

Energy Queensland Limited

Statement of Corporate Intent 2023/24

Prepared by the Directors and Management of Energy Queensland Limited for shareholding Ministers

The Honourable Cameron Dick MP
Treasurer and Minister for Trade and Investment

The Honourable Mick de Brenni MP
Minister for Energy, Renewables and Hydrogen and Minister for Public Works and Procurement



Confidentiality and Right to Information (RTI) Non-disclosure Warning

This document contains highly confidential material relating to the business affairs of Energy Queensland Limited. Release of its contents is subject to the provisions of the *Right to Information Act 2009*. Any unauthorised disclosure of material contained in this statement may diminish the commercial value of that information and would have an adverse effect on the business, commercial and financial affairs of Energy Queensland Limited.

Performance Agreement

This Statement of Corporate Intent is presented in accordance with Chapter 3, Part 8 of the *Government Owned Corporations Act 1993* (GOC Act).

In accordance with Chapter 1, Part 3, Section 7 of the GOC Act, the Statement of Corporate Intent represents a formal performance agreement between the Board of Energy Queensland Limited and its shareholding Ministers, with respect to the financial and non-financial performance targets specified for the financial year. The Statement of Corporate Intent represents agreement to the major activities, objectives, policies, investments and borrowings of Energy Queensland Limited for 2023/24.

This Statement of Corporate Intent sets out the information relevant to the 2023/24 financial year and is consistent with the first year outlined in Energy Queensland Limited's 2023/24 to 2027/28 Corporate Plan, submitted to shareholding Ministers and agreed in accordance with Chapter 3, Part 7 of the GOC Act.

In signing this document, the Board of Energy Queensland Limited undertakes to achieve the targets proposed in the Statement of Corporate Intent for 2023/24.

Major changes to key assumptions that underpin the performance outcomes detailed in this Statement of Corporate Intent, and which come to the Board's attention during the year, will be brought to the attention of shareholding Ministers. Any modifications to this Statement of Corporate Intent will be dealt with in accordance with the GOC Act.

This Statement of Corporate Intent is signed by the Chair on behalf of all the directors in accordance with a unanimous decision of the Board of Energy Queensland Limited.

The Honourable Cameron Dick MP
Treasurer and Minister for Trade and Investment

Date:

The Honourable Mick de Brenni MP
Minister for Energy, Renewables and Hydrogen and
Minister for Public Works and Procurement

Date:

Sarah Zeljko
Chair Energy Queensland Limited

Date:

Key Performance Indicators

Energy Queensland Limited (Energy Queensland) is committed to achieving its performance targets for 2023/24, as shown in Table 1. Corporate measure definitions are included in Attachment 4.

Table 1: Energy Queensland Limited's 2023/24 key financial and non-financial performance indicators

Key Result Area	Measure	2022/23 Estimated	2023/24 Plan
Safety and People	Significant Incident Frequency Rate (SIFR)	1.2	1.1
	Employee Engagement	65%	68%
Financial	Net Profit After Tax (NPAT) (\$M)	(133.8)	73.3
	Standard Control Service Total Expenditure (\$M)	2,194.4	2,423.2
Customer	Customer Satisfaction (CSAT)	69	69
	Operational Delivery	90%	90%
Operations	SAIDI - EQL	150.0	150.0
	SAIFI - EQL	1.40	1.40

Response to Shareholder Expectations

Energy Queensland's Statement of Corporate Intent (SCI) represents the agreement between Energy Queensland's Board of Directors and shareholding Ministers on performance objectives for 2023/24. It has been prepared in accordance with Part 8 of the GOC Act and represents the first year of the five-year outlook that is detailed in the associated Corporate Plan (CP) 2023/24 to 2027/28 building on our progress of our Electric Life Strategy. These plans complement our Electric Life Strategy 2032 and align with the objectives of the Queensland Energy and Jobs Plan^[1]. The underpinning driver for Energy Queensland's strategy is to energise Queensland communities across the State. This is demonstrated by ensuring the safety and security of our networks (keeping the lights on), ensuring the safety of assets in the community to maintain high levels of public safety, and maintaining financial stability to ensure we can provide cost effective services and maintain downward pressure on electricity prices for both network and retail customers.

Energy Queensland has a Customer Strategy with three key principles; Know our customers, Deliver Value and Making it easy to work with us. This is complemented by a Customer Experience Strategy that is embedded across the business. Customer metrics such as the Customer Satisfaction Score (CSAT) and a Net Trust Score (NTS) are included in relevant performance agreements.

Energy Queensland is working to support the delivery of the Queensland Government's Energy and Jobs Plan (QEJP) which outlines the pathway for the energy transition in Queensland to achieve net zero emissions by 2050. By leading or directly supporting 13 of the 23 actions of the QEJP, Energy Queensland will be a major contributor to delivering more jobs, developing a highly skilled workforce, and building the infrastructure to support a clean, reliable and affordable energy future.

[1] Department of Energy and Public Works (epw.qld.gov.au)

Energy Queensland will undertake the 13 QEJP actions grouped into the following ten response themes.

QEJP Focus Area 1: Clean energy economy

QEJP Actions	EQL Response Themes
1.1 Begin building the SuperGrid 1.3 Invest in batteries and storage 1.4 Build more renewable energy and connect an additional 22GW by 2035	Energy firming - Support Queensland's electricity demand during peak times Energy storage - Invest in batteries and other storage for a reliable system

QEJP Focus Area 2: Empowered households and businesses

QEJP Actions	EQL Response Themes
2.1 Deliver a smarter grid that benefits all Queenslanders 2.2 Deliver a new household program 2.3 Support to reduce household bills 2.4 Drive savings for small businesses 2.5 Integrate Queensland's zero emissions vehicles 2.7 Ensure affordable electricity in regional and SEQ	Smart meter rollout - Coordinate Queensland's smart meter rollout Distribution system operator - Dynamically manage capacity and operate the network to maintain an efficient, safe and reliable service while optimising value to our customers Electrification of transport - Continue to upgrade our network to enable seamless integration of zero emissions vehicles Climate Positive Olympics and Paralympics - To deliver a climate positive 2032 Olympic and Paralympic Games, EQL will play an important role in ensuring climate targets are met while keeping the lights on Retailer of the future - Unlock the value of a Government-owned retailer Vulnerable customers - Support our customers and communities during times of vulnerability by taking into consideration cost of living pressures

QEJP Focus Area 3: Secure jobs and communities

QEJP Actions	EQL Response Themes
<p>3.2 Support workers with a Job Security Guarantee</p> <p>3.3 Prepare Queensland's workforce and regions for growth</p> <p>3.5 Clean energy for remote and First Nations communities</p> <p>3.6 Partner with industries and communities to maximise benefits from the energy transformation and drive regional economic opportunities</p>	<p>Jobs and workforce - Facilitate the workforce transition skills, opportunities and pathways for energy workers</p> <p>Clean energy for Isolated Communities - Decarbonise power stations to provide clean, reliable and affordable energy in isolated communities</p>

The energy ecosystem is rapidly transforming towards a decentralised, two-way power system, as increasing numbers of households and businesses invest in solar photovoltaic (PV) generation and energy storage capabilities. With exponential growth in renewables and Customer Energy Resources (CER) such as solar, Electric Vehicles and batteries, this presents new challenges such as rapidly declining 'minimum operational (grid) demand', referred to as 'negative peak demand', which is the lowest level of demand from the grid in any given day, week or year. This also presents opportunities with the roll out of smart meters, grid scale storage and new tariffs.

With an increasing number of customers' energy needs being met by their own distributed energy resources (DER) such as solar PV, particularly during daylight hours, this results in low demand for energy from the grid. This creates challenges in relation to significant reverse power flows across some parts of the distribution network as well as system security, stability and operational risks. This challenge will be met with the opportunity to shift load through a range of demand management initiatives including storage and tariffs.

Although Energy Queensland recognises the expectation to minimise capital expenditure to keep downward pressure on electricity prices for customers, this commitment must be balanced against ensuring community and employee safety, network performance and reliability and regulatory compliance obligations. Across the state and notably in the Ergon Energy network, we continue to invest in asset inspection, maintenance, refurbishment and replacement works to address the performance challenges of an ageing network and meet our safety legislation and industry code of practice obligations. There has also been a material uplift in customer connections driven by COVID incentives for housing and development projects and a large program of government projects that require connection or asset relocation. Plans have also commenced to deliver for the significant uplift expected across the state to deliver the Olympics and Paralympics. To continue addressing these significant safety risks and meet community safety expectations, Energy Queensland proposes to increase network replacement capital expenditure to build the grid of the future and meet safety, bushfire risk and network requirements in regional Queensland, particularly in relation to pole and cross-arm replacements, replacement of aged copper conductor, and replacement of aged substation equipment. This trend is anticipated to continue into the next regulatory period to meet the growth and complexity of the network of the future in line with the Queensland Energy and Jobs Plan.

In 2023/24, Energy Queensland will continue to have a strong focus on successfully delivering against our three business priorities:

- safety of our people, customers and communities;
- keeping the lights on; and
- ensuring financial sustainability.

We will also continue our growth agenda for our Yurika and Retail businesses, where we will be pursuing additional revenue streams through new products and services and generation.

Energy Queensland will continue to invest in Queensland communities by supporting local jobs, favouring local manufacturing and supply chains, and providing the energy to power Queensland's economy. Energy Queensland has a large integrated works program that must be delivered safely and efficiently as we also work to modernise the network to ensure a safe and reliable intelligent grid.

Financial sustainability continues to be a key priority to ensure that we can continue to provide positive outcomes for our customers and communities in a rapidly changing energy industry and meet the expectations of our shareholders. Yurika's profitability is expected to grow due to a combination of the growth in current established products and service offerings, along with establishment and entry into adjacent interstate markets. Ergon Energy Queensland Pty Ltd (Retail) is forecasting continuing financial headwinds primarily due to volatile wholesale market exposure, industry change and limited ability to recover costs due to regulatory constraints.

Energy Queensland will focus on the following priorities in 2023/24 to respond to the challenges of our operating environment:

- Safety - prioritising the safety of our people, customers and communities in all our activities;
- System Security - keeping the lights on and ensure a reliable supply to our customers;
- Financial Sustainability - delivering value, growth and efficiency to sustain a satisfactory financial position;
- Delivery of the Queensland Energy and Jobs Plan (QEJP).

Key assumptions and risks

Key assumptions

The SCI financial outlook for 2023/24 is highly dependent on the distribution subsidiaries' regulated revenue outcomes from the final regulatory determination published by the AER in June 2020. The current 2020-25 regulatory period has been characterised by materially reduced revenue allowances for the network businesses, with the largest driver of change being the allowed weighted average cost of capital (WACC). Nominal WACC has decreased to approximately 4.5% during the current period, from 6.0% during 2015–20 or a reduction of \$350 million in revenue annually.

Network operating and capital expenditures continue to ensure relevant safety, legislative and customer obligations are being addressed.

In addition to these network programs, allowance has been made for capital expenditure to expand the Network Battery Program, progress the decarbonisation of Isolated Communities and increase access to physical generation capacity. This increased capital expenditure and subsequent resource requirement to employ more skilled workers across the State will support the transformation required to deliver on the QEJP. The investments in our people have been incorporated into the financial forecasts.

Energy Queensland has updated its forward projections to reflect prevailing economic conditions and Government policy updates, both of which have contributed to an increased cost base. Revisions to wage related assumptions also include increased superannuation contributions, the introduction of the Mental Health levy and amendments to the GOC Wages Policy.

The financial forecasts included in the SCI are based on a set of economic and operational assumptions as shown below in Table 2.

Table 2: Key annual assumptions

Consolidated Group	2022/23 Estimated	2023/24 Plan
Average interest rate	3.54%	3.90%
General cost escalation factor ¹	7.83%	4.75%
Corporate tax rate	30%	30%
Dividend payout ratio ²	100%	100%
Weighted Average Cost of Capital ³	4.50%	4.58%

1. General cost escalation is typically applied to costs excluding labour and contractors. Estimate is based on published Australian Bureau of Statistics data and the plan on guidance from the Reserve Bank of Australia.

2. Dividends are calculated based on 100% of NPAT less non-cash items, including gifted assets, asset impairments and mark-to-market movements.

3. WACC is estimated in accordance with AER rate of return guideline to determine regulated revenue.

Key Current and Emerging Risks

The key risks facing Energy Queensland for 2023/24 include:

Community, Employee and Contractor Safety Risk

The safety of our employees, contractors, community and customers continues to be our highest priority. Energy Queensland manages systems and processes to ensure the community is educated on the hazards posed by electrical assets. Assets are designed and installed to minimise community impact, and the integrity of electrical assets is maintained to avoid adverse impacts on the community. Energy Queensland also ensures that it prioritises meeting its legislative and due diligence obligations associated with the safety of employees and contractors and implements systems and processes to systematically identify and manage activities that may cause injury or illness to employees or contractors both physically and psychologically. Energy Queensland will continue to invest in both increasing community awareness of electrical hazards and capital works to mitigate a range of community and worker safety risks arising from the aging population of assets including overhead lines, poles and substation equipment. Additionally, Energy Queensland will continue its work concerning mental health risk and inappropriate workplace behaviours.

System Security and Reliability Risk

The record number of households and businesses investing in solar PV generation has led to the rapid acceleration of negative peak demand or maximum reverse flows as this increase in rooftop PV leads to significant reverse power flows across some parts of the distribution network. This can create challenges for system security and stability which could lead to a large number of customers being affected by system instability if not carefully managed.

To avoid system security issues, Energy Queensland is working collaboratively with Powerlink and the Queensland Government on a coordinated approach by the distribution and transmission networks. Action is needed to ensure identified solutions will include scaled energy storage across the distribution and transmission networks, management of solar export during system constraints, and tariff reform, amongst other things.

Network connected batteries are a key component to managing the energy transition as they can store excess electricity generated from renewable sources during daylight hours for use during the evening peak demand. Energy Queensland's risk mitigation strategy is taking shape with the successful delivery of the battery trial program across five Ergon Energy locations and is now in its second phase with a rollout of a further 12 batteries.

Cyber Security Risk

Cyber security continues to be an emerging risk with a constantly shifting threat landscape and evolving geo-political considerations. This is leading to an increased focus on controls uplift and enhanced response and recovery processes. Increased compliance requirements in line with recent Security of Critical Infrastructure Act 2018 (Cth) amendments are also being addressed. These go beyond cyber risks to ensure that the distribution networks' critical infrastructure are resilient. Energy Queensland's Cyber Uplift Program continues to address the organisation's Cyber Capability Improvement and Compliance Obligations through a continuing focus on security uplift. This uplift is driven by regular assessments of internal and external risks to ensure investment is made appropriately and that controls remain current and effective.

Digital Evolution Risk

To support Queensland's energy transition and to respond to the challenges outlined above, Energy Queensland will continue to transform its digital capability to adopt new platforms, systems and processes to deliver innovative and value adding customer and community solutions. This transformation will see the introduction of new tools and processes to support the way our business will operate into the future. This transformation includes the implementation of a range of cloud-based, mobile-enabled tools and technology, as well as adopting new ways of working and investing in the digital dexterity and data skills development of our workforce.

Retail Risk

Similar to other market participants, Retail is forecasting an improved profit position for 2023/24 (with a forecast EBIT of \$85 million). The cost of forward energy contracts throughout 2022 rose to unprecedented levels due to unplanned generator outages, higher coal and gas costs and increasingly 'peaky' demand. While steps have been taken by Federal and State Governments to introduce price caps on energy input costs, it is unlikely that Retail will see these interventions place sustained downward pressure on energy procurement costs for some time. Access to generation and energy storage is now seen as an essential requirement in the Retail portfolio as it will provide a physical hedge for a fixed price which is beneficial in managing the tail risk of high impact/low probability wholesale markets events.

An inability to provide competitive offers, enable large customer reversion and deliver behind-the-meter services will continue to place strain on the financial viability of Retail. These limitations restrict innovative customer offerings that could benefit consumers and potentially limit the benefits that these customers may enjoy from the QEJP. Energy Queensland continues to address these challenges through appropriate strategic responses in consultation with the shareholders.

Supply Chain

Energy Queensland continues to monitor geo-political impacts to its business including supply chain risks and has developed strategies to manage these risks to a practical extent.

Skills shortages

The energy transition will drive increased growth for our networks which will in turn drive the need for appropriately skilled employees. Energy Queensland is implementing a number of strategies to prepare for this including increased apprentice intakes, scholarships for electrical engineering students and reskilling opportunities for Energy Queensland employees.

Environmental, Social and Governance (ESG)

In 2022, Energy Queensland undertook an assessment of the Environmental, Social and Governance (ESG) topics material to our stakeholders and to achieving Energy Queensland's objectives.

Energy Queensland is making a significant contribution to sustainability, most notably through the enabling energy transformation underway.

Our priority remains energy affordability and value. As an essential part of modern life, affordable clean energy, along with choice and control, and a sense of value, are important to our customers from both a cost of living and a business competitiveness perspective. Security and reliability of supply also remain central. With an ageing distribution network infrastructure, and an industry challenge of reliably integrating renewables into the energy system, the risk of power system failures could bring significant economic and social impacts.

From an ESG perspective, Energy Queensland is supporting the transition to Renewables and Net Zero Emissions. Energy Queensland's strategies and planning supports the Queensland Energy and Jobs Plan (QEJP) which targets cleaner, affordable energy and 70% Renewable Energy by 2032. As energy is a major emissions contributor, Energy Queensland has a pivotal role to play. Solutions are needed to support the renewable energy transformation and the electrification of transport and industry required for effective climate action. Additionally, Energy Queensland is focussed on reducing emissions generated from its own operational activities.

The industry is moving quickly and with so much disruption, it is vital we bring our customers with us on the transition. We need to consider the impact of the energy transition on energy inclusion, and advocate for outcomes that deliver for all of Queenslanders.

We need to build greater resilience across the network, help the communities we serve to mitigate against a changing climate, and be proactive in reducing our overall carbon footprint, especially in the generation of electricity in Queensland's isolated communities as part of the government's Queensland Energy and Jobs Plan.

Energy Queensland takes its own environmental and social responsibility seriously and reflects its commitment in its procurement policies as outlined in the "Queensland Procurement Policy (QPP)" section below.

Capital expenditure

Total capital expenditure

For 2023/24, Energy Queensland's total capital expenditure is forecast at \$2,042 million, higher than current year estimated spending by \$341 million. An additional \$158 million has been assumed related to QEJP enabling investment for the Network Battery Program funded via the dividend reinvestment, Isolated Communities De-carbonisation, Accelerated Meter Deployment and other distributed generation projects.

Ongoing review and reprioritisation of capital investments will continue to be made in future budget submissions as planned spending is optimised through the remaining years of the regulatory control period including strategies to support the delivery of the QEJP. Total capital expenditure for 2023/24 is outlined in Table 3.

Table 3: Statement of Capital Expenditure

Total Capital Expenditure Consolidated Group (\$M)*	2022/23 Estimated	2023/24 Plan
Augmentation (Augex)	205.0	221.2
Replacement (Repex)	759.4	875.5
Connections	192.6	207.2
Total Network Expenditure	1,157.1	1,304.0
Fleet	64.0	64.5
Property	40.5	45.6
Tools and Equipment	9.2	11.4
ICT	170.1	187.1
Total Non-Network Expenditure	283.7	308.6
Alternative Control Services	125.8	137.1
Unregulated ¹	134.1	292.5
Total Other Capital Expenditure	260.0	429.6
Total Capital Expenditure	1,700.8	2,042.2

1. Increased Unregulated Expenditure include estimates related to QEJP

Network Resilience

Energy Queensland is conscious that its responses to emergency events, particularly those driven by weather and climate change, are delivered in an environment of continually increasing need and expectation, both from customers and community stakeholders. More than ever, our response needs to consider the increasing customer dependency on electricity as technology and appliances become more sophisticated and economic activity becomes more reliant on e-commerce.

Following each severe weather season or significant disaster event, Energy Queensland takes the opportunity to conduct a full review of its disaster response operations and capabilities in order to identify any improvements that can be made to its planning, systems and processes. These reviews also present the opportunity for Energy Queensland to assess the impact of disasters on its network assets and identify potential programs and projects which will improve the resilience of the electricity network during future events. Apart from the range of asset refurbishment and replacement programs aimed at achieving the optimal service life from its assets and to help improve resilience, safety and reliability across the entire network, Energy Queensland is pursuing additional network investments to further enhance the resilience of critical network infrastructure.

Large projects to be completed in 2023/24

The key projects for 2023/24 listed in table 4 below include all specific capital works projects with:

- a total cost of \$5 million or more; and
- a forecast commissioning date within the coming financial year - this is a date by which the works are complete, except for minor omissions or defects, which do not prevent the works from being reasonably capable of being used for their intended purpose.

This list excludes infrastructure or customer driven projects, as these projects are subject to changing customer requirements and other outside influences. Detailed information regarding these projects is available in Energex's and Ergon Energy's Distribution Annual Planning Report (DAPR), which covers a rolling five-year planning cycle.

Table 4: Large projects to be completed in 2023/24

Ergon/ Energex	Project Description	Region	Commissioning Date	Approved (\$M)
Energex	Black Mountain Transformer Replacement	Black Mountain Sunshine Coast	Aug-23	11.1
Energex	Chermside Replacement & Rebuild	Chermside Brisbane North	Aug-23	6.0
Ergon	Blackwater Refurbishment	Blackwater Central West	Sep-23	8.0
Ergon	TELCO Ethernet Aged Replacement	Multiple sites across North/South Regions	Sep-23	7.9
Ergon	Central Transformer Bunding Program	Multiple sites across North/South Regions	Oct-23	6.6
Ergon	Gracemere Substation	Gracemere Capricornia	Dec-23	11.5
Ergon	Egans Hill-Gracemere Line Construction	Egans Hill Capricornia	Dec-23	9.5
Energex	Substation Automation System Next Generation Development	Multiple Sites across South East	Jan-24	6.7
Ergon	Lilyvale Transformer Replacement	Lilyvale Darling Downs	Jan-24	5.0
Ergon	Mitchell Substation	Mitchell South West	Feb-24	5.3
Ergon	Cannonvale & Jubilee Pocket Replacement	Cannonvale Pioneer	Mar-24	31.2
Ergon	Childers to Gayndah Line Construction	Childers Bundaberg / Burnett	Jun-24	82.3
Ergon	Bundaberg Asset Replacement	Bundaberg Bundaberg Burnett	Jun-24	9.5
Ergon	Battery Energy Storage System Torrington	Torrington Darling Downs	Jun-24	11.0
Ergon	Battery Energy Storage System Kewarra	Cairns Tropical Coast (FNQ)	Jun-24	11.0
Ergon	Battery Energy Storage System Gordonvale	Cairns Tropical Coast	Jun-24	11.0
Ergon	Battery Energy Storage System Mundubbera	Mundubbera Bundaberg Burnett	Jun-24	11.0
Ergon	Battery Energy Storage System Howard	Howard Fraser Burnett	Jun-24	11.0
Ergon	Battery Energy Storage System Rasmussen	Townsville Herbert	Jun-24	11.0
Ergon	Battery Energy Storage System Gladstone South	Kirkwood Capricornia	Jun-24	11.0

Ergon	Battery Energy Storage System Marian South	Marian Pioneer	Jun-24	11.0
Ergon	Battery Energy Storage System Emerald	Emerald Central West	Jun-24	11.0
Energex	Battery Energy Storage System Bribie Island	Bribie Island Brisbane North	Jun-24	11.0
Energex	Battery Energy Storage System Morayfield	Morayfield Brisbane North	Jun-24	11.0
Energex	Battery Energy Storage System Raby Bay	Raby Bay Brisbane South	Jun-24	11.0

Investment Thresholds

Energy Queensland acknowledges the requirements to notify appropriate parties and obtain approval for proposed CAPEX consistent with the Investment Guidelines for Government Owned Corporations (GOCs). An investment is defined as CAPEX where a return is expected over a period of time. The thresholds below will be reviewed annually to ensure appropriate approval and notification levels are maintained.

In 2023/24, Energy Queensland will:

- gain approval for:
 - all regulated investments above \$100 million, except for:
 - regulated investments in the Western Zone, where approval will be sought for individual investments above \$40 million; and
 - all unregulated investments above \$60 million, except for:
 - unregulated investments involving design and construct services undertaken on behalf of an external entity and ownership of the asset transferring to that entity upon completion of construction, where approval will be sought for total contract value above \$120 million; and
 - Retail and isolated systems investments, where approval will be sought for investments above \$40 million; and
- provide notification of:
 - all regulated investments above \$50 million; and
 - all unregulated investments above \$20 million, except for unregulated investment which is outside of Queensland or involves investment in new markets that Energy Queensland has not entered before, where notification will be provided for investments above \$10 million.

Queensland Procurement Policy (QPP)

As a GOC, Energy Queensland is committed to the advancement of corporate, social, community, local industry and environmental sustainability outcomes of the Queensland Government through its support and implementation of the Queensland Procurement Policy (QPP).

The principles, targets and commitments of the QPP are embedded into Energy Queensland's procurement and purchasing processes, and Energy Queensland works in partnership with local communities to develop industry capability and capacity to secure broader economic and societal benefits. This includes working to increase the participation of Aboriginal and Torres Strait Island businesses and social enterprises.

For Yurika, Energy Queensland's energy services business, alignment with the QPP is seen as a competitive advantage, as many of our commercial partners recognise the important economic, environmental and social benefits of the policy especially in support of Queensland's ongoing recovery from the impacts of COVID-19.

Energy Queensland is committed to supporting the Queensland Government Ethical Supplier Mandate and has also developed a Modern Slavery Statement to assess the risks of modern slavery in its supply chains and operations, in accordance with the *Modern Slavery Act 2018* (Cth).

Energy Queensland maintains a commitment to advancing the Queensland Government's Queensland Energy and Jobs Plan encouraging and developing more Queensland based manufacturing and resourcing through the planned Procurement Program including the procurement of more renewable energy solutions.

Capital Structure and Dividend policies

Energy Queensland's dividend policy is typically to recommend and pay a dividend amount equivalent to 100% (or the percentage approved by shareholding Ministers, if different) of the cash component of Energy Queensland's consolidated profit.

The Board has adopted this policy based on its shareholders agreeing to provide the necessary funding under the State Borrowing Program for projects which have received Board and shareholding Ministers' approval, for the maintenance of Energy Queensland's approved capital structure and/or for ensuring the operational viability of Energy Queensland.

The Energy Queensland Board targets a long-term capital structure of 70% Net Debt to the Standard Control Services (SCS) Regulatory Asset Base (RAB). The target gearing ratio is balanced against Energy Queensland's commitment to maintain a stand-alone credit rating of at least BBB. Energy Queensland will continue to assess the appropriate timing to increase the gearing from an estimated 67% back to the target gearing ratio. Energy Queensland considers it prudent to not declare a special dividend in the 2023/24 financial year, given the uncertainties in the wholesale energy market, significant expenditure planned to give effect to the QEJP, and pending the outcome of the regulatory determination process currently being prepared for.

Community Service Obligation

For customers in regional Queensland, the cost to supply electricity generally exceeds the price paid by customers in south-east Queensland. The Queensland Government's Uniform Tariff Policy (UTP) ensures that regional customers pay the equivalent price for electricity supply as south-east Queensland customers.

This is achieved through the Queensland Competition Authority determining the tariffs Retail can charge its regional customers based on south-east Queensland network prices and its assessment of appropriate market rates for energy. The Government then pays Energy Queensland a Community Service Obligation (CSO) payment to compensate it for supplying electricity at less than cost to regional customers.

The CSO Deed is reviewed annually with the Department of Energy and Public Works (DEPW). CSO contributions assumed for this submission reflect Energy Queensland's best estimate based on anticipated tariffs and network and customer load profiles. This estimate will be revised following the release of the draft QCA tariffs and allowances. The CSO forecasts for 2023/24 are outlined in Table 5. The CSO forecast for 2023/24 is reducing predominantly due to the differential in network revenue between Energex and Ergon Energy normalising following a year of relatively lower Energex revenues due to, amongst others, prior year over recoveries by that entity.

Table 5: Community service obligation (CSO) forecasts

Consolidated Group (\$M)	2022/23 Estimated	2023/24 Plan
NEM CSO	478.8	396.5
ACS Metering CSO	17.1	15.1
Mt Isa CSO	35.4	35.1
Isolated CSO	91.3	90.4
CSO Under Recovery ¹	(2.1)	0.0
Total Energy Queensland CSO	620.5	537.0

1. The CSO under-recovery represents the difference between the costs incurred and agreed CSO amounts.

Financial statements

Statement of Profit and Loss

Table 6: Statement of Profit and Loss

Consolidated Group (\$M)*	2022/23 Estimated	2023/24 Plan
Distribution Use of System (DUoS) Revenue	2,608.2	2,689.1
Transmission Use of System (TUoS) Revenue	522.8	562.0
Retail Revenue (excluding network charges)	614.2	1,056.5
CSO Grant	620.5	537.0
Other SCS Revenue	17.2	17.3
ACS Revenue	388.4	409.5
Unregulated Revenue	353.9	466.8
Interest Received	1.9	0.5
Other Revenue	6.2	5.6
Total Operating Revenue	5,133.3	5,744.4
TUoS Expenditure	553.6	555.5
Energy Purchases	955.8	1,112.5
Solar PV Feed In Tariff	257.7	290.0
SCS Program of Work	678.2	737.8
ACS Program of Work (including unfunded)	186.7	200.0
Unregulated Expenditure	343.2	435.1
Other Direct Expenditure	78.5	84.0
Total Direct Operating Expenditure	3,053.7	3,414.9
Indirect Expenditure (excl Restructure)	857.0	1,045.5
Corporate Restructuring Costs	10.0	5.2
Depreciation & Amortisation	1,006.9	1,074.5
Overhead Allocation	(541.0)	(674.8)
Realised Earnings Before Interest & Tax	746.7	879.1
Mark to Market (MTM) Loss/(Gain)	268.1	0.0
Earnings Before Interest & Tax (EBIT)	478.6	879.1
Borrowing Costs	669.8	774.3
Income Tax Expense	(57.3)	31.4
Net Profit After Tax (NPAT)	(133.8)	73.3

*Note: Amounts may not add up due to rounding.

Statement of Financial Position

Table 7: Statement of Financial Position

Consolidated Group (\$M)*	2022/23 Estimated	2023/24 Plan
Cash Assets	19.3	19.3
Current Receivables	789.8	939.2
GOC Cash Management Facility	150.0	150.0
Inventories	248.0	253.8
Financial Assets	197.2	197.2
Other Current Assets	44.6	44.6
TOTAL CURRENT ASSETS	1,448.9	1,604.1
Non-Current Receivables	0.4	0.4
Property, Plant and Equipment	26,895.1	29,047.6
Intangible Assets	731.9	736.5
Other Non-Current Assets	383.6	383.7
TOTAL NON-CURRENT ASSETS	28,010.9	30,168.1
TOTAL ASSETS	29,459.8	31,772.3
Current Payables	624.7	669.5
Current Interest-Bearing Liabilities	11.2	11.2
Current Provisions	225.9	272.1
Current Financial Liabilities	360.1	360.1
Other Current Liabilities	173.7	185.7
TOTAL CURRENT LIABILITIES	1,395.6	1,498.5
Non-Current Interest-Bearing Liabilities	19,394.1	20,340.2
Net Deferred Tax Liabilities	3,600.9	3,975.3
Non-Current Provisions	22.7	24.5
Other Non-Current Liabilities	311.3	278.4
TOTAL NON-CURRENT LIABILITIES	23,329.1	24,618.3
TOTAL LIABILITIES	24,724.7	26,116.8
NET ASSETS	4,735.1	5,655.5
Contributed Equity	1,009.7	1,009.7
Reserves	3,065.6	3,938.7
Retained Earnings	659.8	707.0
TOTAL SHAREHOLDER'S EQUITY	4,735.1	5,655.5

*Note: Amounts may not add up due to rounding.

Statement of Cash Flows

Table 8: Statement of Cash Flows

Consolidated Group (\$M)*	2022/23 Estimated	2023/24 Plan
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	4,358.1	4,963.0
Payments to Suppliers and Employees	(3,532.2)	(3,665.1)
Community Service Obligations	612.6	543.9
Borrowing Costs	(685.1)	(774.2)
Income Tax Equivalent Received / (Paid)	(193.5)	(14.5)
NET CASH PROVIDED BY/ (USED IN) OPERATING ACTIVITIES	559.9	1,053.1
CASH FLOWS FROM INVESTING ACTIVITIES		
Withdraws / (advances) to QTC Investment	88.7	0.0
Payments for property, plant and equipment	(1,620.5)	(1,968.5)
Proceeds from sale of property, plant and equipment	8.9	0.0
Interest received	1.9	0.5
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES	(1,521.0)	(1,968.0)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds / (Repayment) from Borrowings	921.3	946.1
Payment of Lease Liabilities	(14.0)	(20.9)
Dividends Paid	0.0	(10.3)
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES	907.3	914.9
Cash at the Beginning of the Financial Period	73.2	19.3
Net Increase/ (Decrease) in Cash Held	(53.8)	0.0
CASH AT THE END OF THE FINANCIAL PERIOD	19.3	19.3

*Note: Amounts may not add up due to rounding.

Statement of Compliance

Energy Queensland, including its subsidiaries, will comply with all relevant policies and guidelines as issued by the shareholders and Government and formal directions as received from time to time.

Attachments

Attachment 1	Sponsorship, advertising, corporate entertainment, donations and other activities
Attachment 2	Employment and Industrial Relations (E&IR) Plan
Attachment 3	Weighted average cost of capital (WACC) calculations
Attachment 4	Corporate measures definition table

Attachment 1 - Advertising, community investment, corporate entertainment and related activities

Energy Queensland's advertising investment is predominantly targeted towards the Network businesses' community and high risk industry electrical safety awareness campaigns. This spending remains steady and assists Ergon Energy and Energex to continue building awareness of how to interact safely with electricity assets, and whom to contact in an emergency. While the spending on other marketing has been below budget, plans are in place for targeted business development and demand management activities in 2023-24.

For Ergon Retail, the focus remains on product and services marketing, with savings continuing to be made compared to budget, most notably in the general/non-product marketing area (this spending will remain low in the 2023-24 budget).

Yurika marketing continued to focus on uplifting Yurika brand awareness through participation in a number of industry conferences and exhibitions, as well as the development of a new Yurika website and accompanying digital marketing campaigns.

The community investment program continues to contribute value to the community, building strong local economies and resilient communities while delivering on social licence and trust, customer experiences and channels, and community participation/employee engagement. A number of brand/business development related sponsorship opportunities are progressing.

Corporate entertainment is provided for staff recognition of service, safety, apprentices and catering costs for engaging with key stakeholders in relation to important issues such as community resilience, disaster response and local issues impacting residential and business customers. This cost has been reducing in recent years, with a lower spending compared to budget due to changed working conditions and operational imperatives during COVID as well as lower in-person stakeholder engagement and related activities.

Summary of Advertising, Community Investment Partnerships, Corporate Entertainment and Other Related Activities

Activity	2022/23 Estimated	2023/24 Plan
Advertising (and Other Marketing Channels)	4,237,000	4,266,923
Community Investment Partnerships	1,312,500	1,416,035
Corporate Entertainment	75,000	84,000
Related Activities	195,000	204,000
Total	5,819,500	5,970,958

Advertising

Activity	2022/23 Estimated	2023/24 Plan
Advertising over \$5,000		
Community and High Risk Safety Campaigns	2,750,000	2,690,000
Other Marketing Activities	570,500	835,000
Product and Services Marketing - Retail	548,000	442,554
General Customer Engagement – Retail	196,000	120,990
Leveraging the Community Partnership Program - Retail	172,500	178,379
Total Advertising	4,237,000	4,266,923

Community Investment Partnerships

Activity	2022/23 Estimated	2023/24 Plan
Major & Multi-market Sponsorships over \$5,000		
Community Fund	150,000	150,000
Queensland State Emergency Services	150,000	150,000
University Partnerships - QUT, UQ, API, Career Trackers	100,000	100,000
Queensland Rural Fire Service	75,000	75,000
Queensland Theatre Company	50,000	50,000
Local Government - LGAQ/LGMA	35,000	35,000
Queensland Ballet	30,000	30,000
Queensland Museum	20,000	20,000
JUTE Theatre	15,000	20,000
Brisbane Festival	-	50,000
UNIQ You	16,500	31,000
BMD Northcliffe Surf Club	15,000	-
Orange Sky	15,000	21,000
Local Government - LGMA Queensland Awards for Excellence	5,000	-
RFDS Local Heroes Award	30,000	30,000
Carnival of Flowers	26,500	26,500
Ronald McDonald House	10,000	10,000
Unallocated Funds ¹	399,500	447,535
Local Area Sponsorships under \$5,000		
Local Community Support \$10,000 per Area	170,000	170,000
Total Community Investment Partnerships	1,312,500	1,416,035

1 The Energy Queensland Group makes a significant investment in partnerships, sponsorships and other related initiatives to support our vision to 'energise Queensland communities'. We appreciate in doing so that our stakeholders expect these activities to be undertaken with the highest standard of ethical and responsible decision-making. For the purposes of clarity, as a Queensland Government-Owned Corporation, this policy adopts the definition of 'sponsorship' as per the Queensland Government Sponsorship Policy.

Corporate Entertainment

Activity	2022/23 Estimated	2023/24 Plan
Ignite Awards	6,000	15,000
Other Entertainment below \$5k	69,000	69,000
Total Corporate Entertainment	75,000	84,000

Other related activities

Activity	2022/23 Estimated	2023/24 Plan
Other Related Activities - Memberships over \$5,000		
Energy Charter	50,000	60,000
Energy Users Association of Australia	30,000	30,000
Thriving Communities Partnership	25,000	25,000
Townsville Enterprise	25,000	25,000
Capricorn Enterprise	22,000	22,000
Mt Isa to Townsville Economic Development Zone Inc	8,500	8,500
Committee for Economic Development of Australia (CEDA)	8,000	8,000
SMART Energy Council	8,000	5,500
Toowoomba and Surat Basin Enterprise	5,000	5,000
Unallocated Funds	13,500	15,000
Total Other Related Activities	195,000	204,000

Attachment 2 – Employment and Industrial Relations Plan

People and Culture

The Energy Queensland People Strategy articulates the workforce priorities and culture required to deliver on Energy Queensland's vision to 'energise Queensland communities'. The People Strategy is focussed on four key themes of Creating a Great Employee Experience, Growing our People for a digital future, Transforming the way we work, and Leading with Purpose. These themes act as enablers to rapidly build upon our foundation and achieve our 2032 Ambition. The initiatives in each of these areas will help to create a 'match fit' workforce and an organisational culture where people are at the heart of everything we do.

Over the next two years, the implementation of the People Strategy will continue to accelerate, with a strong focus on attracting and retaining the workforce required to meet our business objectives including shaping a workforce focussed on the successful delivery of the QEJP. The following initiatives are planned or underway:

- Support the workforce of the future through a sound resourcing strategy, informed by contemporary Employee Value Proposition and analytics
- Develop and implement a Talent Strategy to deliver growing business objectives
- Improve and sustain employee engagement through appropriate feedback and action
- Create a positive employee experience throughout the employee lifecycle
- Evolve our diverse and inclusive workforce to promote a higher sense of belonging
- Continue to build on our leadership capability and enhance learning in targeted areas informed by skills and critical role analysis
- Enable workforce efficiencies by leveraging digital technologies.

Workplace Health and Safety

There is no greater priority than safety and it remains our key value. We put the safety and well-being of our people and communities first.

A key focus since early 2020 has been on adapting the way we work to keep our people, customers and communities safe through the COVID-19 pandemic. The comprehensive whole-of-business response included detailed disease response protocols, business continuity and operational plans and enhanced consultative mechanisms.

The 2021-23 Energy Queensland Health, Safety and Environment Strategy continues to focus on alignment, and optimisation of HSE processes, rules and documentation, as well as embedding new programs such as Safety is Defence, Mates in Energy and Learning Teams. The 2021-2023 HSE Strategy focuses on consolidating and embedding the work done to date, as well as an increased focus on asset safety, implementation of technology including In-Vehicle Asset Management System (IVAMS), Asset & Works Management (AWM), Unified Distribution Management System (UDMS) and balancing our learning with an increase in assurance activities.

The strategy has five focus areas to position Energy Queensland towards becoming a High Reliability Organisation (HRO) that sustains safe and reliable performance despite operating in a high risk and complex environment, with an additional sixth focus area included to recognise Environment and Cultural Heritage (E&CH). These focus areas include:

People & Wellbeing

- Expand focus not only on the "worker", but also the "work" and the "workplace" including increased integration of physical and mental wellbeing and tailoring efforts per Division and higher risk areas.

Safety is Defence

- Safety is Defence is the way we do things by integrating language across EQL operating groups and HSE activities and focussing on front line leadership.

Sensitivity to Operations:

Statement of Corporate Intent

- Continued simplification of processes to make it as easy for the front line to do their work safely and efficiently and leveraging digital platforms/mobile devices to simplify work.

Deference to Expertise:

- Focussed improvements of high hazard areas in the business with the support of technology.

Continuous Learning:

- Shift focus from reactive learning to proactive learning leveraging from bank of earned trust.

Environment and Cultural Heritage:

- Build on profile in targeted areas aligned with new E&CH Policy and Low Carbon Future Statement

Remuneration for CEO and Senior Executives

The remuneration provided in the table below reflects CEO and Senior Executives at 1 July 2022.

CEO / Senior Executives	Base salary	Employer superannuation contributions ¹	Total remuneration (excluding performance pay)	Performance Payment ²	Total Remuneration
Rod Duke Chief Executive Officer	\$1,026,685	\$25,292	\$1,051,977	\$110,622	\$1,162,599
Peter Scott Executive General Manager Finance	\$630,309	\$25,292	\$655,601	\$74,244	\$729,845
Paul Jordon Executive General Manager Operations	\$561,281	\$56,129	\$617,410	\$64,413	\$681,823
Belinda Watton Executive General Manager Services	\$529,014	\$25,292	\$554,306	\$58,282	\$612,588
Peter Price Executive General Manager Engineering	\$555,859	\$55,587	\$611,446	\$62,991	\$674,437
Marianne Vosloo Executive General Manager Digital	\$469,598	\$25,292	\$494,890	\$48,069	\$542,959
Ayesha Razzaq Executive General Manager Retail	\$474,310	\$25,292	\$499,602	\$49,428	\$549,030
Carly Irving Executive General Manager Yurika	\$420,621	\$23,568	\$444,189	\$50,571	\$494,760
Michael Dart Executive General Manager Customer	\$425,157	\$25,292	\$450,449	\$48,191	\$498,640

¹ Superannuation application updated from 10.5% to 12.75% from 1 July 2022 noting superannuation is capped at the maximum superannuation contribution base (MSCB) limit (with the exception of Paul Jordon and Peter Price who are members of a Defined Benefit Superannuation Fund).

² Performance Payment is for the period 1 July 2021 to 30 June 2022.

Employment Conditions

As a Government Owned Corporation (GOC) covered by federal industrial relations legislation, Energy Queensland will continue to meet its obligations consistent with the guidelines provided by the Queensland Government and under the Fair Work Act 2009 (Cth).

The majority of employees (with the exception of some employees on contract arrangements) are employed under the following enterprise agreements:

- Energy Queensland Union Collective Agreement 2020; and
- Energy Queensland Retail Union Collective Agreement 2020.

Future enterprise bargaining with industry unions will be consistent with the Government Owned Corporations Wages Policy prevailing at the time. Industry unions include:

- The Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia – Electrical Division (ETU);
- Australian Municipal, Administrative, Clerical and Services Union (The Services Union);
- The Association of Professional Engineers, Scientists and Managers, Australia (Professionals Australia); and
- Automotive, Metals, Engineering, Printing and Kindred Industries Union of Employees (AMWU).

Types of Employment

As at 31 December 2022, the total number of Energy Queensland employees in each Employment Category are listed below:

Employment Category	Number of Employees
Permanent Employees	7,140
Fixed Term Employees ¹	204
Senior Executive Contract	8
Apprentices (In House)	354
Trainees (In House)	0
Casual Employees	67
Total Directly Employed Workforce	7,773
Total Workforce	7,773

¹ Includes all fixed-term employees and Vacation Students.

As at 31 December 2022, the total number of Energy Queensland employees were employed under the following industrial instruments and contractual arrangements:

Business	Type	Number of Employees
Enterprise Agreements		
Energy Queensland	• Energy Queensland Union Collective Agreement 2020	7,258
	• Energy Queensland Retail Union Collective Agreement 2020	318
	Total Enterprise Agreements	7,576
Contractual Arrangements*		
Energy Queensland	• Total Fixed Remuneration and Total Employment Cost	197
	Total Contractual Arrangements	197
	Total Number of Employees	7,773

*Includes contracts for employees outside the coverage and application of the respective Enterprise Agreements

Enterprise Agreements

The Energy Queensland Union Collective Agreement 2020 (EQ UCA 2020) and the Energy Queensland Retail Union Collective Agreement 2020 (EQ RUCA 2020) were operative from 10 November 2020 and will operate until 29 February 2024, however they will continue in force after their nominal expiry date until such time as they are replaced or terminated by law.

Key features of these Enterprise Agreements include:

- Employment Security provisions (i.e., no forced retrenchments);
- 3% pay increases on 1 March 2022; 1 September 2022; and 1 March 2023 (aligned to the wage deferral principles from the addendum to the Government Owned Corporations Wages and IR Policy 2015);
- Applicable allowances indexed by annual wage increase each year;
- Employee and union consultation provisions;
- Union Delegate Rights and Responsibilities clauses; and

Provisions relating to Use of Contractors (for core electrical work in the EQ UCA 2020). The parties to the agreement agree to commence discussions for any replacement agreements at least six months prior to the nominal expiry date.

Redundancy Provisions

The following redundancy and retrenchment provisions are common to the Enterprise Agreements:

- 'No forced retrenchment' for employees provided they do not unreasonably refuse redeployment to suitable alternative employment within a 50-kilometre radius of their original location;
- Salary maintenance at the employee's base rate of pay while they remain in their redeployed position;
- Commitment to take all reasonable steps to determine what suitable alternative employment exists within the business;
- An ex-gratia retrenchment payment of three weeks per year of service, together with a proportionate amount for an incomplete year of service. The minimum and maximum retrenchment payment will be four weeks and 75 weeks respectively;
- Annual Leave: Payment for annual leave includes an employee's accumulated balance as well as the pro-rata balance. Pro-rata annual leave is paid to the date of termination;
- Long Service Leave: A long service leave payment of 1.3 weeks for each completed year of service will be made; and
- Employees may also be eligible for an Early Separation Incentive Payment (ESIP) of 13 weeks' pay where applicable. Approval of ESIP is at the discretion of Energy Queensland.

OTHER EMPLOYMENT CONDITIONS

Above Enterprise Agreement employees

Above agreement employees are employed under a common law contract arrangement (Individual Contract Agreement) that is outside the coverage of an Enterprise Agreement. These contract arrangements have the ability to receive a maximum performance payment of 15% of salary. Performance is assessed relative to pre-determined objectives using a balanced scorecard system, with measures that are directly or indirectly linked to Energy Queensland's SCl and achievement of business and stretch targets.

Superannuation

From November 2021, Energy Queensland makes superannuation contributions on behalf of employees to the employees' choice of fund or default Superannuation Fund operated by Brighter Super.

Energy Queensland applied the Queensland Government increase to the Superannuation Contribution for GOCs from 10.5% to 12.75% backdated to 1 July 2022.

The Defined Benefit funds are now closed to new employees across Energy Queensland and its subsidiaries (i.e. all new employees join the Defined Contribution part of the Fund).

As at 31 December 2022, the number of people in each Superannuation Fund is as follows:

Type	Number of Employees
Brighter Super Defined Contribution Fund	6,571
Brighter Super Defined Benefit Fund	869
Other – own choice of fund	333
Total	7,773

Use of Contractors

Energy Queensland and its subsidiaries utilise external resources to support its permanent labour force in the completion of core work. The use of contractors is subject to the following guidelines as specified within the various applicable enterprise agreements for Energy Queensland subsidiary businesses:

- the work volume is beyond the capacity of the resources or staff;

- the type of work or specialisation required is beyond the capacity of the resources or staff;
- it is in the public interest to undertake such work. Public interest includes issues of cost effectiveness;
- the security and tenure of employment of additional staff required to meet work peaks cannot be guaranteed;
- Energy Queensland and its subsidiaries do not intend to utilise contractors to reduce the commitment to training of permanent employees, or merely to avoid increases in the permanent workforce;
- the use of contractors is not to be exercised to avoid training for existing staff or employing new staff to cater for emerging areas of work. “Emerging areas of work” does not include one off works or temporary work peaks; and
- consultation is undertaken with relevant unions in accordance with the requirements of the enterprise agreements.

Energy Queensland and its subsidiaries have contractual processes in place to ensure compliance with licensing requirements, qualifications requirement in accordance with Government specifications and the contract tendering and award process complies with the Competition and Consumer Act 2010 (Cth). Auditing processes are undertaken where required.

Consultation

The Energy Queensland E&IR Plan is developed in accordance with the terms of section 149 of the GOC Act 1993, including consultation with:

- Industry Unions;
- Office of Industrial Relations;
- Shareholder & Structural Policy Division, Queensland Treasury; and
- Department of Premier and Cabinet.

Attachment 3 - Weighted average cost of capital calculations

Energy Queensland's WACC calculations are based on the Government Owned Corporations Cost of Capital Principles. Energy Queensland will apply a separate WACC calculated for each key business activity with different risk profiles. The WACC method establishes rates that are applied to nominal cash flows and are used for project evaluation purposes.

The WACC for the electricity network businesses relates to investments under the national electricity regulation framework and is outlined in the WACC calculations below.

WACC Calculations	2022-23 Approved WACC ¹	2023-24 Approved WACC ¹
Vanilla WACC (Nominal)	4.50%	4.58%
Return on Debt (Kd) (Nominal Pre-tax)	4.37%	4.51%
Return on Equity (Ke) (Post-tax Nominal)	4.69%	4.69%
- Risk Free Rate	1.03%	1.03%
- Market Risk Premium	6.1%	6.1%
- Equity Beta	60.0%	60.0%
- Gamma	58.5%	58.5%
Effective Tax Rate (T)	30.0%	30.0%
Benchmark Capital Structure		
- Proportion of Equity Funding	40.0%	40.0%
- Proportion of Debt Funding	60.0%	60.0%

1. WACC reflects the updated return on debt determined by the AER as assumed in the Energex and Ergon Energy Pricing Proposals.

Capital asset pricing model

The Capital Asset Pricing Model is used to calculate the cost of equity as follows:

$$K_e = R_f + \beta_e \times MRP$$

Where: K_e = Required rate of return on equity

R_f = Required rate of return on a risk-free investment

MRP = Market risk premium

β_e = Equity beta (correlation between the asset's risk and overall market risk)

Attachment 4 - Corporate measures definition table

Financial Measure	Definition
Net Profit After Tax (NPAT)	Provides a measure of Energy Queensland's profitability after debt servicing costs and income tax.
Standard Service Expenditure (Totex) Control Total (SCS)	Total expenditure relating to standard control services.
Non-Financial Measure	Definition
Significant Incident Frequency Rate (SIFR)	<p>Significant Incident Frequency Rate (SIFR) captures:</p> <ul style="list-style-type: none"> events that have an actual or potentially fatal outcome for employees/contractors working for Energy Queensland work-related Dangerous Electrical Events (DEEs) or Serious Electrical Incidents (SEIs) which have the actual or potential outcome of a fatality or serious injury to employees/contractors working for EQL or members of the public <p>The KPI measures the rate of significant incidents per million hours worked in the reporting period.</p>
Employee Engagement	Measures employee engagement to the business.
Customer Satisfaction (CSAT)	Provides a measure of customer sentiment and satisfaction with the services provided by Energy Queensland by brand (Energex, Ergon Energy Network; Ergon Energy Retail and Yurika) benchmarked against other companies across a range of sectors. The metric tracks the value being delivered to customers against their needs and expectations.
Operational Delivery	The delivery measure provides a holistic and comprehensive view of the Energex and Ergon Energy Network Program of Work. It is comprised of Work Unit Rate; Projects on Time; Projects on Budget; and Program Delivery.
SAIDI and SAIFI	System average interruption duration index (SAIDI minutes per event) and System average interruption frequency index (SAIFI events per customer) measures network reliability performance.