive General Manager, Retail

BEng(Hons) GAICD FAMI

Ayesha Razzaq was appointed Acting Executive General Manager, Retail in March 2020.

Ayesha is responsible for leading Energy Queensland's Retail business, Ergon Retail. This includes delivering a positive customer experience, managing wholesale energy procurement, and the ongoing development of products and service choices for customers.

Ayesha brings a wealth of commercial knowledge and expertise obtained through her 20-year career as a senior executive in the retail energy industry. With a customer-centric focus, she has successfully implemented innovative strategies to deliver profitable growth and has led large teams through a range of operational and transformational programs.

Ayesha holds a Bachelor of Engineering with Honours and more recently graduated from Harvard Business School where she completed the Advanced Management Program. She was awarded the 2017 ACT Corporate Telstra Business Woman Award.

Peter Scott

Executive General Manager, Finance

DipBus BBus MPA MBA FCPA GAICD

Peter Scott was appointed Executive General Manager, Finance (EGM Finance) in November 2016 and is responsible for managing the Financial, Procurement & Supply and Corporate Shared Services of Energy Queensland, in addition to the Company Secretariat and General Counsel functions.

Peter is a Director of various subsidiary companies of Energy Queensland including Yurika Pty Ltd, Ergon Energy Qld Pty Ltd, Energex Ltd and Ergon Energy Corporation Ltd.

Prior to joining Energy Queensland, Peter was Energex's Chief Financial Officer (CFO) for two years. Throughout his career he has gained extensive experience as a senior executive in both local government and government-owned corporations, including holding various CFO and Chief Executive roles. Peter's earlier career included a variety of banking and government/semi government roles across regional Queensland.

Peter holds a Diploma of Business, a Bachelor of Business, a Master of Professional Accounting, and a Master of Business Administration. He is also a Fellow of Certified Practicing Accountants and is a Graduate of the Australian Institute of Company Directors.

Carly Irving

Executive General Manager, Yurika

GradCertBus BEd MBA GAICD

Carly is responsible for spearheading Yurika's unregulated energy, metering, and telecommunications services business.

Carly has over 25 years' experience working in a variety of senior leadership and Customer focused Management positions and these include General Management, Human Resource Management, Business Operations and Managing Director of her own Consulting business.

Carly was recently been recognised as a QLD finalist in the Telstra Business Women of the Year 2019 Awards for her work challenging the traditional way we do things, in particular rebalancing the power and gender dynamics.

Carly is a highly accomplished visionary executive with experience in corporate business operations, strategic planning, project management, logistics, acquisitions and mergers, OHS, contact centres, customer experience and IPO's with both start up and growth organisations. Carly is results driven, a decisive situational leader with proven success in these areas, always ensuring sustainable business results, while maintaining the safety and wellness of her people.

Michael Dart

Executive General Manager, Customer

BSc (AusEnvSt) BSc (EnvHlth) Dip(Mgt) GAICD

Michael Dart was appointed to the Energy Queensland Executive Committee from 1 January 2020. He is responsible for leading customer, community, stakeholder engagement, brand, marketing, media, internal communications, digital communications and investor relations strategies for Energy Queensland.

He also has executive responsibility for the largest 24/7 Network Customer Operations centre in Australia, and oversees the market transaction and customer connections functions for the business.

He has executive management, stakeholder relations, policy development and communications experience reaching more than 20 years. He has worked for state and local governments and as consultant to the private and public sectors.

Michael has spent more than a decade as an Energy Industry leader and is also a Non-Executive Director of Creative Regions, with Director experience in the government, arts and environmental health fields.

Belinda Watton

Executive General Manager, Services

BCom MAppLaw GradCertAppFin GAICD

As an experienced senior executive, Belinda leads a multi-functional, diverse and geographically dispersed team of more than 1,000 people who drive the transformational and cultural change necessary to help Energy Queensland realise its vision of 'energising Queensland communities'.

This is being achieved through the strategic direction and leadership of the people, safety, environment, property and fleet portfolios – including Energy Queensland's Registered Training Organisation.

Belinda has a track record of transforming cultures and delivering strong business performance in complex public, private and not-for-profit organisations. Belinda also holds directorships with Ergon Energy Retail, Energy Skills Queensland and HELP Enterprises.

She has a Bachelor of Commerce, Masters of Applied Law, qualifications in finance, is a graduate member of the Australian Institute of Company Directors and a member of Chief Executive Women.

Marianne Vosloo

Executive General Manager, Digital

BSc (CompSc & Math) BSc (Hons CompSc)

Marianne joined the Group in June 2020, bringing international expertise in digital strategy, data analytics and cybersecurity from her prior role as Chief Information Officer at the Australian Federal Police, as well as senior leadership positions in the finance, mining, healthcare, manufacturing, and ICT consultancy sectors.

She is responsible for leading Energy Queensland's digital strategies, as well as overseeing all major ICT investments, business partnering, innovation and support services.

Marianne has worked in complex ICT environments with large, geographically dispersed teams, with a critical focus on cost-effective digital enablement, as well as IT-OT convergence. These strengths will support Energy Queensland's focus on creating value for customers through smart, secure digital investment and service delivery.

Underpinning her wealth of practical experience and expertise, Marianne holds a Bachelor of Science majoring in Computer Science (Hons) and Mathematics from South Africa's University of Potchefstroom.

Glossary

ACB	Asbestos Containing Materials
AER	Australian Energy Regulator
AEMO	Australian Energy Market Operator
ARENA	Australian Renewable Energy Agency
AS	Australian Standard
ASX	Australian Securities Exchange
AWEI	Australian Workplace Equality Index
BEV	Battery EV
CBD	Central Business District
CCT	Contact Centre Technology
CEI	Customer Enablement Index
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CI	Customer Index
CSAT	Customer Satisfaction
CSO	Community Service Obligation
DEBBs	Digital Enterprise Building Blocks
DER	Distributed Energy Resources
DTMR	Department of Transport and Main Roads
DOE	Dynamic Operating Envelope
ECM	Enterprise Content Management
ENA	Energy Networks Australia
EWOQ	Energy and Water Ombudsman Queensland
ESO	Electrical Safety Office
EV	Electric Vehicle
NTS	Net Trust Score
FiT	Feed-in Tariff
GOC	Government Owned Corporations
GSL	Guaranteed Service Level
HSE	Health, Safety and Environment
HEMS	Home Energy Management Systems
ISO	International Organisation for Standardisation
ICT	Information and Communications Technology
IoT	Internet of Things
IVAM	In Vehicle Asset Management
LED	Light Emitting Diode lighting
LGBTI+	Lesbian, Gay, Bisexual, Transgender, Intersex and other communities
MSS	Minimum Service Standard
nbn	National Broadband Network
NEM	National Electricity Market
MIST	Micro-grid and Isolated Systems Test facility
PHEV	Plug-in Hybrid EV
PV	Photovoltaic
QCA	Queensland Competition Authority
QHES	Queensland Electric Super Highway
RFDS	Royal Flying Doctor Service
SAPS	Stand-alone power systems
SAP	System Applications and Products system
SES	Queensland State Emergency Services
TCP	Thriving Community Partnership
TSS	Tariff Structure Statements
VPP	Virtual Power Plant
VR	Virtual reality

Common measures

Reliability service standards	
SAIDI	System Average interruption Duration Index. Network reliability performance index, indicating the total minutes, on average, that customers are without electricity during the relevant period (minutes).
SAIFI	System Average Interruption Frequency Index. Network reliability performance index, indicating the average number of occasions each customer is interrupted during the relevant period (interruptions).
Customer Minutes	Customer minutes is a measure of the number of customers interrupted multiplied by the duration of a power outage or outages, incorporating any staged restoration.

Workplace safety performance	
TRIFR	Total Recordable Injury Frequency Rate reports a frequency rate of the number of total recordable injuries per million hours worked on a rolling twelve month basis. 'Total Recordable Injuries' is made up of Fatalities (F), Lost Time Injuries (LTIs), Medical Treatment Injuries (MTIs) and Medical Treatment Injuries – Suitable Duties (MTI-SDs) for EQL employees.
LTIFR	Lost Time Injury Frequency Rate reports a frequency rate of the number of Lost Time Injuries per million hours worked on a rolling twelve month basis.
SIFR	Significant Incident Frequency Rate. Significant HSE Incident Frequency rate measure includes the number of significant injuries which include class 1 (actual or potential) incidents, work related SEIs and DEEs, expressed as a rate per million hours worked.
TRI	Total recordable injuries. 'Total Recordable Injuries' is made up of Fatalities (F), Lost Time Injuries (LTIs), Medical Treatment Injuries (MTIs) and Medical Treatment Injuries – Suitable Duties (MTI-SDs) for EQL employees.

Electricity related	
MVA	megavolt ampere: one MVA equals 1,000kVA
kW	kilowatt: one kW equals 1,000 watts
MW	megawatt: one MW equals 1,000 kilowatts
kWh	kilowatt hour: the standard 'unit' of electricity which represents the consumption of electrical energy at the rate of one kilowatt over a period of one hour
MWh	megawatt hour: one MWh equals 1,000 kilowatt hours
GWh	gigawatt hour: one GWh equals 1,000 megawatt hours or one million kilowatt hours

Energy Queensland Limited Annual Financial Statements

For the year ended 30 June 2021

ABN 96 612 235 583

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DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2021

The Board of Directors of Energy Queensland Limited (the Company or Energy Queensland) is pleased to present their report together with the financial report of the consolidated entity, being the Company and its controlled entities (the Group) for the year ended 30 June 2021 and the auditor's report thereon.

DIRECTORS

The names of Directors in office at any time during or since the end of the last financial year end are:

	Date Appointed	Date Ceased
• Philip Garling (Chairman)	30 June 2016	n/a
• Mark Algie	1 October 2016	n/a
• Teresa Dyson	1 October 2016	n/a
• Hugh Gleeson	1 October 2016	n/a
• Helen Stanton	1 October 2016	n/a
• Vaughan Busby	12 October 2017	n/a
• Kerryn Newton	30 June 2016	30 September 2020
• Karen Lay-Brew	17 June 2021	n/a
• The Honourable Paul Lucas	17 June 2021	n/a

Please refer to the 'Board profiles' section of the Company's annual report 2020/21 for details of Directors' qualifications, experience and special responsibilities.

COMPANY SECRETARY

Jane Nant BA (Hons), LLB (Hons), LLM, Grad Dip ACG, GAICD, FGIA

Jane was appointed to the role of Company Secretary in May 2017. Jane has over 13 years senior leadership experience in the utilities industry including over 11 years as Company Secretary. Jane started her career as a property, planning and environmental lawyer.

REGISTERED OFFICE

420 Flinders Street
Townsville Queensland 4810

PRINCIPAL ACTIVITIES

The principal activities of the Group are the:

- Design, construction and maintenance of the Queensland Electricity Distribution Networks;
- Distribution of electricity within Queensland;
- Non-competitive electricity retailing in Queensland; and
- Provision of electricity related services.

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2021

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial year.

OPERATING AND FINANCIAL REVIEW

The Group's consolidated profit after income tax equivalent expense was $302 million for the year (2020: $483 million). Although, this result was impacted by falling revenue, we continue to review our operating and capital programs and activities, identifying savings through increased efficiencies and initiatives.

Revenue

Energy Queensland's total revenue for the year was $4,906 million (2020: $5,361 million) consisting of electricity Retail sales ($1,796 million) and Network Use of System revenue ($2,020 million).

Network Use of Systems revenue was comparable to 2020, however Retail sales revenue continues to decline due to a reduction in Energy consumption, churn in the commercial and small business enterprise customer sectors, and lower notified prices as published by the Queensland Competition Authority.

The Queensland Government's Community Service Obligation subsidy was $454 million (2020: $498 million).

Expenditure

Our total expenses for the year of $4,604 million (2020: $4,878 million) were lower as a result of increased efficiencies and prudent spending.

Total transmission charges and electricity purchases of $1,210 million fell in line with electricity sales (2020: $$1,256 million), whilst employee benefits, materials and services also saw reductions.

Depreciation, amortisation and impairments to 30 June of $1,013 million (2020: $1,017 million) continues to be a substantial expense due to the considerable capital employed in the provision of electricity distribution services.

Our finance costs to 30 June of $681 million (2020: $714 million) correlates with the average debt balance and lower interest rates over the last 12 months.

The Queensland Government's Solar Bonus Scheme continued to decline as the number of eligible customers gradually reduces. Payments made to 30 June, were $262 million (2020: $277 million) in feed-in-tariffs.

Financial Position

The primary asset of the Group's total asset base consists of the distribution assets (collectively the supply system) which are carried at fair value, determined by using an income approach based on a discounted cash flow methodology.

The Group delivered a $1,513 million capital works program, which focused on undertaking network augmentation and connection, asset replacement, reliability improvements and customer initiated capital works. This investment contributes to maintaining safe reliable power in future years whilst continuing to reinforce our commitment to meeting the requirements of our customers and communities.

DIVIDENDS

The Board declared a final dividend of $220 million for the 2021 financial year, payable on 30 November 2021, subject to solvency tests being satisfied at that date. A final dividend of $443 million was declared during the 2020 financial year and paid on 30 November 2020.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

There are no matters, transactions or events which have occurred since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of operations or the state of affairs in future financial years.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

LIKELY DEVELOPMENTS AND FUTURE RESULTS

Our Statement of Corporate Intent and Corporate Plan sets out information on Energy Queensland's business strategies for future financial periods including likely developments in our operations and expected results in future years. The Group expects to continue its operations including the design, construction and maintenance of the Queensland distribution networks, the distribution of electricity, non-competitive electricity retailing and provision of electricity related services.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's environmental obligations are regulated under Federal, State and Local government laws. Based on enquiries made, there was one significant environmental incident (2020: 2) that was reported to a government agency in the financial year. This incident relates to an oil leak at Hartley Street Cairns Depot. The Department of Environment and Science (DES) issued Ergon Energy Corporation Limited (a subsidiary of Energy Queensland) a clean-up notice pursuant to section 363H of the *Environmental Protection Act 1994*. Ergon Energy has removed the contaminated material from the site and is working closely with the DES in relation to the monitoring of the site and any future actions. No fines or infringement notices were received.

During the reporting period all environmental performance obligations of the Group were overseen by the Energy Queensland Board, People and Safety Committee and Energy Queensland Executive Committee. Detailed strategic and operational direction is provided through Health, Safety and Environment Committee meetings.

Environmental obligations are from time to time subject to government agency audits, as well as internal and external audits undertaken as part of fulfilling environmental management requirements which ensures compliance. The Group's certifications to International Standard AS/ISO 14001 have been maintained.

The *National Greenhouse and Energy Reporting Act 2007* (NGER Act) requires the entities within the Group to report annual greenhouse gas emissions and energy use. Reports are submitted to the Greenhouse and Energy Data Officer and based on data gathered from the Group's systems.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Policies were held throughout the period to insure all Directors and Officers of the Group against liabilities incurred in their capacity as Director or Officer. Insurance premiums paid or agreed to be paid totalled $624,965 comprising of Directors and Officers Liability, Statutory Liability and Workplace Health and Safety Liability policies covering EQL and its subsidiaries (2020: $500,996).

Energy Queensland indemnifies the Directors and Officers of the Company and its subsidiaries for all liabilities and expenses incurred by the Directors and Officers, arising out of or in connection with their role as a Director or Officer, other than: any liability or expense arising from conduct that was deliberately dishonest, deliberately fraudulent or not in good faith, a liability owed to an Energy Queensland Group Company, or any criminal or pecuniary penalty (this is consistent with the requirements of the *Corporations Act 2001*).

During or since the end of the 2020/21 financial year, the Group has not otherwise, except to the extent permitted by law, indemnified or agreed to indemnify an Officer or auditor of the Group or any related body corporate against a liability incurred as such by an Officer or auditor.

DIRECTORS' SHAREHOLDING

No Directors held any beneficial interest in the shares of the Group. All issued shares are held by the shareholding Ministers on behalf of the State of Queensland.

There are no share options in existence at this time.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees of the Board) and the number of meetings attended by each Director during the year ended 30 June 2021 are:

Energy Queensland Meetings[5]	Board[1]		Audit Committee		Regulatory and Policy Committee		Risk and Compliance Committee		People, Safety and Environment Committee	
	Attended	Held[2]	Attended	Held[2]	Attended	Held[2]	Attended	Held[2]	Attended	Held[2]
Philip Garling (Chairman)	11	11	n/a	n/a	2	2	n/a	n/a	n/a	n/a
Mark Algie	11	11	5	5	n/a	n/a	n/a	n/a	4	4
Vaughan Busby	11	11	n/a	n/a	2	2	5	5	n/a	n/a
Teresa Dyson[4]	11	11	5	5	1	1	1	1	4	4
Hugh Gleeson	11	11	n/a	n/a	2	2	5	5	n/a	n/a
Kerryn Newton[3]	3	3	2	2	n/a	n/a	2	2	n/a	n/a
Helen Stanton	11	11	5	5	n/a	n/a	n/a	n/a	4	4

(1) Location of Board meetings included: Townsville (2 meetings), Brisbane (2 meetings), Stafford (1 meeting) and 6 held via videoconference including 1 to discuss EQL's response to COVID-19.

(2) Number of meetings held during the time the Director held office during the financial year.

(3) Kerryn Newton's term of appointment as Director of Energy Queensland Limited ceased 30 September 2020.

(4) Following cessation of Kerryn Newton's term of appointment, Teresa Dyson was appointed as member of the Risk and Compliance Committee. At the same time, Teresa Dyson ceased as a member of the Regulatory and Policy Committee.

(5) Karen Lay-Brew and The Honourable Paul Lucas were appointed as Directors of Energy Queensland Limited on 17 June 2021 and as such did not attend any meetings.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is on page 64 and forms part of the Directors' report for the year ended 30 June 2021.

ROUNDING

The amounts contained in this report and in the financial statements have been rounded to the nearest million dollars unless otherwise stated (where rounding is applicable) under the option available to the Company under the *ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191*. The Company is an entity to which the legislative instrument applies.

Signed in accordance with a resolution of Directors made pursuant to s.298(2) of the *Corporations Act 2001*.

Philip Garling Chairman

Dated this 19th day of August 2021

Queensland Audit Office
Better public services

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Energy Queensland Limited

This auditor's independence declaration has been provided pursuant to s.307C of the *Corporations Act 2001.*

Independence declaration

As lead auditor for the audit of Energy Queensland Limited and its controlled entities for the financial year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

B.P. Worrall

19 August 2021

Brendan Worrall
Auditor-General

Queensland Audit Office
Brisbane

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2021

In millions of dollars	Note	2021	2020
Revenue	2	**4,854**	5,360
Other income	2	**52**	1
Expenses			
Transmission charges and electricity purchases	3	**1,210**	1,256
Solar photovoltaic feed in tariff		**262**	277
Employee expenses	3	**689**	716
Materials and services		**419**	443
Depreciation, amortisation and impairments		**1,013**	1,017
Net impairment losses on financial assets	6	**8**	48
Finance costs	3	**681**	714
Fair value losses	3	**-**	28
Other expenses		**194**	171
Profit before income tax equivalent expense		**430**	691
Income tax equivalent expense	4	**128**	208
Profit after income tax equivalent expense		**302**	483

The Consolidated Statement of Profit or Loss is to be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

In millions of dollars	Note	2021	2020
Profit after income tax equivalent expense		**302**	483
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment	15	**(94)**	(89)
Deferred income tax relating to the revaluation of property, plant and equipment		**28**	27
Actuarial gains/(losses) on defined benefit plans recognised directly in equity	17	**121**	(78)
Deferred income tax relating to actuarial gains/(losses) on defined benefit plans		**(36)**	23
Items that may be reclassified to profit or loss:			
Movement in cash flow hedge reserve - gains/(losses)	14	**254**	(286)
Deferred income tax relating to movement in cash flow hedge reserve – (gains)/losses		**(76)**	86
Other comprehensive income for the financial year, net of tax		**197**	(317)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**499**	166

All profit and comprehensive income is attributable to the owners of the company.

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

In millions of dollars	Note	2021	2020
CURRENT ASSETS			
Cash and cash equivalents	5	**77**	22
Trade and other receivables	6	**804**	702
Inventories	7	**192**	185
Derivative financial assets	8	**96**	2
Other assets		**47**	62
Total current assets		**1,216**	973
NON-CURRENT ASSETS			
Property, plant and equipment	15	**24,440**	24,154
Right-of-use assets	23	**273**	304
Intangible assets	16	**577**	477
Employee retirement benefits	17	**214**	113
Derivative financial assets	8	**19**	-
Other assets		**15**	21
Total non-current assets		**25,538**	25,069
TOTAL ASSETS		**26,754**	26,042
CURRENT LIABILITIES			
Trade and other payables	9	**734**	937
Interest bearing liabilities	10	**12**	12
Lease liabilities	23	**32**	31
Employee benefits	19	**396**	383
Provisions		**8**	8
Current tax liabilities		**-**	6
Derivative financial liabilities	11	**1**	181
Unearned revenue and contract liabilities	20	**87**	90
Other liabilities		**47**	52
Total current liabilities		**1,317**	1,700
NON-CURRENT LIABILITIES			
Interest bearing liabilities	10	**18,152**	17,343
Lease liabilities	23	**253**	286
Employee benefits	19	**15**	17
Provisions		**5**	5
Derivative financial liabilities	11	**-**	46
Net deferred tax equivalent liability	18	**3,380**	3,291
Unearned revenue and contract liabilities	20	**-**	1
Other liabilities		**3**	3
Total non-current liabilities		**21,808**	20,992
TOTAL LIABILITIES		**23,125**	22,692
NET ASSETS		**3,629**	3,350
EQUITY			
Share capital	21	**19,643**	19,643
Other transactions with owners	22	**(18,634)**	(18,634)
Reserves	22	**2,286**	2,177
Retained earnings	22	**334**	164
TOTAL EQUITY		**3,629**	3,350

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

In millions of dollars	Share capital (Note 21)	Other transactions with owners (Note 22)	Asset revaluation reserve (Note 22)	Retained earnings (Note 22)	Hedging reserve (Note 22)	Total equity
Changes in equity for 2020						
Balance at 1 July 2019	19,643	(18,634)	2,377	176	65	3,627
Dividends	-	-	-	(443)	-	(443)
Transfer from reserves (refer to Note 22)	-	-	(3)	3	-	-
Total comprehensive income for the financial year	-	-	(62)	428	(200)	166
Balance at 30 June 2020	19,643	(18,634)	2,312	164	(135)	3,350
Changes in equity for 2021						
Dividends	**-**	**-**	**-**	**(220)**	**-**	**(220)**
Transfer from reserves (refer to Note 22)	**-**	**-**	**(3)**	**3**	**-**	**-**
Total comprehensive income for the financial year	**-**	**-**	**(66)**	**387**	**178**	**499**
Balance at 30 June 2021	**19,643**	**(18,634)**	**2,243**	**334**	**43**	**3,629**

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

In millions of dollars	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**4,525**	4,716
Receipts for community service obligations		**499**	548
Payments to suppliers and employees		**(2,968)**	(3,055)
Interest paid		**(705)**	(734)
Income tax equivalent payments		**(216)**	(257)
Net cash from operating activities	5	**1,135**	1,218
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		**33**	11
Cash advances from other parties		**9**	309
Interest received		**1**	4
Payment for investments - other		**-**	(8)
Payment for capitalised interest		**(19)**	(17)
Payments for property, plant and equipment and intangible assets		**(1,439)**	(1,472)
Net cash used in investing activities		**(1,415)**	(1,173)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**809**	633
Payment of lease liabilities		**(31)**	(28)
Repayable deposits paid		**-**	(2)
Dividends paid		**(443)**	(657)
Net cash from/(used in) financing activities		**335**	(54)
Net increase/(decrease) in cash and cash equivalents		**55**	(9)
Cash and cash equivalents at the beginning of the financial year		**22**	31
Cash and cash equivalents at the end of the financial year	5	**77**	22

The Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

SECTION 1: Basis of Preparation

NOTE 1: BASIS OF PREPARATION

(A) General information

Energy Queensland Limited (the Company or Energy Queensland) is a public company limited by shares and is domiciled in Australia.

The consolidated financial statements of the Company for the year ended 30 June 2021 (including comparatives) comprises the Company and its subsidiaries (collectively referred to as the Group).

The Company's registered office and its principal place of business are:
420 Flinders Street
Townsville Queensland 4810

The Group was formed on 30 June 2016. The Group Parent, Energy Queensland Limited was incorporated on 20 May 2016. On 30 June 2016, the Company was decreed a Government Owned Corporation and the shares in Energex Limited (Energex) and Ergon Energy Corporation Limited (Ergon Energy) were transferred to Energy Queensland by Regulation, effective 30 June 2016. All shares are held by shareholding Ministers on behalf of the State of Queensland. The Group is a for-profit entity.

The principal activities of the entities within the Group during the financial year consisted of:

- Design, construction and maintenance of the Queensland Electricity Distribution Networks;
- Distribution of electricity within Queensland;
- Non-competitive electricity retailing in Queensland; and
- Provision of electricity related services.

The financial statements were authorised for issue by the Directors on 19th August 2021. The Board members have the power to amend and reissue the financial statements after issue.

The financial statements are a general purpose financial report that has been prepared in accordance with Australian Accounting Standards and Interpretations, requirements of the *Corporations Act 2001*, provisions of the *Government Owned Corporations Act 1993* (GOC Act), provisions of the *Corporations Regulations 2001*, and other relevant legislation issued pursuant to that Act.

(B) Basis of preparation

The financial statements are presented in Australian dollars. The amounts contained in the financial statements have been rounded to the nearest million dollars unless otherwise stated (where rounding is applicable) under the option available to the company under the *ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191*.

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. Notwithstanding that the Group is in a net current liabilities position at year end, the Group has access to a working capital facility of $700m (refer note 10B) and recognises that in accordance with accounting standards the employee benefits position is treated as a current liability whilst practically we would not expect this to be settled in the next 12 months. Furthermore, there are no material uncertainties related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. This includes COVID-19 related events which have had limited impact on the operations of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1: BASIS OF PREPARATION (CONTINUED)

(i) Historical cost convention

The financial statements are prepared on the historical cost basis, except for the valuation of certain financial assets and liabilities at fair value and certain classes of property, plant and equipment at fair value.

(ii) Basis of consolidation

The financial statements of the Group have been prepared using consistent accounting policies. Where material differences were identified between subsidiaries, adjustments have been made on consolidation.

(C) Changes in accounting policies

There are no new or revised standards effective for the year ended 30 June 2021 which have a significant impact on the Group's financial statements. Amendments to references to *Conceptual Framework for Financial Reporting (Framework)*, effective from this financial year, have been assessed as not having a material impact on the Group.

(D) Application of new Accounting Standards and Interpretations not yet adopted

The Australian Accounting Standards Board (AASB) has published new or amended accounting standards and interpretations that are not mandatory for the 30 June 2021 reporting period and none of these have been early adopted by the Group. The standards or interpretations that are not yet effective are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

SECTION 2: Profit or Loss Information

NOTE 2: REVENUE AND OTHER INCOME

In millions of dollars	2021	2020
REVENUE		
Revenue from contracts with customers		
Network use of system revenue	**2,020**	2,022
Retail sales revenue	**1,796**	1,993
Service charges	**431**	395
Non-refundable capital contributions	**77**	155
Revenue from sale of goods	**48**	39
Total revenue from contracts with customers	**4,372**	4,604
Government grant revenue		
Community service obligation[1]	**454**	498
Other government grants[2]	**-**	241
Total government grant revenue	**454**	739
Other revenue		
Interest received	**1**	4
Gain on disposal of property, plant and equipment	**5**	1
Other operating revenue	**22**	12
Total other revenue	**28**	17
Total revenue	**4,854**	5,360

OTHER INCOME		
Fair value gains on financial instruments at fair value	**41**	-
Gain on unwinding of inception value of designated hedges	**8**	-
Cash flow hedge ineffectiveness gains	**15**	-
Realised gain/(loss) on ineffective hedges	**(12)**	-
Other income	**-**	1
Total other income	**52**	1

(1) Comparatives have been restated as a result of reclassifying Community service obligation ($498 million) from Transmission charges and electricity purchases to government grant revenue.

(2) On 30 May 2017, the Queensland State Government announced a government grant that would fund the Solar Bonus Scheme over a three year period to provide pricing relief to electricity consumers.

NOTE 2: REVENUE AND OTHER INCOME (CONTINUED)

PERFORMANCE OBLIGATIONS AND REVENUE RECOGNITION POLICIES

Revenue is measured at the fair value of the consideration received or receivable, net of goods and services tax (GST). Revenue is recognised when the Group transfers control over a good or service to a customer.

The following information provides details about the nature and timing of the satisfaction of performance obligations in contracts with customers and related revenue recognition policies.

(i) Network use of system (NUOS)

The Group is subject to a revenue cap that is earned on its regulated assets in the provision of Standard Control Services (SCS). SCS includes network supply services, small customer connections and services associated with unmetered connection points.

NUOS revenue is determined based on the allowed revenue cap for Distribution Use of System (DUOS) plus Transmission Use of System (TUOS) charges, also referred to as designated pricing proposal charges. The revenue received from the TUOS charges is passed through to the providers of transmission services.

NUOS is billed to retailers, to be passed on to customers, based on a combination of customers' energy consumption, demand, capacity and fixed charges at the Australian Energy Regulator (AER) approved prices. The approved prices are calculated to recover the annual NUOS charges, plus other annual allowances approved by the AER (for example, Service Target Performance Incentive Scheme rewards or penalties).

The performance obligation is to provide customers with access to the network and revenue is recognised, based on consumption, but this may vary from the regulated revenue cap due to differences in demand. Any current period under or over recovery of the revenue cap is recovered from or returned to customers in future periods through an adjustment to prices.

Where over recoveries occur, they are deducted from revenue in the period in which they are returned to customers. Under recoveries are recognised as revenue in the period in which they are billed to customers.

The customer simultaneously receives and consumes energy delivered to their premises as the Group performs under the contract. Therefore, the revenue is recognised over time.

Payment terms for network billings to the majority of customers are 10 business days and the recovery of these receivables is assessed through the impairment review of financial assets which applies the expected credit loss model as described in Note 6.

(ii) Retail sales revenue

Electricity sales revenue to franchise customers (electricity consumers) is recognised as the aggregate of invoices raised, together with the estimated used but not yet invoiced energy consumption.

Retail sales revenue is recognised over time as energy is simultaneously delivered and consumed by customers.

Payment terms on invoices to customers are usually 10 business days and the recovery of these receivables is assessed through the impairment review of financial assets which applies the expected credit loss model as described in Note 6.

(iii) Service charges – construction contracts

Revenue is earned for a variety of construction services for works undertaken at the customers' request. These include relocation of network assets, upgrades to or replacement of street lighting assets, metering upgrades and design and construction of non-regulated electricity assets. Revenue is recognised over time with reference to the performance obligations satisfied under a contract and applying the input cost method to measure the progress towards complete satisfaction of the performance obligations.

Billings are usually upfront prior to work commencement or at milestones throughout the works. Due to timing of billing and satisfaction of performance obligations, contract assets and contract liabilities may arise.

(iv) Service charges – maintenance and service contracts

Revenue is earned for the provision of electricity-related operation and maintenance services for street lighting, metering services and ancillary network services. These are known as Alternative Control Services (ACS) and are subject to a regulated price determined by the AER (known as a price cap). The price charged for some of these services, such as disconnection, reconnection, meter reading and temporary connections, is limited under section 226 (2) of *Queensland's Electricity Regulation 2006* which overrides the AER price caps.

There are also a number of non-regulated services provided such as maintenance of the transmission network, energy generation services, contestable metering services and telecommunication services. Revenue is recognised at a point in time, when the service is provided or, for on-going services, over time as the customer receives and consumes the benefits from the underlying services. Billing usually occurs at the time the service is provided for fee for service contracts and on a monthly basis for on-going service contracts.

NOTE 2: REVENUE AND OTHER INCOME (CONTINUED)

(v) Non-refundable capital contributions
The Group finances part of its capital works program through non-refundable contributions from customers which are applied to the cost of these works. Contributions of cash towards assets constructed by the Group are recognised as revenue upon completion of the project in accordance with the performance obligations of the connection contract. The non-refundable contributions received upfront or at milestones throughout construction are initially recognised as a contract liability and subsequently recognised as revenue when the associated assets are brought into commercial operation.

The Group also receives non-refundable contributions of assets which are constructed by a third party and gifted to the Group for on-going operation and maintenance. These are recognised as revenue when the performance obligation of connecting that asset to the network is satisfied and control of that asset passes to the Group. The revenue is measured at the fair value of the contribution, which is an approximation of the cost to construct the asset based on an approved AER pricing formula.

(vi) Revenue from sale of goods
Revenue for the sale of goods is recognised at a point in time, on delivery of the goods to the customer and transfer of control. This typically involves the sale of inventory such as transformers, cables, poles, electrical supplies and meters, and scrap.

Major customers are property developers and payment terms are usually 30 days from date of invoice, with few exceptions.

(vii) Government grants
Where there is reasonable assurance the Group will comply with all conditions attached to government grants and thus the grants will be earned, they are recognised in the Statement of Financial Position as unearned revenue or as a reduction to the carrying amount of the asset they relate to. Grants that compensate the Group for expenses incurred are recognised as revenue in the Statement of Profit or Loss on a systematic basis as the conditions of the grant are fulfilled. Grants that compensate the Group for the purchase or construction of property, plant and equipment are recognised in the Statement of Profit or Loss on a straight-line basis over the expected life of the related asset as a reduced depreciation expense.

(viii) Community service obligation (CSO)
Community service obligation (CSO) receipts are recognised as government grant revenue. The Group is legally required to charge its retail customers in regional Queensland at notified prices. As a consequence, the tariff revenue collected is below the cost of supplying electricity. A Deed between the Group and the State of Queensland provides for CSO payments to be made by the State of Queensland to the Group.

In addition, Direction notices issued by the shareholding Ministers which result in the non-recovery of AER approved revenue from customers may qualify as a CSO. Where a Direction notice qualifies as a CSO, the Group has an entitlement to recover any such revenue shortfalls from the State of Queensland.

CSO revenue is recognised when the Group becomes entitled to a claim from the State Government for forgone revenue in accordance with section 112 of the GOC Act.

(ix) Interest received
Interest income is recognised in the Statement of Profit or Loss as it accrues, using the effective interest rate method.

Refer to Notes 6 and 20 for information about contract assets and contract liabilities arising from contracts with customers.

The amount of $48 million included in contract liabilities at 30 June 2020 has been recognised as revenue in this financial year (2020: $73 million).

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(i) Unbilled energy sales
Retail sales revenue accrual estimates are made to account for the unbilled period between the customers last billed meter read and the end of the reporting period. Unbilled energy sales are accrued monthly using historical billing data adjusted for seasonality.

(ii) Unbilled network charges
Unbilled network charges are accrued monthly. The calculation uses historic volumes as well as considering seasonality to estimate the unbilled network charges.

(iii) Construction contracts
Contract assets or contract liabilities are recognised with reference to the progress towards completion for construction contracts which span over financial years. Input costs incurred and construction contract estimates are used to calculate the amount of revenue to be recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 2: REVENUE AND OTHER INCOME (CONTINUED)

(iv) Community Service Obligation

The CSO payments are made in return for compliance with commitment to state-wide uniform tariffs for franchise customers. From 1 January 2018, Energy Queensland entered a fixed CSO agreement with the Queensland Government (the State). The compensation is a fixed payment based on forecast revenue and matching costs from electricity sales to franchise customers of Energy Queensland on the basis that EQL is assuming the risk, and any benefits, inherent in a fixed payment based on forecast. The parties are aiming for increased simplification and administrative ease in CSO compensation claims, payments and reporting. A new one year fixed CSO agreement has been executed in June 2021 effective from 1 July 2021.

NOTE 3: EXPENSES

In millions of dollars	2021	2020
Profit before income tax equivalent expense includes the following significant expenses:		
Transmission charges and electricity purchases[1]		
Transmission use of system charges	**580**	571
Electricity purchases	**630**	685
Total transmission charges and electricity purchases	**1,210**	1,256

(1) Comparatives have been restated as a result of reclassifying Community service obligation offset ($498 million) from Transmission charges and electricity purchases to government grant revenue.

In millions of dollars	2021	2020
Finance costs		
Interest expense	**624**	670
Competitive neutrality fees	**72**	50
less capitalised financing costs	**(19)**	(17)
Other finance costs	**4**	11
Total finance costs	**681**	714
Employee benefits expense		
Wages and salaries	**455**	475
Employer contributions to defined contribution plans	**72**	68
Expenses related to post-employment defined benefit plans	**22**	21
Expenses related to annual and long-service leave	**88**	101
Termination benefits	**23**	15
Other	**29**	36
Total employee benefits expense	**689**	716
Fair value losses		
Fair value losses on financial instruments at fair value	**-**	6
Loss on unwinding of inception value of designated hedges	**-**	6
Cash flow hedge ineffectiveness	**-**	16
Total fair value losses	**-**	28

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 3: EXPENSES (CONTINUED)

ACCOUNTING POLICIES

Expenses

(i) Transmission charges and electricity purchases

TUOS expenses, electricity purchases and other costs associated with the sale of electricity are recognised as they are incurred.

Electricity purchases are calculated on an accrual basis, recognising the amount of electricity consumed from the National Electricity Market (NEM) multiplied by the relevant pool prices.

(ii) Finance Costs

Finance costs charged by the State's central financing authority, Queensland Treasury Corporation (QTC), include administration fees, capital market fees and interest on the outstanding principal. Where applicable, a competitive neutrality fee is also paid to remove any competitive advantage that may be obtained from borrowing at a lower interest rate than the private sector by virtue of the Group's government ownership.

Finance costs directly attributable to the construction of assets that take more than 12 months to prepare for their intended use are added to the cost of those assets. Finance costs not directly attributable to qualifying assets are expensed in the period in which they are incurred.

(iii) Employee Benefits Expense

Wages and salaries due but unpaid at reporting date are recognised in the Consolidated Statement of Profit or Loss at the current salary rates. As the Group expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at undiscounted amounts.

Defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 4: TAXATION

In millions of dollars	2021	2020
(A) INCOME TAX EQUIVALENT EXPENSE		
Current tax expense	**126**	298
Deferred tax expense/(benefit)	**2**	(90)
Income tax equivalent expense	**128**	208
Deferred income tax expense included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	**25**	(23)
Increase/(decrease) in deferred tax liabilities	**(23)**	(67)
Deferred income tax expense attributable to profit from continuing operations	**2**	(90)
(B) NUMERICAL RECONCILIATION OF INCOME TAX EQUIVALENT EXPENSE TO PRIMA FACIE TAX PAYABLE		
Net profit before income tax equivalent expense	**430**	691
Prima facie income tax equivalent expense on operating profit at 30% (2020: 30%)	**129**	207
Increase/(decrease) in income tax equivalent expense:		
Other	**(1)**	1
Income tax equivalent expense	**128**	208

In millions of dollars	2021	2020
(C) DEFERRED TAX RECOGNISED DIRECTLY IN EQUITY		
Revaluation property, plant and equipment	**(28)**	(27)
Recognition of defined benefit increment/(decrement)	**36**	(23)
Hedge accounting of derivatives	**76**	(86)
Deferred tax recognised directly in equity	**84**	(136)

Refer to Note 18 for accounting policies related to taxation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

SECTION 3: Financial assets and financial liabilities

NOTE 5: CASH AND CASH EQUIVALENTS

In millions of dollars	2021	2020
Cash at bank	**77**	22
Total cash and cash equivalents	**77**	22

In millions of dollars	2021	2020
RECONCILIATION OF PROFIT AFTER INCOME TAX EQUIVALENT EXPENSES TO THE NET CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES		
Profit after income tax equivalent expense	**302**	483
NON-CASH FLOWS AND OTHER INCOME AND EXPENSE ITEMS IN PROFIT:		
Depreciation, amortisation and impairment	**1,021**	1,065
Net gain/(loss) on disposal of property, plant and equipment	**5**	1
Interest income classified as investing activities	**(1)**	(4)
Proceeds on sale of assets classified as investing activities	**(33)**	(11)
Provision for inventory obsolescence	**2**	1
Fair value (gain)/loss on financial instruments	**(53)**	28
CHANGES IN ASSETS AND LIABILITIES:		
(Increase)/decrease in trade and other receivables	**(70)**	(47)
(Increase)/decrease in inventory	**(9)**	(7)
(Increase)/decrease in other assets	**8**	6
(Decrease)/increase in trade and other payables	**52**	14
(Decrease)/increase in other liabilities	**(13)**	(297)
(Decrease)/increase in provisions and employee benefits	**11**	34
(Decrease)/increase in income tax payable	**(92)**	41
(Decrease)/increase in deferred income tax liability	**5**	(89)
Net cash flow provided by operating activities	**1,135**	1,218

ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and investments in money market instruments. They are highly liquid, subject to an insignificant risk of change in value and have a maturity of three months or less.

NOTE 6: TRADE AND OTHER RECEIVABLES

In millions of dollars	2021	2020
CURRENT		
Trade receivables	**559**	647
Less provision for impairment of receivables	**(41)**	(59)
Total net trade receivables	**518**	588
Advances facility[1]	**-**	9
Contract assets	**8**	16
Community service obligations receivable	**38**	41
Tax receivable	**86**	-
Hedge receivable	**98**	1
Other receivables and prepayments	**56**	47
Total current trade and other receivables	**804**	702

(1) In 2017, an Advances Facility was established with Queensland Treasury which accrues interest on daily balances. Refer to cash advances from other parties in the Consolidated Statement of Cash Flows on page 69.

(A) IMPAIRED TRADE RECEIVABLES

In millions of dollars	Gross 2021	Impairment 2021	Gross 2020	Impairment 2020
AGEING OF IMPAIRED TRADE RECEIVABLES				
Unbilled revenue and current receivables	**154**	**2**	186	5
Less than one month overdue	**32**	**3**	32	7
One to two months overdue	**11**	**4**	10	5
Two to three months overdue	**8**	**5**	8	7
Over three months overdue	**30**	**27**	38	35
	235	**41**	274	59

In millions of dollars	2021	2020
MOVEMENTS IN THE PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES ARE AS FOLLOWS:		
Carrying amount at the beginning of the financial year	**59**	27
Provision for impairment recognised during the financial year	**8**	48
Receivables written off during the financial year as uncollectible	**(26)**	(16)
Carrying amount at the end of the financial year	**41**	59

The recognition and reversal of the provision for impaired trade receivables is included in 'net impairment losses on financial assets' in the Consolidated Statement of Profit or Loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovery.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 6: TRADE AND OTHER RECEIVABLES (CONTINUED)

(B) PAST DUE BUT NOT IMPAIRED

As at 30 June 2021, there were $1 million of trade receivables which were past due but not impaired (2020: $1 million).

ACCOUNTING POLICIES

Trade and other receivables

Trade and other receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate method, less an allowance for impairment. The recoverability of trade and other receivables is reviewed on an ongoing basis.

The impairment model prescribed by AASB 9 *Financial Instruments* applies to the Group's trade receivables and contract assets as these are measured at amortised cost. The impairment provision is based on expected credit losses resulting from all possible default events over the expected life of the financial instrument, with consideration of the credit risk of a financial asset and the impact of changing economic factors.

Contract assets

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on customer requested construction work such as relocation of network assets and other recoverable maintenance and construction jobs. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

Impairment of receivables

A provision for impaired receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. This is based on evidence of significant financial difficulties of the debtor and probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency.

In some cases, due to the high volume, low value of such trade receivables, management has exercised judgement in determining the provision for impaired trade receivables. The Group considers evidence of the trends of bad debts experienced within certain levels of aged receivables.

The impairment percentages applied have been determined based on historical experience, then re-assessed with regard to current conditions and reasonable forecasts of future events and economic conditions. The additional analysis to consider future events and economic conditions which impact retail and commercial customers includes unemployment levels in Queensland, tariff changes and regulatory intervention.

In 2020 an increase to the provision for impaired receivables of $24 million was recognised due to COVID-19, which took into account the extension of the credit path as directed by the Australian Energy Regulator to cease disconnections and debt referrals at that time. As a result of de-energisations recommencing in 2021 and a further review of payments since then, this provision has subsequently been revised to $13 million.

Further disclosures in relation to credit risk are provided in Note 12(A).

NOTE 7: INVENTORIES

In millions of dollars	2021	2020
CURRENT		
Maintenance and construction stocks	**192**	185
Total inventories	**192**	185

Maintenance and construction stocks include a provision for inventory obsolescence of $10 million (2020: $11 million) as a result of ongoing reviews to assess the net realisable value of inventory and identification of items that are subject to factors such as technological obsolescence or loss of service potential. The creation and release of this provision is included in other expenses. Inventories are measured at the lower of cost and net realisable value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 8: DERIVATIVE FINANCIAL ASSETS

In millions of dollars	2021	2020
CURRENT		
At fair value through profit or loss		
Derivative financial instruments - electricity hedges	**33**	2
Designated as cash flow hedges		
Derivative financial instruments - electricity hedges	**63**	-
Total current financial assets	**96**	2

In millions of dollars	2021	2020
NON-CURRENT		
Designated as cash flow hedges		
Derivative financial instruments - electricity hedges	**19**	-
Total non-current financial assets	**19**	-

Relevant accounting policies and critical accounting estimates and assumptions are outlined in Note 13 Fair value of financial assets and liabilities and Note 14 Hedge accounting.

NOTE 9: TRADE AND OTHER PAYABLES

In millions of dollars	2021	2020
CURRENT		
Trade payables	**365**	300
Accrued interest	**47**	52
Dividends payable	**220**	443
Electricity hedges payable	**1**	17
Other payables and accruals	**101**	125
Total current payables	**734**	937

ACCOUNTING POLICIES
Trade and other payables

Trade and other payables are recognised as a liability when the Group has a legal obligation to pay cash. Such liabilities are initially recognised at fair value and subsequently measured at amortised cost.

Where a dividend is declared by the Board on or before the end of the financial year but not distributed at the end of the reporting period, a dividend payable is recognised for such an amount.

The Board declared a final dividend of $220 million for the 2021 financial year, payable by 30 November 2021, subject to solvency tests being satisfied at that date. A final dividend of $443 million was declared during the 2020 financial year and paid on 30 November 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 10: INTEREST BEARING LIABILITIES

In millions of dollars	2021	2020
CURRENT		
Unsecured liabilities		
Customer and other repayable deposits	**12**	12
Total current interest bearing liabilities	**12**	12

NON-CURRENT		
Unsecured liabilities		
Queensland Treasury Corporation loans	**18,152**	17,343
Total non-current interest bearing liabilities	**18,152**	17,343

(A) QUEENSLAND TREASURY CORPORATION LOANS

The fair value of Queensland Treasury Corporation (QTC) loans at 30 June 2021 was $19,999 million (2020: $19,798 million).

The fair value of QTC loans is the price that the notional underlying bonds and instruments funding the loan could be bought for at balance date as advised by the QTC. This is classified as level 2 in the fair value measurements hierarchy.

The Group does not anticipate it will make loan repayments in the next 12 months (2020: nil). There is no obligation to make repayments under current loan arrangements with the QTC.

In millions of dollars	2021	2020
(B) FINANCING ARRANGEMENTS		
The Group has access to the following short-term lines of credit:		
Working capital and credit facilities		
Facilities used at the end of the reporting period - unsecured loans	**3**	2
Facilities not utilised at the end of the financial year - unsecured loans	**742**	743
Total facilities available	**745**	745

These working capital and credit facilities are short-term in nature with the outstanding balance paid down regularly.

The Group has access to debt and cash management facilities from the QTC and access to further borrowings from the QTC subject to approval of an annual State Borrowing Program limit.

As at 30 June 2021 the Group had approved borrowings of $18,152 million (2020: $17,343 million) with access to a further $700 million (2020: $700 million) in QTC facilities.

In millions of dollars	2021			2020
(C) RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVIES		Financing cash flows [1]	Non-cash changes	
Queensland Treasury Corporation loans	**18,152**	809	-	17,343
Customer and other repayable deposits	**12**	-	-	12
In millions of dollars	**2020**			**2019**
(C) RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVIES		Financing cash flows [1]	Non-cash changes	
Queensland Treasury Corporation loans	**17,343**	633	-	16,710
Customer and other repayable deposits	**12**	(2)	-	14

(1) The cash flows make up the net amount of proceeds from borrowings and payment of repayable deposits in the Consolidated Statement of Cash Flows.

NOTE 10: INTEREST BEARING LIABILITIES (CONTINUED)

ACCOUNTING POLICIES

Interest Bearing Liabilities

Interest bearing borrowings are initially recognised at fair value net of transaction costs incurred. They are subsequently measured on an amortised cost basis.

NOTE 11: DERIVATIVE FINANCIAL LIABILITIES

In millions of dollars	2021	2020
CURRENT		
At fair value through profit or loss		
Derivative financial instruments - electricity hedges	**-**	6
Designated as cash flow hedges		
Derivative financial instruments - electricity hedges	**1**	175
Total current financial liabilities	**1**	181
NON-CURRENT		
At fair value through profit or loss		
Derivative financial instruments - electricity hedges	**-**	5
Designated as cash flow hedges		
Derivative financial instruments - electricity hedges	**-**	41
Total non-current financial liabilities	**-**	46

Relevant accounting policies and critical accounting estimates and assumptions are outlined in Note 13 Fair value of financial assets and liabilities and Note 14 Hedge accounting.

NOTE 12: FINANCIAL RISK MANAGEMENT

The Group has policies and procedures in place to manage the financial risks associated with its operating activities. Exposure to credit, interest rate, price and liquidity risk arises in the normal course of the Group's business. Derivative financial instruments are used to manage certain exposures to fluctuations in electricity prices.

The financial risks faced by the Group are managed in accordance with the Energy Queensland Treasury Policy.

(A) Credit risk

Credit risk arises from the potential failure of counterparties to meet their payment obligations under the respective contracts at or before maturity.

The Group manages credit risk by maintaining appropriate credit review processes.

The concentration of credit risk to retail customers is minimised due to transactions being with a large number of retail customers and limiting credit to any individual customer.

The concentration of credit risk related to distribution network customers is the risk of a retailer defaulting on their obligations. The Group operates in accordance with the Credit Support Guidelines issued by the Queensland Competition Authority, which align with the National Energy Customer Framework credit support arrangements. Under these guidelines, the ability to seek credit support is based on an assessment of the retailer's network charge liability compared to their credit allowance and payment history. In the event of significant retailer failure, an application to recoup such losses under general pass through provisions available through the AER would be considered. As at 30 June 2021 the Group had trade receivables of $165 million (2020: $165 million) from retailers. Four distribution network customers represented 86% of these trade receivables (2020: four distribution network customers represented 86% of these trade receivables).

Where appropriate, collateral in the form of a cash deposit or pre-payments are obtained from retail customers (other than limited by provisions outlined above) as a means of mitigating the risk of financial loss from defaults. At the end of the financial year, the Group held collateral of $20 million (2020: $18 million) from retail customers. The $20 million included $11 million from retail customer security deposits, and $9 million from Energex repayable deposits. Bank guarantees of $1 million were also held on behalf of retail customers at 30 June 2021 (2020: $2 million).

NOTE 12: FINANCIAL RISK MANAGEMENT (CONTINUED)

(A) Credit risk (Continued)

Note 25 provides details of bank guarantees from wholesale Over-The-Counter (OTC) counterparties held by the Group. The Group manages its credit settlement risk associated with electricity market hedging by following the Credit Risk Management guidelines in the Energy Commodity Risk Management Policy and Manual. Credit settlement risk is managed by maintaining approved counterparty credit limits. The values of counterparty credit limits are determined by reference to each counterparty's credit rating, as determined by a recognised credit rating agency or, if the counterparty does not have a credit rating, by reference to the results of a detailed credit analysis. Where considered appropriate, the Group requires wholesale counterparties to provide appropriate letters of credit or bank guarantees. A total of $4 million bank guarantees from wholesale OTC counterparties was held at 30 June 2021 (2020: $1 million).

The Group trades with wholesale counterparties, principally large banks and other electricity corporations. In order to meet its liability under the Renewable Energy Target Scheme and the Small Scale Renewable Energy Scheme, the Group also trades with non-wholesale market entities.

The maximum exposure for the Group to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the Statement of Financial Position.

Concentrations of credit risk that arise from OTC derivative instruments exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Concentrations of credit risk on OTC electricity derivatives are indicated in the following table by percentage of the total balance receivable from counterparties in the specified categories:

Counterparty classification	2021	2020
Queensland Government-owned electricity entities	96%	92%
Entities with a credit rating AA[1]	0%	2%
Entities with a credit rating BBB[1]	1%	1%
Other entities	3%	5%

(1) Standard & Poor's or equivalent

The above credit risk exposure does not take into account the value of any collateral or security. Receivables due from major counterparties are monitored regularly.

Movements in the allowance for impairment in respect of trade receivables and contract assets are provided in Note 6.

(B) Interest rate risk

Floating interest rate borrowings expose the Group to interest rate cash flow risk while fixed interest borrowings expose the Group to fair value risk.

The Group's income and operating cash flows are substantially independent of changes in short-term market interest rates.

Other assets and liabilities exposing the Group to interest rate cash flow risk include cash and cash equivalents and advances facility (floating rate interest exposure) and interest bearing repayable deposits (both fixed and floating interest rate exposure).

NOTE 12: FINANCIAL RISK MANAGEMENT (CONTINUED)

(B) Interest rate risk (Continued)

The effective interest rates on the Group's interest bearing financial assets and liabilities as at balance date are detailed below.

In millions of dollars	Floating Interest Rate $	Fixed Interest Rate $	Weighted Average Interest Rate %
2021			
Financial assets			
Cash and cash equivalents	**77**	**-**	**0.66%**
Advances facility	**-**	**-**	**0.00%**
Total financial assets	**77**	**-**	
Financial liabilities			
Repayable deposits	**12**	**-**	**0.50%**
Lease liabilities	**-**	**285**	**1.79%**
Loans	**-**	**18,152**	**3.50%**
Total financial liabilities	**12**	**18,437**	
2020			
Financial assets			
Cash and cash equivalents	22	-	1.18%
Advances facility	9	-	0.86%
Total financial assets	31	-	
Financial liabilities			
Repayable deposits	12	-	2.31%
Lease liabilities	-	317	1.79%
Loans	-	17,343	3.91%
Total financial liabilities	12	17,660	

Sensitivity analysis
At 30 June 2021, if interest rates had been 100 basis points higher and all other variables were held constant, the Group's net profit and equity would decrease by $13 million (2020: $10 million). If interest rates had been 100 basis points lower and all other variables held constant, the Group's net profit and equity would increase by $14 million (2020: $12 million).

The Group's borrowings from QTC have been classified as loans with a fixed interest rate in the table above.

(C) Price risk

Electricity
Electricity price risk is the risk of an adverse financial outcome resulting from a change in the price of electricity in the National Electricity Market. This can be a change in the electricity pool price or a change in the forward price of electricity. Exposures mainly arise from positions in wholesale contracts (electricity derivatives), franchise load or power purchase agreements (PPAs) associated with the Ergon Energy retail business (Ergon Energy Queensland Pty Ltd trading as Ergon Energy Retail). Wholesale contracts relating to franchise load are generally dealt over a period of less than three years.

There is limited price risk for the network distribution businesses, due to the AER revenue cap framework and the mechanism for over or under recoveries through the adjustment of prices in future periods.

To manage retail price risk the Group has established an Energy Commodity Risk Management Policy which is implemented through the Energy Commodity Risk Management Manual. The policy provides a framework for managing risks arising from the energy purchasing activities of the entity. The manual includes a market price risk exposure limit framework, monitoring and reporting requirements and review requirements.

The Group uses derivative financial instruments to manage its retail electricity price risk, consumer variable volume risk and associated cash flow risk as well as to hedge exposure to pool price fluctuations and against the committed and anticipated electricity purchases. The hedge portfolio consists predominantly of swaps, caps and option contract types. Caps and option contracts are valued at fair value through profit or loss. Hedge accounting is employed for swaps with unrealised gains and losses recognised in other comprehensive income and hedge ineffectiveness recognised in the profit or loss. Refer to Note 14 for further information regarding the application of hedge accounting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 12: FINANCIAL RISK MANAGEMENT (CONTINUED)

(C) Price risk (Continued)

The following table details the Group's sensitivity to a 20% (2020: 20%) increase and decrease in the electricity forward price with all other variables held constant. Analysis of underlying forward price volatility is used as an indicator of potential forward price movement. Under the assumption that there will be no events causing significant step changes in the market such as the announcement of major electricity generation plant closures, Management have determined that 20% is considered a reasonably possible price movement.

	Electricity Forward Price			
	+20%	+20%	-20%	-20%
In millions of dollars	**2021**	**2020**	**2021**	**2020**
Profit/(loss) before tax	**23**	12	**(21)**	(11)
Hedging reserve	**85**	79	**(87)**	(79)
Equity	**108**	91	**(108)**	(90)

(D) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available. Available lines of funding are disclosed in Note 10.

QTC is the approved Eligible Provider for the purposes of the Australian Financial Services Licence of an entity in the Group and is required to provide funding on written demand when requested by the Group pursuant to an approved Eligible Undertaking. QTC has provided an eligible undertaking for $400 million (2020: 300 million).

Where entities within the Group enter into contracts external to the regulated market, such contracts are transacted within the terms of the Energy Commodity Risk Management Policy and Manual which provides a framework for monitoring and limiting exposures.

Liquidity risk may potentially arise in the advent of unexpected high market volatility and may result in a large margin call being required for settlement.

The tables below disclose the Group's financial liabilities, including derivative financial instruments, into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are contractual, undiscounted cash flows. For options contracts, the undiscounted cash flow represents the future premium payable. The maturities of derivative financial instruments are calculated on the basis that derivatives will be settled on a gross basis. The Group's long-term borrowings from QTC have an interest only in perpetuity repayment profile. The principal component of QTC borrowings are included in the over five years' time band with no interest included in respect of this facility for the period over five years.

NOTE 12: FINANCIAL RISK MANAGEMENT (CONTINUED)

(D) Liquidity risk (Continued)

In millions of dollars	Less than 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying Amount
CONSOLIDATED					
2021					
Electricity hedges	**-**	**1**	**-**	**1**	**1**
Financial guarantees	**160**	**-**	**-**	**160**	**-**
Non-interest bearing liabilities	**599**	**2**	**-**	**601**	**601**
Repayable deposits	**12**	**-**	**-**	**12**	**12**
Lease liabilities	**36**	**144**	**128**	**308**	**285**
Loans	**583**	**2,329**	**18,152**	**21,063**	**18,152**
Total	**1,390**	**2,476**	**18,280**	**22,146**	**19,052**
2020					
Electricity hedges	157	71	-	228	227
Financial guarantees	100	-	-	100	-
Non-interest bearing liabilities	980	1	-	981	981
Repayable deposits	12	-	-	12	12
Lease liabilities	37	181	127	345	317
Loans	639	2,555	17,343	20,537	17,343
Total	1,925	2,808	17,470	22,203	18,880

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that such an amount will not be payable under the arrangement. For further information regarding guarantees refer to Note 25(C).

(E) Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of borrowings disclosed in Note 10 and equity comprising share capital, other transactions with owners, reserves and retained earnings.

The Group borrows exclusively from QTC. The long-term borrowing facilities provided by QTC have an interest only in perpetuity repayment profile. The cost of debt is derived from debt instruments issued by QTC and a competitive neutrality fee designed to remove any competitive advantage obtained from borrowing at a lower interest rate than the private sector by virtue of the Group’s Government ownership.

QTC manages debt financing, including new debt raising and the re-financing of existing borrowings, on behalf of the Group in accordance with agreed benchmarks. QTC borrows in advance of requirements to ensure Queensland public sector entities have ready access to funding when required and also to reduce the risk associated with refinancing maturing loans.

NOTE 12: FINANCIAL RISK MANAGEMENT (CONTINUED)

(E) Capital management (Continued)

The Group monitors capital on the basis of key financial ratios for Debt to Standard Control Services Regulated Asset Base (RAB) and Return on Capital Employed (ROCE). At 30 June 2021 and 30 June 2020 these key financial ratios were as follows:

	2021	2020
Debt to RAB ratio	**73%**	71%
ROCE	**4.4%**	5.8%

NOTE 13: FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

1) Fair value measurements

The Group uses the following fair value measurement hierarchy:

a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's financial assets and liabilities measured and recognised at fair value.

In millions of dollars	Level 1	Level 2	Level 3	Total
2021				
Assets				
Electricity hedges	**17**	**98**	**-**	**115**
Large-scale generation certificates held for trading	**-**	**3**	**-**	**3**
Small-scale technology certificates held for trading	**-**	**32**	**-**	**32**
	17	**133**	**-**	**150**
Liabilities				
Electricity hedges	**1**	**1**	**-**	**1**
	1	**1**	**-**	**1**
2020				
Assets				
Electricity hedges	-	2	-	2
Small-scale technology certificates held for trading	-	32	-	32
	-	34	-	34
Liabilities				
Electricity hedges	46	181	-	227
	46	181	-	227

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 13: FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

2) Level 3 fair value measurements

There have been no movements of the Group's assets and liabilities in level 3 of its fair value measurements hierarchy.

3) Transfers between level 2 and 3 and changes in valuation techniques

Transfers between hierarchy levels are expected to occur when there is a change in the observability of a pricing input, or a change in valuation technique. The Group recognises transfers between levels of the fair value hierarchy as of the beginning of the reporting period during which the transfer has occurred. During 2021 there were no transfers of electricity derivatives between level 2 and level 3 (2020: nil).

4) Valuation policies and procedures

The Group has an established control framework with respect to the measurement of fair values of financial instruments. The Ergon Energy Retail Commercial Services team has the overall responsibility for overseeing all financial asset and liability fair value measurements, including level 3 fair value, and reports directly to the Executive General Manager Retail. Contracts are valued using a combination of data sources including current trades executed by Ergon Energy Retail, the Sydney Futures Exchange (SFE), ICAP Plc (ICAP), TFS Australia Pty Ltd (TFS) and other market intelligence. Ergon Energy Retail trades frequently in these instruments and has sufficient market information to reliably measure the value of these contracts in accordance with the requirements of Australian Accounting Standards.

5) Methods and assumptions used in determining fair value of financial assets and liabilities

The Group currently has the following classes of financial instruments that are measured at fair value through profit or loss. These are: electricity hedges (which include swaps, caps and swaptions), large-scale generation certificates (LGCs) and small- scale technology certificates (STCs).

Type	Methods and assumptions
Swaps	Over- the-counter swaps are valued using broker quoted forward curves. Where positions are held in periods beyond the curve, the curve is extended accordingly (refer Note 13(6)). Exchange traded swaps are valued using the Exchange quoted prices
Caps	$300 exchange traded caps are valued using the Exchange quoted prices. Over the counter $300 caps are valued using a mean reversion jump diffusion model incorporating historical pool price outcomes and broker provided cap curves. Where positions are held in periods beyond the curve, the curve is extended accordingly (refer to Note 13(6)).
Swaptions	Over-the-counter swaptions are valued applying a Black Scholes 76 methodology incorporating broker quoted forward curves. Volatility is calculated based on market implied volatility. Exchange traded swaptions are valued applying the fair value on the exchange.
Large-scale generation certificates (LGCs)	LGCs are valued using a curve derived from externally sourced broker quotes. Where positions are held in periods beyond the curve, the curve is extended accordingly.
Small-scale technology certificates (STCs)	STCs are valued using a curve derived from externally sourced broker quotes. Where positions are held in periods beyond the curve, the curve is extended accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 13: FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

6) Fair value valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring level 2 fair values, as well as the significant unobservable inputs used:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Electricity hedges	The curve is sourced through broker quoted forward curves. The curve is extended for the periods beyond the observable quoted pricing period by using CPI escalation.	CPI escalation of forward curves beyond observable quoted pricing period.	The higher the CPI adjustment the higher the fair value of the instrument.

Master netting or similar agreements

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances, e.g. when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA agreements do not meet the criteria for offsetting in the Statement of Financial Position. This is because the Group does not have an enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as default or other credit events.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

In millions of dollars	Note	Gross amounts of financial instruments in the Statement of Financial Position	Related financial instruments that are not offset	Net amount
2021				
Financial assets				
Electricity hedges	8	**115**	**(1)**	**114**
Financial liabilities				
Electricity hedges	11	**(1)**	**1**	**-**
2020				
Financial assets				
Electricity hedges	8	2	(2)	-
Financial liabilities				
Electricity hedges	11	(227)	3	(224)

NOTE 13: FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

ACCOUNTING POLICIES

Financial instruments

Financial instruments held or issued for hedging franchise load are classified as derivative financial instruments and are recognised at fair value at the date that a derivative contract is entered into (trade date) and is subsequently measured at fair value at each reporting date. A positive revaluation amount is reported as an asset and a negative revaluation amount is reported as a liability. The resulting gain or loss is recognised in the Statement of Profit or Loss immediately, with the exception of cash flow hedges designated for hedge accounting where unrealised gains and losses are deferred in the cash flow hedge reserve. Any ineffective portion of hedge accounted instruments is recognised directly in the Statement of Profit or Loss. Refer to Note 14 for hedge accounting disclosures and accounting policies.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Electricity financial instruments measured at fair value

The Group enters into electricity related financial instruments and determines the fair value of these instruments, which includes swaps and options (including caps and swaptions) using market based valuation methods. It takes into account the conditions existing at balance date and has used its judgement in the following areas:

- future price and volume estimation using in-house and off-the-shelf valuation models;
- discounting to the present value for the time value of money; and
- option volatility.

NOTE 14: HEDGE ACCOUNTING

Cash flow hedges

Cash flow hedges are used by the Group to hedge the energy commodity price risk arising through the operations of Ergon Energy Retail.

The Group undertakes derivative transactions to hedge the price of electricity it purchases over a three-year period within a set of Gross Margin at Risk limits. The Group principally uses energy swaps, options (including caps and swaptions) to protect against price and volume fluctuations. Hedge accounting is employed only for swap contracts. These derivative instruments may meet the requirements for hedge accounting. The eligible hedge contracts are valued at fair value and the resultant gains or losses that effectively hedge the designated risk exposures are deferred within the cash flow hedge reserve. Any hedge ineffectiveness on designated contracts or fair value movements on hedge contracts not designated for hedge accounting are recognised in the Statement of Profit or Loss. Changes in hedge effectiveness are predominantly driven by changes in energy load forecasts.

The inherent variability in the volume of electricity purchased by customers and dispatched from generators means that actual purchase requirements and sales volume can vary from the forecasts. The forecasts are updated for significant changes in underlying conditions and where this leads to a reduction in the forecast below the aggregate notional volume of hedge instruments in the relevant periods impacted, the affected hedging instruments are de-designated and the accumulated gain or loss which has been recognised in the hedge reserve is recognised directly in the Statement of Profit or Loss as the underlying forecast purchase or sale transactions are no longer expected to occur.

During the year ended 30 June 2021 $6 million hedge gains (2020: $8 million hedge losses) were reclassified to the Statement of Profit or Loss due to the hedges no longer being designated as hedging instruments and the underlying forecast transaction no longer being highly probable to occur as originally forecast.

Where an effective hedging instrument is closed out and the underlying forecast transaction remains highly probable to occur as originally forecast, the hedge contract is de-designated and any accumulated gain or loss which has been recognised in the hedge reserve is deferred to the reserve. As at year ended 30 June 2021, $19 million losses (2020: nil) remain in the cash flow hedge reserve due to de-designation and all underlying forecast transactions remain highly probable to occur.

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FOR THE YEAR ENDED 30 JUNE 2021

NOTE 14: HEDGE ACCOUNTING (CONTINUED)

Gains and losses recognised in the hedge reserve in the Statement of Comprehensive Income for electricity derivatives at the end of the reporting period will be released to the profit or loss in the period in which the underlying purchase or sale transactions are recognised.

(i) Nominal amount of electricity hedges outstanding

As at 30 June 2021, the average notional amount of electricity hedges outstanding over the next 3 years from FY 2022 to FY 2024 is approximately 2 TWh (Terawatt hours) at contracted prices ranging between $32 and $97 per MWh (2020: average notional amount outstanding over 3 years from FY 2021 to FY 2023 of 5 TWh at contracted prices ranging between $35 and $97 per MWh).

(ii) Fair value of financial instruments designated as hedging instruments

The following table sets out the fair value of electricity hedges which meet the criteria for hedge accounting. The accounting policies applied to the valuation of electricity derivatives is outlined below:

In millions of dollars	2021	2020
Financial Assets: Cash flow hedges - electricity derivatives	**82**	-
Financial Liabilities: Cash flow hedges - electricity derivatives	**(1)**	(216)

(iii) The impact of hedging instruments designated in hedge relationships as at 30 June 2021 is as follows:

In millions of dollars	2021	2020
Statement of profit or loss		
Gains/(losses) on unwinding of inception value of designated hedges	**8**	(6)
Cash flow hedge ineffectiveness gains/(losses) recognised in other income	**15**	(16)

In millions of dollars	2021	2020
Statement of comprehensive income Cash flow hedge reserve (CFHR)		
Opening balance	**(194)**	92
The effective portion recognised in CFHR (pre-tax)	**272**	(217)
Transfer from CFHR to electricity purchases	**(17)**	(69)
Closing balance (pre-tax)	**61**	(194)

(iv) The table below outlines the impact of applying hedge accounting for the electricity hedges:

In millions of dollars	2021	2020
Electricity Price Risk		
Changes in value of hedge instrument	**252**	(208)
Changes in value of hedged item	**273**	(193)
Cash flow hedge reserve	**61**	(194)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 14: HEDGE ACCOUNTING (CONTINUED)

ACCOUNTING POLICIES

Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date they are entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular cash flow risk associated with a recognised asset, liability or highly probable forecast transaction.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 13. Movements of the hedging reserve in shareholders' equity are shown in the Statement of Other Comprehensive Income.

The fair values of hedging derivatives are classified as current or non-current based on timing except for exchange traded derivatives which are classified as current.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of Profit or Loss. Amounts accumulated in equity are transferred to the Statement of Profit or Loss in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the eligible criteria for hedge accounting, hedge accounting is discontinued and any changes in the instrument's fair value which have been deferred to the cash flow hedge reserve (CFHR) is immediately transferred to the Statement of Profit or Loss if the underlying forecast transaction is not expected to occur. In the event that a hedging position is closed out or sold and the underlying forecast transaction is still expected to occur, any fair value movement deferred to the CFHR will remain in the reserve and will be transferred to the Statement of Profit and Loss when the forecast transaction ultimately occurs.

An ineligible hedge may arise where the derivative financial instrument is hedging more than the forecast load. As such there is no relationship between the hedging instrument and the hedged item for hedge accounting purposes. In this instance, the movement in the derivative instrument relating to the excess portion of forecast load is fair valued through profit and loss. If the forecast for load subsequently increases such that the derivative instrument becomes hedged against the forecast load, then the instrument will be designated as an eligible hedge for hedge accounting purposes from that point and any subsequent movement in the fair value will be taken to the CFHR. Any fair value movement that has been recognised in the Statement of Profit or Loss up to the date of designation (referred to as the inception value) remains in the profit and loss and will unwind from the Statement of Profit and Loss as the instrument matures.

Certain derivative financial instruments do not qualify for hedge accounting, despite being valid economic hedges of the relevant risk. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised immediately in the Statement of Profit or Loss.

Refer to Note 13 for additional information in relation to accounting policies for financial instruments.

SECTION 4: Operating assets and liabilities

NOTE 15: PROPERTY, PLANT AND EQUIPMENT

In millions of dollars	2021	2020
SUPPLY SYSTEMS[1]		
Gross carrying amount	**37,282**	36,534
Less accumulated depreciation	**(14,472)**	(14,090)
Net carrying amount	**22,810**	22,444
POWER STATIONS		
Gross carrying amount	**419**	456
Less accumulated depreciation	**(221)**	(226)
Net carrying amount	**198**	230
LAND – NON-REGULATED		
Net carrying amount	**19**	17
OTHER PLANT AND EQUIPMENT		
At cost	**1,434**	1,443
Less accumulated depreciation	**(871)**	(918)
Less accumulated impairment losses	**(31)**	(31)
Net carrying amount	**532**	494
WORK IN PROGRESS		
Work in progress	**881**	969
TOTAL PROPERTY, PLANT AND EQUIPMENT	**24,440**	24,154

(1) Supply systems include land and building assets which are utilised for warehousing and logistics purposes, training and pole depot facilities and field response activities. These land and building assets are integral to supporting the operation of the electricity network and form a part of the regulated asset portfolio.

In millions of dollars	2021	2020
If property, plant and equipment were stated on a historical basis, the carrying amount would have been:		
Supply systems	**18,839**	18,328
Power stations	**222**	222
Land	**18**	10

NOTE 15: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

Year ended 30 June 2021	Supply Systems $M	Power Stations $M	Land $M	Other Plant & Equipment $M	Work in Progress $M	Total $M
Gross carrying amount at start of financial year	36,534	456	17	1,443	969	**39,419**
Accumulated depreciation and impairment at start of financial year	(14,090)	(226)	-	(949)	-	**(15,265)**
Carrying amount at start of financial year	**22,444**	**230**	**17**	**494**	**969**	**24,154**
Additions	-	-	-	-	1,267	**1,267**
Capitalised interest	-	-	-	-	19	**19**
Transfer from work in progress	1,210	22	2	165	(1,399)	**-**
Transfers to intangible assets	-	-	-	3	25	**28**
Transfer to non-current assets held for sale	(4)	-	-	-	-	**(4)**
Disposals	(5)	-	-	(9)	-	**(14)**
Revaluation increment/(decrement)	(64)	(30)	-	-	-	**(94)**
Depreciation expense	(765)	(22)	-	(121)	-	**(908)**
Net impairment losses	(6)	(2)	-	-	-	**(8)**
Carrying amount at end of financial year	**22,810**	**198**	**19**	**532**	**881**	**24,440**

Year ended 30 June 2020	Supply Systems $M	Power Stations $M	Land $M	Other Plant & Equipment $M	Work in Progress $M	Total $M
Gross carrying amount at start of financial year	35,869	522	17	1,379	694	**38,481**
Accumulated depreciation and impairment at start of financial year	(13,534)	(264)	-	(885)	-	**(14,683)**
Carrying amount at start of financial year	**22,335**	**258**	**17**	**494**	**694**	**23,798**
Additions	-	-	-	-	1,369	**1,369**
Capitalised interest	-	-	-	-	17	**17**
Transfer from work in progress	936	19	-	156	(1,104)	**7**
Transfers to intangible assets	-	-	-	-	(7)	**(7)**
Transfer to non-current assets held for sale	-	-	-	(4)	-	**(4)**
Disposals	(6)	-	-	(4)	-	**(10)**
Revaluation increment/(decrement)	(69)	(20)	-	-	-	**(89)**
Depreciation expense	(750)	(27)	-	(124)	-	**(901)**
Net impairment losses	(2)	-	-	(24)	-	**(26)**
Carrying amount at end of financial year	**22,444**	**230**	**17**	**494**	**969**	**24,154**

Valuation of the Group's regulated supply system assets

The majority of the Group's property, plant and equipment are employed in the distribution of electricity and subject to regulation via a revenue allowance (revenue cap). The fair value valuation of the Group's property, plant and equipment is determined via Directors' valuations using an income based approach.

The nature of the Group's property, plant and equipment is assessed on the key assumption that it will continue to operate in perpetuity.

In completing the valuation of property, plant and equipment of the Group as a going concern, future cash flows are captured beyond the explicit five year forecast period using a terminal value. The terminal value was derived with reference to a forecast regulated asset base (RAB) based on the current regulatory model.

The RAB multiple is the relationship between market and regulatory values as it describes the ratio between the value that the market places on the expected cash flows that will accrue to it for the Group and the value the regulator intends returning to the Group over the life of the property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 15: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The following table outlines the key inputs and assumptions and their relationships to fair value considered in the discounted cash flow methodology for the valuation of the Group's regulated supply system assets:

Fair value at 30 June 2021 $M	Unobservable inputs	Nature and range of inputs	Relationship of unobservable inputs to fair value
22,879	Revenue cash flows	Revenue cash flows have been determined per the Australian Energy Regulator (AER) Final Decision (2020-2025) and projected revenue cash flows for the years beyond the regulatory period.	A higher allowed rate of return increases the fair value.
	Operating expenditure	Operating expenditures for the distribution network have been determined per the AER's Final Decision (2020-2025) and management forecasts for the years beyond the regulatory period.	A lower operating expenditure increases the fair value.
	Capital expenditure	Future capital expenditure required to ensure the security and reliability of the distribution network have been based on the most recent management forecasts available at the time of the valuation.	A higher future capital expenditure decreases the fair value.
	Terminal value	Terminal value at 30 June 2025 has been determined with reference to a forecast RAB using management forecasts of future cash flows and a terminal value multiple of 1.00 has been applied.	A higher terminal value and multiple increases the fair value.
	Weighted Average Cost of Capital (WACC) discount rate	A nominal WACC of 5.72% (2020:5.85%) has been employed in the valuation. The WACC discount rate has been determined in consultation with independent experts based on a long-term view of the market cost of capital.	The higher the nominal WACC, the lower the fair value.

The discount rate used by the Group to discount future cash flows is higher than the allowed rate of return as established by the regulator in its Final Decision for the regulatory control period 2020-2025 (which is the rate applied to the RAB to determine future cash flows). The use of a discount rate higher than the regulated rate of return leads to an estimated fair value below the value of the current year's RAB as determined by the regulator. It has been noted in assessing the fair value of property, plant and equipment that possible future regulatory changes may also impact the Group. When future capital expenditure is subject to a capital expenditure sharing scheme, then this higher expenditure can result in a lower valuation. As part of the assumptions used in the asset valuation process, Energy Queensland has included additional capex expenditure in determining the fair value of the Ergon Energy Network resulting in a lower valuation for 2021.

Valuation policies and procedures

The Group has established control frameworks with respect to the measurement of fair values. The fair value of the Group's regulated assets was determined using the income based approach, which reflects the present value of an investment's future cash flows in order to arrive at a current fair value estimate for an investment. As this valuation uses inputs not based on observable market data (i.e. unobservable inputs) this resulted in a level 3 fair value. There has been no change to the valuation technique or fair value hierarchy during the year.

The fair value measurement for the supply system, land and building assets of $23,008 million (2020: $22,674 million) has been categorised as a level 3 fair value based on the inputs to the valuation technique applied.

The reconciliation from opening balances to closing balances for the level 3 fair value for the supply system assets is included on the previous page.

Impairment review of property, plant and equipment

The annual impairment review across the Group's cash generating units (CGUs) resulted in $8 million (2020: $26 million) of property, plant and equipment impairment. There were no reversals of prior year impairment losses in the current year (2020: nil).

Fully written down assets still in use

The Group has property, plant and equipment with a gross carrying amount of $3,039 million (2020: $2,909 million) and a written down value of nil that is still in the asset register. These assets have been confirmed to be still in use at the end of the reporting period.

NOTE 15: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

ACCOUNTING POLICIES

Property, plant and equipment

(i) Recognition and measurement

The cost of property, plant and equipment constructed by the Group includes the cost of materials, direct labour and other associated costs and, where appropriate, borrowing costs.

Supply system and power station assets are measured at fair value less any subsequent depreciation. The fair value of these assets was determined as at 30 June 2021 using an income based approach as there was no market based evidence of fair value due to the specialised nature of the assets, and the items are rarely sold, except as part of a continuing business.

Other property, plant and equipment, and work in progress are carried at cost less accumulated depreciation where applicable. The carrying amount for these assets does not differ materially from their fair value.

Revaluation increments are recognised in other comprehensive income and accumulated in the asset revaluation reserve, except for amounts reversing a decrement previously recognised as an expense.

Revaluation decrements are only offset against revaluation increments applying to the same asset and any excess is recognised as an expense.

*(ii) Depreciatio*n

Depreciation is calculated on a straight line basis by reference to the estimated useful life and residual value of each item of property, plant and equipment, with the exception of freehold land, easements and WIP which are not depreciated.

The supply system is treated as a complex asset. A complex asset is a physical asset capable of disaggregation into identifiable components that are subject to regular replacement. These components are assigned useful lives distinct from the asset to which they relate and are depreciated accordingly.

An assessment of useful lives is performed annually. The useful life estimate is determined with consideration of expected usage based on the asset's capacity, expected physical wear and tear, and expected technical or commercial obsolescence.

Items of property, plant and equipment which relate to the supply of electricity to a specific mine or facility may be depreciated over the operational life of the mine or facility.

Major depreciation periods are:

	Measurement basis	**Depreciation period**
Supply systems	Fair value	5 to 70 years
Power stations	Fair value	5 to 60 years
Buildings	Fair value	40 years
Other plant and equipment	Cost	3 to 40 years

(iii) Disposal of items of property, plant and equipment

The gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds of disposals with the carrying amounts of the items. The net gains and losses on disposals are included in the Statement of Profit or Loss.

(iv) Maintenance and repairs

Maintenance costs are charged as an expense as incurred. Other routine repair and minor renewal costs are also charged as expenses as incurred.

(v) Contributed assets

Contributed assets are those that are funded by customers and either constructed by the Group or constructed by an external party and then gifted to the Group. Contributed assets are recognised at fair value at the time control passes to the Group and the assets are ready for use.

(vi) Finance and related costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Impairment of assets

All assets which are depreciated or amortised are reviewed for events or changes in circumstances that may indicate that the carrying amount may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Dismantled supply system assets and assets held for sale are removed from the relevant cash generating unit and impaired once the decision is made to dismantle or sell. The resulting impairment loss is treated as a revaluation decrement and recorded directly in equity to the extent of any credit balance existing in the revaluation reserve, with the remainder recognised in the Statement of Profit or Loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 16: INTANGIBLE ASSETS

In millions of dollars	2021	2020
COMPUTER SOFTWARE		
At cost	**904**	842
Less accumulated amortisation	**(703)**	(634)
Net carrying value	**201**	208
OTHER INTANGIBLES		
At cost	**42**	42
Less accumulated amortisation	**(37)**	(32)
Net carrying value	**5**	10
WORK IN PROGRESS		
Work In Progress	**371**	259
TOTAL INTANGIBLES	**577**	**477**

Reconciliations of the carrying amounts for each class of intangible assets are set out below;

Year ended 30 June 2021	Computer Software $M	Other Intangibles $M	Software work in progress $M	Total $M
Gross carrying amount at start of financial year	842	42	259	**1,143**
Accumulated amortisation at start of financial year	(634)	(32)	-	**(666)**
Carrying amount at start of financial year	**208**	**10**	**259**	**477**
Additions	-	-	226	**226**
Transfer from work in progress	89	-	(89)	**-**
Transfers from property, plant and equipment	(3)	-	(25)	**(28)**
Amortisation expense	(93)	(5)	-	**(98)**
Carrying amount at end of financial year	**201**	**5**	**371**	**577**

Year ended 30 June 2020	Computer Software $M	Other Intangibles $M	Software work in progress $M	Total $M
Gross carrying amount at start of financial year	769	42	167	**978**
Accumulated amortisation at start of financial year	(597)	(27)	-	**(624)**
Carrying amount at start of financial year	**172**	**15**	**167**	**354**
Additions	-	-	211	**211**
Transfer from work in progress	112	-	(119)	**(7)**
Transfers from property, plant and equipment	7	-	-	**7**
Amortisation expense	(83)	(5)	-	**(88)**
Carrying amount at end of financial year	**208**	**10**	**259**	**477**

ACCOUNTING POLICIES
Intangible assets

(i) Recognition and measurement

Internally generated intangible assets, including software, are measured at historical cost less accumulated amortisation and accumulated impairment losses.

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge or understanding, is recognised in the Statement of Profit or Loss when incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of a new or substantially improved product and process, is capitalised if the product or process is technically and commercially feasible, the Company has sufficient resources to complete development and it can measure reliably the expenditure attributable to the intangible asset during its development.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 16: INTANGIBLE ASSETS (CONTINUED)

(ii) Amortisation

The cost of an intangible asset is amortised on a straight-line basis over the estimated useful life of the asset unless such assets have an indefinite useful life. The estimated useful lives vary from 3 to 32 years.

Impairment of assets

All assets which are depreciated or amortised are reviewed for events or changes in circumstances that may indicate that the carrying amount may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

No impairment losses were recognised during the financial year.

NOTE 17: EMPLOYEE RETIREMENT BENEFITS

RECONCILIATION OF MOVEMENTS IN THE NET DEFINED BENEFIT ASSET/(LIABILITY)

In millions of dollars	Defined benefit obligation	Fair value of plan assets	Net defined benefit asset/ (liability)
Year ended 30 June 2021			
Carrying amount at start of year	(796)	909	113
Included in profit or loss			
Current service cost	(24)	-	(24)
Interest income/(cost)	(15)	17	2
	(39)	17	(22)
Included in other comprehensive income			
Remeasurement gain/(loss):			
Actuarial gain/(loss) arising from:	9	-	9
Changes in financial assumptions	13	99	112
Experience adjustments[1]	22	99	121
Other			
Contributions by the employer	-	2	2
Contributions by Fund participants	(9)	9	-
Benefit payments and tax	59	(59)	-
	50	(48)	2
Carrying amount as at 30 June 2021	**(763)**	**977**	**214**
Year ended 30 June 2020			
Carrying amount at start of year	(753)	963	210
Included in profit or loss	(25)	-	(25)
Current service cost	(18)	22	4
Interest income/(cost)	(43)	22	(21)
Included in other comprehensive income			
Remeasurement gain/(loss):			
Actuarial gain/(loss) arising from:			
Changes in financial assumptions	(20)	-	(20)
Experience adjustments[1]	(25)	(36)	(61)
	(45)	(36)	(81)
Other			
Contributions by the employer	-	5	5
Contributions by Fund participants	(8)	8	-
Benefits payments and tax	53	(53)	-
	45	(40)	5
Carrying amount as at 30 June 2020	**(796)**	**909**	**113**

(1) Experience adjustments are the effects of differences between previous actuarial assumptions and what has actually ocurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 17: EMPLOYEE RETIREMENT BENEFITS (CONTINUED)
DEFINED BENEFIT OBLIGATION

The Group contributes to an industry multiple employer superannuation fund, Energy Super (the Fund). After serving a qualifying period, members are entitled to benefits from this fund on retirement, resignation, retrenchment, disability or death.

The defined benefit account of this fund provides defined lump sum benefits based upon years of service and final average salary. Employee contributions to the fund are based on various percentages of their gross salaries.

As at 30 June 2021, Energy Super was managed by a trustee company, Electricity Supply Industry Superannuation (Qld) Ltd. The Trustee was responsible for managing Energy Super for the benefit of all members, in accordance with the Trust Deed and relevant legislation. At 30 June 2021, the Trustee Board consisted of four member representative directors, four employer representative directors, of which two were nominated by the Group, and one independent director. Refer to Note 29(H) for the disclosure of related party transactions. On 01 July 2021, Energy Super and LGIAsuper merged, creating one fund which is managed by LGIAsuper Trustee.

Energy Super is regulated by the Australian Prudential Regulation Authority under Superannuation Industry (Supervision) Act 1993 (SIS Act) and Superannuation Industry (Supervision) Regulation 1994 (SIS Regulations).

The Trust Deed of the Fund states that, if the Fund winds up, after the payment of all costs and the payment of all member benefits in respect of the period up to the date of termination, any remaining Defined Benefit assets may be distributed by the Trustee of the Fund to the participating employees, acting on the advice of an actuary, unless directed otherwise by the employer in accordance with the Trust Deed.

The Group may at any time, by notice to the Trustee, terminate its contributions. The employer has a liability to pay the monthly contributions due prior to the effective date of the notice, but there is no requirement for an employer to pay any further contributions, irrespective of the financial condition of the Fund. The Group voluntarily makes additional contributions in relation to the Defined Benefit Fund.

The Group may benefit from any surplus in the Fund in the form of a contribution reduction or contribution holiday. Any reduction in contributions would normally be implemented only after advice from the Fund's actuary.

The major categories of plan assets are as follows:

In millions of dollars	2021	2020
Cash	**59**	37
Fixed interest	**156**	118
Australian shares	**205**	209
International shares	**196**	236
Alternatives	**283**	236
Property and infrastructure	**78**	73
Total fair value of plan assets	**977**	909

This portfolio exposes the Fund to market risk. All shares and fixed interest plan assets have quoted prices in active markets. The actual return on plan assets for 2021 was a gain of $116 million (2020: a loss of $15 million).

The defined benefit assets are invested in a balanced investment portfolio, to match the weighted average duration of the defined benefit obligation of 8 years (2020: 8 years).

Key actuarial assumptions used at the reporting date are as follows:

	2021 %	2020 %
Expected rate of return on plan assets for one year	**2.2**	2.1
Pre-tax discount rate	**2.2**	2.1
Future salary increases	**3.0**	3.0

The expected maturity of undiscounted defined benefit obligations is as follows:

In millions of dollars	2021	2020
Not later than one year	**78**	73
Later than one year and not later than five years	**290**	285
Later than five years	**318**	323
Total undiscounted defined benefit obligations	**686**	681

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 17: EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

Sensitivity analysis:

The sensitivity of the defined benefit obligation to changes in the significant assumptions, holding other assumptions constant were as follows:

		2021 %	2020 %
Discount rate			
	0.5% increase	(4.06)	(4.15)
	0.5% decrease	4.32	4.44
Future salary increases			
	0.5% increase	4.27	4.37
	0.5% decrease	(4.05)	(4.13)

Net financial position of plan

The superannuation plan computes its obligations in accordance with AASB 1056 *Superannuation Entities* (AASB 1056) which prescribes a different measurement basis to that applied in this financial report pursuant to AASB 119 *Employee Benefits*. In accordance with the SIS Act and Regulations, the Energy Super Fund is required to undertake actuarial investigations at least every three years. The last reporting period for the Energy Super Fund Actuarial Report for the Group was 30 June 2019. The next Actuarial Report as at 30 June 2022 will be completed in the 2022/23 financial year.

The following is a summary of the most recent financial position of the Energy Super Fund (with respect to both defined benefit and accumulation members for the Group's participation in the Fund) calculated in accordance with AASB 1056 *Superannuation Entities* from the 30 June 2019 actuarial investigation of the fund:

In millions of dollars	Last reporting period	
Accrued benefits	30/06/2019	(685)
Net market value of plan assets	30/06/2019	954
Net surplus		269

Employer contributions

The Group contributes to both defined contribution and defined benefit superannuation plans.

For the financial year ended 30 June 2021, the Group contributed 2% (2020: 2%) of defined benefit members' salaries. The Group expects to retain its contribution rate of 2% during the next financial year. Accordingly, the Group expects to contribute $2 million (2020/21: $2 million) to its defined benefit plan in 2021/22. Funding recommendations are made by the actuary based on their forecast of various matters including future plan asset performance, interest rates and salary increases.

The Group will continue to assess the contribution rate in the future to ensure it remains appropriate.

ACCOUNTING POLICIES

Employee retirement benefits

A defined contribution plan is a superannuation plan under which the Group pays fixed contributions. The Group has no legal or constructive obligations to pay further contributions and are typically limited to prior contributions.

The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

A defined benefit plan is a superannuation plan that defines the amount of the benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and final average salary. The asset or liability recognised in the Statement of Financial Position in respect of defined benefit superannuation plans is the difference between the present value of the defined benefit obligation at the reporting date and the fair value of the plan assets, together with adjustments for past service costs.

The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on high quality corporate bonds that are denominated in the currency in which the benefits will be paid, being Australian dollars and that have terms to maturity that approximate the terms of the related superannuation liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 18: NET DEFERRED TAX EQUIVALENT LIABILITY

In millions of dollars	2021	2020
(A) DEFERRED TAX EQUIVALENT ASSETS		
The balance comprises temporary differences attributable to:		
Amounts recognised in statements of profit or loss		
Provisions/accruals	**142**	151
Tax losses	**-**	2
Derivatives	**(6)**	10
Unearned revenue	**20**	18
Other	**5**	7
	161	188
Amounts recognised directly in equity		
Hedge accounting of derivatives	**7**	58
	7	58
Deferred tax equivalent asset	**168**	246
(B) DEFERRED TAX EQUIVALENT LIABILITIES		
The balance comprises temporary differences attributable to:		
Amounts recognised in statements of profit or loss		
Property, plant and equipment	**1,839**	1,863
Derivatives	**3**	1
Other	**52**	53
	1,894	1,917
Amounts recognised directly in equity		
Recognition of defined benefit surplus	**45**	8
Revaluation of property, plant and equipment	**1,584**	1,612
Hedge accounting of derivatives	**25**	-
	1,654	1,620
Deferred tax equivalent liabilities	**3,548**	3,537
(C) TOTAL NET DEFERRED TAX EQUIVALENT LIABILITY		
Deferred tax equivalent asset	**168**	246
Deferred tax equivalent liabilities	**(3,548)**	(3,537)
Net deferred tax equivalent liability	**(3,380)**	(3,291)

The Group has a closing current tax receivable of $86 million at 30 June 2021 (2020: $6 million tax payable).

ACCOUNTING POLICIES

Income taxes

(i) Tax equivalents

The Group is liable to make tax equivalent payments on its taxable income to the Queensland Government. Any taxation payments that it is required to make will be made pursuant to Section 129(4) of the GOC Act.

The National Tax Equivalents Regime (NTER) broadly utilises the provisions of the *Income Tax Assessment Act 1936*, the *Income Tax Assessment Act 1997* and associated legislation, the NTER Manual as well as Rulings and other pronouncements by the Australian Taxation Office (ATO), in order to determine the tax payable by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 18: NET DEFERRED TAX EQUIVALENT LIABILITY (CONTINUED)

ACCOUNTING POLICIES (CONTINUED)

(ii) Current tax equivalents payable/receivable

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

Current tax payable/receivable is recognised as current tax expense/benefit.

(iii) Deferred tax equivalent assets and liabilities

Deferred tax equivalent assets (DTA) and liabilities (DTL) are recognised on deductible or taxable temporary differences and unused tax losses and tax credits, which are recognised using the tax rates enacted or substantively enacted at the reporting date.

Temporary differences are differences between the carrying amount of an asset and liability for financial reporting purposes and their tax bases. Tax bases are determined based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

Movements in DTA and DTL balances are recognised as deferred tax equivalent expenses, except to the extent they relate to items recognised directly in equity, in which case that portion is recognised in equity.

DTAs and DTLs are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority.

EQL has made a choice to opt out of the temporary full expensing Federal Budget measure.

(iv) Income tax equivalent expense

Income tax equivalent expense for the reporting period consists of current tax expense and deferred tax expense. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity.

(v) Tax consolidation

Energy Queensland and its wholly-owned subsidiaries formed a tax consolidated group effective from 30 June 2016 and are therefore taxed as a single entity. The head entity within the tax consolidated group is Energy Queensland Limited.

DTAs and DTLs arising from temporary differences of the members of a tax consolidated group are recognised in the separate financial accounts of the members of the tax consolidated group using the standalone basis as specified in the tax funding deed.

The tax funding deed requires a notional current and deferred tax equivalents calculation for each entity as if it were a taxpayer in its own right, with the exception of distributions made and received within the tax consolidated group (e.g. intra-group dividends) which are treated as having no tax consequences.

The head entity recognises DTAs arising from unused tax losses and tax credits of the members of the tax consolidated group to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the asset can be utilised. The recognised tax losses are available indefinitely for offsetting against the future taxable profits subject to the satisfaction of certain loss recoupment rules.

(vi) Nature of tax funding deed and tax sharing agreements

The members of the Energy Queensland tax consolidated group have entered into a tax funding deed which sets out the tax funding obligations for each member. The tax funding deed allows for an intercompany payable/receivable between the head entity and subsidiary equal to the current tax liability or asset assumed by the head entity. Any tax loss or deferred tax equivalent asset assumed by the head entity, results in the recognition of an inter-entity receivable/payable in the separate financial accounts of the members of the tax consolidated group equal in amount to the tax liability/asset assumed.

The head entity recognises the assumed current tax amounts as current tax liabilities/assets, adding to its own current tax amounts (if any), since they are also due to or from the same taxation authority. The current tax liabilities/assets are equivalent to the tax balances generated by external transactions entered into by the tax consolidated group.

Contributions to fund the current tax liabilities are payable as per the tax funding deed.

The members of the tax consolidated group have also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(vii) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 19: EMPLOYEE BENEFITS

In millions of dollars	2021	2020
CURRENT LIABILITIES		
Employee benefits	**385**	377
Termination benefits	**11**	6
Total current employee benefits liability	**396**	383
NON-CURRENT LIABILITIES		
Employee benefits	**15**	17
Total non-current employee benefits liability	**15**	17

ACCOUNTING POLICIES

Employee benefits

Wages and salaries, annual leave, long service leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave, long service leave and accumulated sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities expected to be settled more than 12 months after the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

For long service leave, consideration is also given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments relating to such liabilities are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity that match, as closely as possible, to the estimated future cash outflows.

Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. Annual leave, vested long service leave and on-cost entitlements accrued but not expected to be taken within 12 months have been included as part of current liabilities as the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Termination benefits

Liabilities for termination benefits are recognised for the obligation to provide termination payments to employees where there is a valid expectation in those affected that the Group will progress with a restructuring and associated terminations.

CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

Employee benefits

Management has applied judgement in determining the following key assumptions used in calculating long service leave at balance date:

- Future increases in wages and salaries;
- Employee departures; and
- Periods of service.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 20: UNEARNED REVENUE AND CONTRACT LIABILITIES

In millions of dollars	2021	2020
CURRENT LIABILITIES		
Unearned revenue – government grant	**2**	4
Contract liabilities	**83**	84
Unearned revenue – other	**2**	2
Total current unearned revenue and contract liabilities	**87**	90

NON-CURRENT LIABILITIES		
Unearned revenue – government grant	**-**	1
Total non-current unearned revenue	**-**	1

ACCOUNTING POLICIES

Unearned revenue – government grant

When there is reasonable assurance that the Group will comply with all conditions attached to the government grant and those grants are received, then they are recognised in the Statement of Financial Position initially as unearned revenue. Grants that compensate the Group for expenses incurred are recognised as revenue in the Statement of Profit or Loss on a systematic basis as the conditions of the grants are fulfilled.

Contract liabilities

The contract liabilities primarily relate to the advance consideration received from customers for customer requested design and construction work such as relocation of network assets and other recoverable maintenance and construction jobs for which revenue is recognised over time, and for cash contributions received for connection contracts for which revenue is recognised on completion of those works when the customer is connected to the network.

SECTION 5: Capital structure

NOTE 21: SHARE CAPITAL

	2021	2021	2020	2020
SHARE CAPITAL	**Shares**	**$M**	**Shares**	**$M**
Fully paid ordinary shares	**100**	**19,643**	100	19,643
Total share capital	**100**	**19,643**	100	19,643

Fully paid ordinary shares carry one vote per share and carry the rights to dividends. The shares have no par value. There were no changes in share capital during the period.

NOTE 22: OTHER TRANSACTIONS WITH OWNERS, RESERVES AND RETAINED EARNINGS

In millions of dollars	2021	2020
Other transactions with owners	**(18,634)**	(18,634)
Asset revaluation reserve	**2,243**	2,312
Hedging reserve	**43**	(135)
Retained earnings	**334**	164

ACCOUNTING POLICIES

Other transactions with owners

Where assets and liabilities are transferred between entities of the wholly-owned group or State of Queensland controlled entities, under the directive of the owner (being the State of Queensland) and the consideration paid is not equal to the value recognised on the transferred assets, the difference is recognised as other owners' contributions.

NATURE AND PURPOSE OF RESERVES

Asset revaluation reserve

The asset revaluation reserve relates to property, plant and equipment measured at fair value in accordance with applicable Australian Accounting Standards. Refer to Note 15 for further details of revaluation of property, plant and equipment.

Hedging reserve

The hedging reserve is used to record the effective portion of the gains or losses on hedging instruments in cash flow hedges that have not settled. Amounts are recognised in profit or loss when the associated hedged transactions affect the profit or loss statement or as part of the cost of an asset if non-monetary.

SECTION 6: Other notes

NOTE 23: LEASES

LEASES AS LESSEE

The Group leases various office, workshop and storage space under non-cancellable operating leases expiring within one to nine years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are re-negotiated.

The Group has six significant leasing arrangements, four in the greater Brisbane area and two in regional Queensland (Townsville and Cairns). The remaining lease terms range from one to nine years and there are lease extension options on some of these leases as discussed below. The escalation applicable to each lease is a fixed annual rate or the greater of CPI and a fixed rate.

Right-of-use assets

Right-of-use assets related to property leases that do not meet the definition of investment property are presented below:

In millions of dollars	2021	2020
Opening balance at start of financial year	**304**	330
Depreciation charge for the year	**(37)**	(36)
Additions to right-of-use assets	**11**	10
Derecognition of right-of-use assets	**(5)**	-
Total right-of-use assets at end of financial year	**273**	304

Lease Liabilities

In millions of dollars	2021	2020
Current lease liabilities	**32**	31
Non-current lease liabilities	**253**	286
Total lease liabilities	**285**	317

Amounts recognised in profit or loss

In millions of dollars	2021	2020
Interest on lease liabilities	**5**	6
Expenses relating to short-term leases	**1**	1
Expenses relating to low-value assets, excluding short-term leases of low-value assets	**7**	6

Amounts recognised in Statement of Cash Flows

RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS		Financing cash flows (1)	Operating cash flows (1)	Non-cash changes	
In millions of dollars	**2021**				**2020**
Lease liabilities	**285**	(31)	(5)	4	317
In millions of dollars	**2020**				**2019**
Lease liabilities	**317**	(28)	(6)	351	-

(1) The cash flows make up the net amount of lease payments in the Consolidated Statement of Cash Flows. These are disclosed as a reduction to the principal lease liability in financing activities and the interest component in operating activities.

NOTE 23: LEASES (CONTINUED)

Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period in order to provide operational flexibility to the Group. The extension options held are exercisable only by the Group and not by the lessors.

On transition date, an extension option of five years was considered reasonably certain on two of the Brisbane property leases and this was included in the calculation of the lease liability at that time, however one of these extension options has since been removed after a reassessment of the property strategy. The Group reassess whether it is reasonably certain to exercise these options if there are any changes to the property strategy or other circumstances within its control.

LEASES AS LESSOR

The Group sub-leases a portion of the corporate premises at Nundah to tenants. This has been classified as a finance sub- lease by the Group and that portion of the right-of-use asset under the head lease has been derecognised and presented as a net investment in sub-lease included in "Other Assets" in the Statement of Financial Position. During the financial year, the term of the sub-lease was reduced, and the tenant will vacate in 2021/22.

The following table sets out maturity analysis of lease receivables under the sub-lease, showing undiscounted lease payments to be received after the reporting date.

In millions of dollars	2021	2020
Less than one year	1	3
One to two years	-	2
Two to three years	-	2
Three to four years	-	1
Total undiscounted lease receivable	**1**	**8**
Unearned finance income	-	1
Net investment in sub-lease	**1**	**7**

ACCOUNTING POLICIES

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a specified period of time in exchange for consideration.

Leases as a lessee

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for the majority of commercial property leases, the Group has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable; and
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease liablity is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate which is the loan rate provided by the Queensland Treasury Corporation that corresponds to the commencement date and term of the lease. The lease liability is remeasured when there is a change in future lease payments and a corresponding adjustment is made to the carrying amount of the right-of-use asset.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

NOTE 23: LEASES (CONTINUED)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to reflect a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use assets are measured at cost on initial recognition and depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The right-of-use assets continue to be measured at cost but may be reduced for impairment losses where applicable and adjusted for remeasurements of the lease liability.

The Group has elected not to recognise right-of-use assets and lease liabilities arising from short-term leases. These lease payments are recognised as expenses on a straight-line basis over the lease term.

Leases as a lessor
The Group sub-leases part of one of its commercial properties. Under AASB 16, that portion of the right-of-use asset under the head lease has been derecognised and a separate investment in sub-lease has been recognised. The Group has applied AASB 15 *Revenue from Contracts with Customers* to allocate consideration in the contract.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes aware of a significant event or a significant change in circumstances, which affects this assessment, and that is within its control.

During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options and a reduction in floor space for one of the Brisbane properties was a decrease in recognised lease liabilities of $0.3 million (2020: $11 million decrease), a decrease in net investment in sublease of $5 million (2020: $10 million decrease) and an increase in right-of-use assets of $4 million (2020: $1 million decrease).

NOTE 24: COMMITMENTS

In millions of dollars	2021	2020
CAPITAL EXPENDITURE COMMITMENTS		
Estimated capital expenditure contracted for at the end of the financial year but not recognised as liabilities[1]	**261**	236

(1) These commitments consist of executed contracts and/or open purchase orders and are valued at price levels and foreign currency exchange rates as at the end of the reporting period.

NOTE 25: CONTINGENCIES

(A) Legal claims

A number of common law claims are pending against the Group and liability is not admitted. The amount of claims due to litigation and associated legal fees is $3 million (2020: $3 million). These claims are disclosed on a gross basis and exclude possible reimbursement through insurance recoveries.

(B) Other possible claims

From time to time the Group receives formal notifications from third parties which might indicate intention to lodge formal claims against the Group. The Group investigates these matters and responds appropriately to such communications in order to minimise potential future claims.

There are no significant claims that are expected to have an impact on the Group's future financial position.

(C) Guarantees

(i) Third Parties

In order to participate in the electricity market, entities within the Group are required to deliver acceptable security as collateral to the Australian Energy Market Operator (AEMO) for their obligations to counter parties in the Electricity Market arising as a consequence of normal trading. Security, in the form of payment guarantees totalling $160 million (2020: $100 million), has been issued by QTC to the AEMO. EQL provides QTC with a Counter Indemnity up to the value of $150 million in respect of this guarantee.

In order to participate in the electricity market, entities within the Group are required to hold an Australian Financial Services Licence for which QTC provides the required Eligible Undertaking to the value of $400 million. Energy Queensland provides QTC with a Counter Indemnity up to the value of $400 million in respect of the eligible undertaking. The Group has in place a Bank Guarantee facility with Commonwealth Bank to the value of $50 million (2020: $10 million).

(ii) Subsidiaries – Wholly-owned

Pursuant to *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*, Energy Queensland has guaranteed to pay any deficiency in the event of winding up of Energex, Ergon Energy, SPARQ Solutions, Yurika and Metering Dynamics. These controlled entities have also given a similar guarantee in the event that Energy Queensland or any of the entities are wound up or does not meet their obligations. Refer to Note 26.

(D) Guarantees held

The Group holds bank guarantees from customers totalling $83 million (2020: $90 million) with the majority relating to the construction of capital assets.

There is $3 million in guarantees held with trading counterparties (2020: $1 million), as security to cover obligations arising from the trading of electricity.

(E) Environmental remediation

The Group provides for all known environmental liabilities. The Group estimates that current provisions for environmental remediation are adequate based on current information. However, there can be no assurance that new material provisions will not be required as a result of new information or regulatory requirements with respect to known sites or identification of new remedial obligations at other sites.

ACCOUNTING POLICIES

Contingent assets and liabilities

Contingent assets are not recognised in the financial statements. Other than when required on acquisition of a business, contingent liabilities are not recognised in the financial statements. They are, however, disclosed in the notes to the financial statements, where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 26: CONSOLIDATED ENTITIES AND INVESTMENTS IN ASSOCIATES

Consolidated entities

Energy Queensland Limited had 100% (2020: 100%) interest in the following subsidiaries. All entities were incorporated in Australia.

- Energex Limited
- Ergon Energy Corporation Limited
- Ergon Energy Queensland Pty Ltd
- SPARQ Solutions Pty Ltd
- Varnsdorf Pty Ltd
- VH Operations Pty Ltd
- Yurika Pty Ltd
- Metering Dynamics Pty Ltd
- Ergon Energy Telecommunications Pty Ltd

Pursuant to the *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*, relief has been granted to Energex, Ergon Energy, Yurika Pty Ltd (Yurika), Metering Dynamics Pty Ltd (Metering Dynamics) and SPARQ Solutions Pty Ltd (SPARQ Solutions) from the requirements under the *Corporations Act 2001* for the preparation, audit and lodgement of their financial reports. Ergon Energy Queensland Pty Ltd (Ergon Energy Retail), a subsidiary of Energy Queensland, still prepares its own financial statements. The remaining Energy Queensland subsidiaries are small proprietary companies and are therefore relieved from the requirement for preparation, audit and lodgement of annual financial statements.

Investment in associates

On 14 October 2019, Energy Queensland subscribed to Series B Preference shares (22% in total shares issued) in Redback Technologies Holdings Pty Ltd (Redback), a clean-tech company that manufactures smart solar storage and network management solutions.

Energy Queensland also holds an investment in Queensland Capacity Network Pty Ltd (QCN)(49% of voting shares), a communications company setup for the purpose of enabling faster and more reliable internet services in regional Queensland. Energy Queensland is deemed to have significant influence over both Redback and QCN, and accounts for its investments in these associates using the equity method.

ACCOUNTING POLICIES

Basis of consolidation

A subsidiary is an entity over which the Company has control. The Company controls an entity when the Company has power over the investee, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the parent of the Group.

Investments in controlled entities are carried in the financial statements of the Company at the lower of cost and recoverable amount.

Where an acquisition has commercial substance, the cost of an acquisition is measured as the fair value of the assets given, liabilities incurred or assumed, and equity instruments issued at the date of exchange. Where such transactions result from the restructuring of entities wholly-owned by the State of Queensland and are designated as transactions with owners, assets acquired and liabilities assumed are recognised at the current carrying amounts recorded by the transferor with any difference between consideration and the carrying amount at the date of exchange recorded in equity.

Where Energy Queensland has significant influence over an investment, it is deemed an associate and equity accounted.

CLOSED GROUP LEGISLATIVE INSTRUMENT

As a condition of *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*, Energy Queensland entered into a Deed of Cross Guarantee with the following controlled entitles:

- Energex Limited
- Ergon Energy Corporation Limited
- SPARQ Solutions Pty Ltd
- Yurika Pty Ltd
- Metering Dynamics Pty Ltd

NOTE 26: CONSOLIDATED ENTITIES AND INVESTMENTS IN ASSOCIATES (CONTINUED)

The effect of the Deed is that Energy Queensland, the Parent, has guaranteed to pay any deficiency in the event of winding up of the above controlled entities or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. These controlled entities have also given a similar guarantee in the event that any other entity in the Closed Group is wound up or if it does not meet its obligations under the terms of the overdrafts, loans, leases or other liabilities under the guarantee.

The existing Deed of Cross Guarantee continues to provide reporting relief to the above controlled entities.

The Consolidated Profit or Loss and Statements of Financial Position of the entities that are members of the Closed Group are provided in Note 28.

Further information regarding guarantees is provided in Note 25.

NOTE 27: ENERGY QUEENSLAND LIMITED (THE PARENT)

In millions of dollars	2021	2020
Current assets	**1,179**	1,573
Non-current assets	**20,554**	19,978
Total assets	**21,733**	21,551
Current liabilities	**202**	911
Non-current liabilities	**18,166**	17,360
Total liabilities	**18,368**	18,271
Net assets	**3,365**	3,280
Issued capital	**19,643**	19,643
Other transactions with owners	**(16,267)**	(16,267)
Retained earnings	**(11)**	(96)
Total equity	**3,365**	3,280
Profit of the Parent entity	**220**	443
Total comprehensive income of the Parent entity	**220**	443

Parent entity contingencies

There are no common law claims pending against the Company (2020: nil).

Parent entity capital commitments for acquisition of property, plant and equipment

During the year the Company entered into contracts to purchase plant and equipment for $2 million (2020: $9 million).

Parent entity guarantees in respect of the debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of certain subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in Note 26.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 28: CLOSED GROUP

As discussed in Note 26, pursuant to *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*, relief has been granted to wholly-owned entities of the Group from the *Corporations Act 2001* requirements for the preparation, audit and lodgement of their financial reports.

The Consolidated Statement of Profit or Loss and Statement of Financial Position of the entities that are members of the Closed Group are as follows:

Consolidated Closed Group Profit or Loss

In millions of dollars	2021	2020
Profit or loss before income tax	**217**	537
Income tax expense	**(64)**	(162)
Profit after tax	**153**	375
Retained earnings at the beginning of the year	**31**	133
Dividends provided for or paid	**(220)**	(443)
Transfers to reserves	**191**	(34)
Retained earnings at the end of the year	**155**	31

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 28: CLOSED GROUP (CONTINUED)

Consolidated Closed Group Statement of Financial Position

In millions of dollars	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	**28**	7
Trade and other receivables	**634**	1,172
Inventories	**192**	186
Other assets	**4**	17
Total current assets	**858**	1,382
NON-CURRENT ASSETS		
Property, plant and equipment	**24,422**	24,140
Right-of-use assets	**273**	304
Intangible assets	**552**	438
Investments in subsidiaries	**119**	119
Employee retirement benefits	**214**	113
Other assets	**15**	21
Total non-current assets	**25,595**	25,135
TOTAL ASSETS	**26,453**	26,517
CURRENT LIABILITIES		
Trade and other payables (including dividends payable)	**609**	1,490
Lease liabilities	**32**	31
Employee benefits	**396**	383
Provisions	**7**	8
Current tax liabilities	**-**	6
Unearned revenue and contract liabilities	**81**	83
Other liabilities	**1**	1
Total current liabilities	**1,126**	2,002
NON-CURRENT LIABILITIES		
Interest bearing liabilities	**18,152**	17,343
Lease liabilities	**253**	286
Employee benefits	**15**	17
Provisions	**3**	3
Net deferred tax equivalent liability	**3,374**	3,392
Unearned revenue and contract liabilities	**-**	1
Other liabilities	**3**	3
Total non-current liabilities	**21,800**	21,045
TOTAL LIABILITIES	**22,926**	23,047
NET ASSETS	**3,527**	3,470
EQUITY		
Share capital	**19,643**	19,643
Other transactions with owners	**(18,514)**	(18,514)
Reserves	**2,243**	2,310
Retained earnings	**155**	31
TOTAL EQUITY	**3,527**	3,470

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 29: KEY MANAGEMENT PERSONNEL DISCLOSURES

(A) Details of Shareholding Ministers

The Group's responsible shareholding Ministers are identified as part of the Group's Key Management Personnel (KMP). The Ministers responsible during the financial year are, or were the:

- Treasurer and Minister for Infrastructure and Planning (until 11 November 2020),
- Minister for Natural Resources, Mines and Energy (until 11 November 2020),
- Treasurer and Minister for Investment, and the
- Minister for Energy, Renewables and Hydrogen and Minister for Public Works and Procurement.

(B) Compensation – Shareholding Ministers

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. The Group does not bear any cost of remuneration of Ministers. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by Ministerial Services Branch within the Department of the Premier and Cabinet. As all Ministers are reported as KMP of the Queensland Government, aggregate remuneration expenses for all Ministers are disclosed in the Queensland General Government and Whole of Government Consolidated Financial Statements, which are published as part of Queensland Treasury's Report on State Finances.

(C) Details of Directors

Directors of Energy Queensland as at 30 June 2021:		Term of appointment	Appointment expiry date
Philip Garling	Chairman	3 years 3 months	30 September 2022
Mark Algie	Non-Executive Director	3 years	30 September 2022
Teresa Dyson	Non-Executive Director	4 years	30 September 2023
Hugh Gleeson	Non-Executive Director	3 years	30 September 2022
Helen Stanton	Non-Executive Director	4 years	30 September 2023
Vaughan Busby	Non-Executive Director	3 years	30 September 2023
Karen Lay-Brew	Non-Executive Director	3 years	31 May 2024
Paul Lucas	Non-Executive Director	3 years	31 May 2024

(D) Compensation – Directors

Directors' remuneration is set in accordance with the *Remuneration Procedures for Part-time Chairs and Members of Queensland Government Bodies.*

The non-executive Directors of the Company do not participate in any variable reward or 'at-risk' incentive scheme.

Amounts disclosed for remuneration of key management personnel exclude insurance premiums paid by the Company in respect of Directors' and Officers' liability insurance contracts.

In accordance with Ministerial Guidelines, details of compensation provided to Directors in office during the financial period ended 30 June 2021 by the Group are as follows:

NOTE 29: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(D) Compensation – Directors (Continued)

DIRECTORS' REMUNERATION[2]	SHORT TERM BENEFITS Directors' Fees		POST EMPLOYMENT BENEFITS Superannuation		TOTAL	
In thousands of dollars	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Energy Queensland						
Philip Garling	207	207	20	20	**227**	**227**
Mark Algie	85	85	8	8	**93**	**93**
Vaughan Busby	87	85	8	8	**95**	**93**
Teresa Dyson	95	95	9	9	**104**	**104**
Hugh Gleeson	88	88	8	8	**96**	**96**
Helen Stanton	88	89	8	8	**96**	**97**
Kerryn Newton[1]	21	88	3	8	**24**	**96**
Total	**671**	**737**	**64**	**69**	**735**	**806**

(1) Kerryn Newton resigned as a Director of Energy Queensland Limited effective 30 September 2020

(2) Karen Lay-Brew and The Honourable Paul Lucas did not receive remuneration for the period from their appointment as Directors to 30 June.

No further fees were paid to Directors, other than the amounts disclosed in the table above.

(E) Compensation – Executives

Senior executive employment contracts

Remuneration and other terms of employment of executives are formalised in senior executive employment contracts. Each of these employment contracts makes a provision for fixed remuneration and an 'at risk' performance incentive.

A Total Fixed Remuneration (TFR) concept for the structure of executive remuneration is utilised. While the total cost of a senior executive's remuneration package is capped, the executive then has the flexibility to decide the composition of the total fixed remuneration, which could include cash salary or salary sacrificed arrangements including motor vehicle, car park and additional superannuation, plus any fringe benefits tax incurred.

No other non-cash benefits are provided to executives as the TFR concept captures various benefits structured within a total cost rather than a base salary plus benefits approach.

Senior executive staff members are eligible for an 'at risk' or variable performance pay component that is directly linked to both the overall performance of their respective employer Group and their individual efforts against a range of key indicators and targets as contained in the annual Statement of Corporate Intent and the senior executives' performance agreement. Any 'at risk' payment is contingent upon the Board's assessment of the company's overall performance and shareholder expectations.

Performance payments may not exceed a maximum of 15% of the individual's TFR figure.

All senior executives are engaged on tenured contractual arrangements in accordance with *The Policy for Government Owned Corporations Chief and Senior Executive Employment Arrangements* (Policy).

Separation entitlements for all senior executives are subject to the normal terms and conditions of their contracts with the Group.

Application to Chief Executive Officer (CEO) and other Senior Executives

Upon termination the executive is entitled to pay in lieu of the executive's entitlements to annual leave and long service leave, calculated with reference to the executive's total fixed remuneration up to the date on which the termination takes effect. If the employment of the executive is terminated by Energy Queensland, except in the event of serious misconduct or incapacity, the executive is entitled to:

i. salary for the balance of the notice period; and
ii. a termination payment of six months (for CEO) and three months (for other Senior Executives) superannuable salary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 29: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(E) Compensation – Executives (Continued)

EXECUTIVE REMUNERATION	Short term benefits[1]	Performance payment[2]	Post-employment benefits[3]	Other long-term benefits[4]	Termination benefits	Total
2021	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Energy Queensland						
Rod Duke – Chief Executive Officer	859	-	22	92	-	**973**
Peter Scott – Executive General Manager Finance	502	-	22	57	-	**581**
Belinda Watton – Executive General Manager Services	422	-	22	49	-	**493**
Peter Price - Executive General Manager Engineering	458	-	48	55	-	**561**
Paul Jordon – Executive General Manager Operations	444	-	49	55	-	**548**
Michael Dart – Executive General Manager Customer	311	-	22	37	-	**370**
Ayesha Razzaq – Executive General Manager Retail[5]	351	-	22	41	-	**414**
Carly Irving – Executive General Manager Yurika[6]	354	-	22	41	-	**417**
Marianne Vosloo – Executive General Manager Digital	364	-	22	41	-	**427**
Total	**4,065**	**-**	**251**	**468**	**-**	**4,784**

(1) Short-term benefits include all payments made to the Officer during the year excluding at-risk performance payments (disclosed separately), less payments for annual leave and long-service leave taken.

(2) At risk performance payments are physically paid in the current financial year for performance for the prior financial year.

(3) Post-employment benefits represent superannuation contributions made by the employer to the superannuation fund at the rates prescribed in the executives' employment contracts (which range from 9.5% of the maximum contribution base to 10% as part of the fixed remuneration base). Some executives are members of the defined benefit superannuation fund. Refer to Note 17 for further information regarding the defined benefit obligations of the Group.

(4) Other long-term benefits represent annual and long service leave benefits accrued during the year.

(5) Ayesha Razzaq was acting in the role of Executive General Manager Retail from 23 March 2020 and formally appointed on 17 December 2020. The amounts disclosed are for the full financial year.

(6) Carly Irving was acting in the role of Executive General Manager Yurika from 27 February 2020 and formally appointed on 17 December 2020. The amounts disclosed are for the full financial year.

Effective from 27 July 2020, a number of Executive Committee member titles were renamed to better reflect their overall divisional function, as shown in the table below:

EQL Executive Committee	
2021 New Title	**2020 Former Title**
Chief Executive Officer	Chief Executive Officer
Executive General Manager Finance	Chief Financial Officer
Executive General Manager Operations	Executive General Manager Distribution
Executive General Manager Services	Chief Transformation Officer
Executive General Manager Engineering	Executive General Manager Asset Safety and Performance and Head of Corporate Strategy
Executive General Manager Customer	Executive General Manager Community, Customer and Corporate Affairs
Executive General Manager Digital	Chief Information Officer
Executive General Manager Retail	Executive General Manager Retail
Executive General Manager Yurika	Executive General Manager Yurika

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 29: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(E) Compensation – Executives (Continued)

EXECUTIVE REMUNERATION	Short term benefits[1]	Performance payment[2]	Post-employment benefits[3]	Other long-term benefits[4]	Termination benefits	Total
2020	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Energy Queensland						
Rod Duke - Chief Executive Officer[5]	198	-	5	23	-	**226**
Peter Scott - Chief Financial Officer[6]	700	68	21	57	-	**846**
Michael Hutchens – Acting Chief Financial Officer[7]	344	-	16	23	-	**383**
Belinda Watton – Chief Transformation Officer	440	57	21	49	-	**567**
Peter Price - Executive General Manager Asset Safety and Performance and Head of Corporate Strategy	474	63	49	54	-	**640**
Paul Jordon – Executive General Manager Distribution	462	62	49	55	-	**628**
Michael Dart – Executive General Manager Community, Customer and Corporate Affiairs[8]	323	-	21	37	-	**381**
Ayesha Razzaq – Acting Executive General Manager Retai[9]	106	-	6	9	-	**121**
Cheryl Hopkins - Executive General Manager Retail and Chief Risk Officer[10]	342	58	18	40	-	**458**
Carly Irving – Acting Executive General Manager Yurika[11]	131	-	7	12	-	**150**
Charles Rattray - Executive General Manager Energy Services[12]	305	33	16	35	-	**389**
Marianne Vosloo – Chief Information Officer[13]	7	-	-	2	-	**9**
Total	**3,832**	**341**	**229**	**396**	**-**	**4,798**

(1) Short-term benefits include all payments made to the Officer during the year excluding at-risk performance payments (disclosed separately), less payments for annual leave and long-service leave taken.

(2) At risk performance payments are physically paid in the current financial year for performance for the prior financial year.

(3) Post-employment benefits represent superannuation contributions made by the employer to the superannuation fund at the rates prescribed in the executives' employment contracts (which range from 9.5% of the maximum contribution base to 10% as part of the fixed remuneration base). Some executives are members of the defined benefit superannuation fund. Refer to Note 17 for further information regarding the defined benefit obligations of the Group.

(4) Other long-term benefits represent annual and long service leave benefits accrued during the year.

(5) Rod Duke was appointed to the position of Chief Executive Officer effective 1 April 2020.

(6) Peter Scott was acting in the role of Chief Executive Officer from 1 July 2019 until 31 March 2020, when he returned to the role of Chief Financial Officer. The amounts disclosed are for the full financial year.

(7) Michael Hutchens was acting in the role of Chief Financial Officer from 1 July 2019 until 31 March 2020. The amounts disclosed are only those earned by the individual during the period acting in that role.

(8) Michael Dart was acting in the position of Interim Executive General Manager Community, Customer and Corporate Affairs from 1 July 2019 and formally appointed to the position effective 1 January 2020.

(9) Ayesha Razzaq was acting in the role of Executive General Manager Retail from 23 March 2020. The amounts disclosed include those earned by the individual since acting in that role.

(10) Cheryl Hopkins resigned from the role of Executive General Manager Retail and Chief Risk Officer effective 17 April 2020.

(11) Carly Irving was acting in the role of Executive General Manager Yurika from 27 February 2020. The amounts disclosed include those earned by the individual since acting in that role.

(12) Charles Rattray resigned from the role of Executive General Manager Energy Services effective 20 March 2020.

(13) Marianne Vosloo was appointed to the role of Chief Information Officer on 15 June 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 29: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(F) Fixed Remuneration Packages – Executives

Total Fixed Remuneration Package[1]	2021	2020
Energy Queensland		
Chief Executive Officer	**910**	910
Executive General Manager Finance	**562**	562
Executive General Manager Operations	**541**	541
Executive General Manager Services	**483**	483
Executive General Manager Engineering	**536**	536
Executive General Manager Customer	**364**	364
Executive General Manager Digital	**400**	400
Executive General Manager Retail	**404**	493
Executive General Manager Yurika	**404**	475
Total	**4,604**	4,763

(1) The TFR package differs from the executive remuneration disclosures on the previous page, as the executive remuneration disclosures reflect the cost to the Group. Adjustments include leave and superannuation accruals and pro-rata payments for part-year entitlements. The fixed remuneration note has been adjusted to reflect the current organisational structure.

(G) Compensation disclosures by category:

	2021	2020
	$'000	**$'000**
Short-term benefits	**4,736**	4,910
Post-employment benefits	**314**	298
Other long-term benefits	**469**	396
Termination benefits	**-**	-
Total	**5,519**	5,604

This table includes Directors and Executives remuneration.

(H) Transactions with related parties of key management personnel

Key management personnel and their closely related parties conduct transactions with the Group on an arm's length basis and on terms and conditions no more favourable than those available to non-related parties.

All transactions with key management personnel or related parties that occurred during the financial year are trivial or domestic in nature, apart from those noted below.

The following executives of the Group are or were Directors of controlled entities or associates. They did not receive any remuneration for their positions as Directors of these legal entities.

- Rod Duke
- Peter Scott
- Jane Nant
- Belinda Watton
- Peter Price

Teresa Dyson was a Director of Energy Super during the 2020/21 financial year. The Group made contributions to the Energy Super Fund during the year of $104 million (2020: $104 million).

(I) Loans to key management personnel

The Group has not made any loans to key management personnel in either the current or the prior financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 30: RELATED PARTY TRANSACTIONS

Entities subject to common control

The Company is a Queensland Government Owned Corporation, with all shares held by shareholding Ministers on behalf of the State of Queensland. All State of Queensland controlled entities meet the definition of other related parties of the Group.

Transactions with State of Queensland controlled entities

The Group and the Company transact with other State of Queensland controlled entities. All material transactions are negotiated on terms equivalent to those that prevail in arm's length transactions.

	2021 $'000	2020 $'000
REVENUE		
Revenue from State of Queensland controlled entities	**395,653**	632,986
Pensioner rebate and Qld utility bill relief revenue from Department of Communities, Disability Services and Seniors	**90,280**	226,505
Electricity trading with State of Queensland controlled entities	**36,291**	(83,742)
Interest received from QTC	**458**	4,026
Community service obligation revenue received from Department of Energy and Public Works	**454,001**	498,146
EXPENSES		
Expenses incurred to State of Queensland controlled entities	**604,116**	590,601
Interest on QTC borrowings (includes administration fees)	**623,798**	670,072
Competitive neutrality fee paid to Queensland Treasury	**71,659**	49,926
Environmental certificate transactions with State of Queensland controlled entity counterparties	**7,881**	3,917
NTER, Payroll Tax and Land Tax paid to Queensland Treasury	**177,659**	349,027
ASSETS		
Advances facility held with Queensland Treasury	**-**	9,419
Community service obligations amounts receivable	**37,781**	40,891
Current tax receivable	**86,383**	-
Electricity trading with State of Queensland controlled entities	**94,732**	(14,765)
Trade and other receivables from State of Queensland controlled entities	**5,690**	4,825
LIABILITIES		
Accrued interest and fees payable to QTC	**47,316**	51,563
Trade payables to State of Queensland controlled entities	**46,709**	90,872
Dividends payable to Queensland Treasury	**219,714**	443,446
Borrowings from QTC	**18,151,800**	17,343,300
Accrued competitive neutrality fee payable to Queensland Treasury	**18,196**	12,707
Unearned grant revenue	**900**	1,594

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 30: RELATED PARTY TRANSACTIONS (CONTINUED)

No provision for impairment of receivables was raised for any outstanding balances and no expense was recognised for bad or impaired debts due from State owned entities.

Transactions with State-owned electricity entities were made in accordance with the National Electricity Rules for transmission use of system charges. Other transactions are based on normal commercial terms and conditions and at market rates.

Transactions with other related parties
Disclosures relating to key management personnel are set out in Note 29.

Ultimate parent entity
The ultimate parent entity within the Group is Energy Queensland Limited.

Ownership interests in related parties
Interests in consolidated entities and associates are set out in Note 26.

NOTE 31: AUDITOR'S REMUNERATION

	2021	2020
	$'000	$'000
Remuneration for audit and review of the financial reports of the Group and the Company: Auditor-General of Queensland		
Audit services Audit and review of financial reports	**1,728**	1,778
Audit and review of regulatory reports	**557**	706
Other Non-financial review of regulatory reports	**107**	99
	2,392	2,583

NOTE 32: EVENTS AFTER REPORTING DATE

No events of a material nature have occurred since the end of the financial year that significantly affected or may significantly affect the operations of the Group or the Company.

DIRECTORS' DECLARATION

In the Directors' opinion:

1. The financial statements and associated notes set out on pages 65-121;
   - (i) Comply with the Australian Accounting Standards and Interpretations;
   - (ii) Are in accordance with the *Corporations Act 2001*; and
   - (iii) Give a true and fair view of the financial position of the Group as at 30 June 2021 and of its performance for the year ended on that date.
2. As at the date of this declaration there are reasonable grounds to believe:
   - (i) That the Company will be able to pay its debts as and when they become due and payable; and
   - (ii) The members of the Closed Group will be able to meet any obligations or liabilities to which they are, or may become,subject by virtue of the Deed of Cross Guarantee.

Made in accordance with a resolution by the Directors.

Philip Garling
Chairman
19th August 2021

INDEPENDENT AUDITOR'S REPORT

To the Members of Energy Queensland Limited

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Energy Queensland Limited and its controlled entities (the Group).

In my opinion, the financial report:

a) gives a true and fair view of the group's financial position as at 30 June 2021, and their financial performance and cash flows for the year then ended

b) complies with the *Corporations Act 2001*, the Corporations Regulations 2001 and Australian Accounting Standards.

The financial report comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the consolidated financial statements including summaries of significant accounting policies and other explanatory information, and the directors' declaration.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General Auditing Standards*. I am also independent of the group in accordance with the auditor independence requirements of the *Corporations Act 2001*, and confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. I addressed these matters in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Queensland Audit Office

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Valuation of supply system assets ($22,810 million) (Note 15)

Key audit matter	How my audit procedures addressed this key audit matter
The fair value of the supply system assets has been determined using the discounted cash flow (DCF) technique (Income Approach). The fair value estimation involved significant assumptions and judgements for: • Aggregating supply assets to units of account for valuation purposes. • Estimating future cash inflows and outflows based on: - Revenue forecasts - Estimations of efficient and prudent operating and capital cash outflow amounts occurring beyond the current regulatory period - Tax cash flow - Additional capital expenditure spends - Deriving a terminal value in Energy Queensland Limited's regulated environment - Setting the rate used to discount the forecast cash inflows, cash outflows and terminal value to present value.	I engaged an auditor's expert to assist me in: • Evaluating the appropriateness, with reference to common industry practice, of Energy Queensland Limited's identification of units of account and use of the income approach (having consideration for highest and best use and the principal market). • Verifying the mathematical accuracy of the discounted cash flow models. • Assessing the reasonableness of forecast revenue, operating expenditure, capital expenditure, and tax cash flows, by corroborating the key market related assumptions to relevant internal forecasts and historical external data. • Evaluating the methodology used to derive terminal values with reference to common industry practice. • Performing sensitivity analysis for the revenue cash flow growth rate, expenditure cash flow growth rate, discount rate and terminal value to assess how management addressed estimation uncertainty. • Agreeing the discount rate calculation methodology to industry range standards and available market information; and • Assessing the reasonableness of the income approach valuation by performing valuation cross checks to comparable organisations and recent sales of similar entities. In assessing the work of the auditor's expert, I: • Evaluated their qualifications, competence, capabilities, and objectivity. • Considered the nature, scope and objectives of the work completed for appropriateness. • Evaluated the findings and conclusions for relevance, reasonableness and consistency with other audit evidence obtained.

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Other information

Other information comprises financial and non-financial information (other than the audited financial report).

Those charged with governance are responsible for the other information.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Responsibilities of the company for the financial report

The company's directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Corporations Act 2001*, the Corporations Regulations 2001 and Australian Accounting Standards, and for such internal control as the company's directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The company's directors are also responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the group.
- Conclude on the appropriateness of the group's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the group. I remain solely responsible for my audit opinion.

I communicate with the company's directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with the company's directors, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B.P. Worrall

20 August 2021

Brendan Worrall
Auditor-General

Queensland Audit Office
Brisbane

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