

Energy Queensland Limited

Statement of Corporate Intent

2016-2017

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

Treasurer and Minister for Trade and Investment

Minister for Main Roads, Road Safety and Ports and
Minister for Energy, Biofuels and Water Supply



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1 Introduction

This is the inaugural Statement of Corporate Intent (SCI) for Energy Queensland, and outlines the critical business objectives, key priorities, major initiatives, and financial and non-financial performance measures for 2016/17 – our first full year of operation formed from the merger of Ergon Energy Corporation Limited (Ergon) and Energex Limited (Energex), Energy Queensland Limited (Energy Queensland) became a government owned corporation and parent company on 30 June 2016.

The scale and scope of the business is immense – not only in the breadth of area that it covers across the state of Queensland, but in the diversity of skills of its employees, and its potential to help shape the rapidly changing electricity industry in Queensland.

Since the inception of the company, the Board of Energy Queensland has worked collaboratively to establish the largest electricity distribution company in Australia. Forming Energy Queensland is about more than just creating efficiencies; it's about creating a bright new future for the state's energy system, and developing an energy business that's ready for the future. This future involves delivering improvements to customer service capability, securing a sustainable cost base and looking at ways of harnessing renewable technology to support a new wave of economic prosperity for the state. All the while, Energy Queensland will continue to maintain its focus on safety, reliability and customer responsiveness.

This transformation is a significant undertaking. The current focus of the Board and the Executive Leadership Team is to build a customer focussed culture while creating new organisational structures and capturing early wins in value and efficiency.

A key part of this transformation is the establishment of the Energy Services business, which will focus on responding to changes in the energy market and offer products and services that align with the competitive strengths and capabilities of the merged business.

This SCI for Energy Queensland has been prepared in accordance with the Government Owned Corporations Act 1993 (GOC Act) and applies to Energy Queensland and its subsidiaries for the 2016/17 year.

Energy Queensland recognises the expectations of its shareholders and the 2016/17 SCI focuses on immediate priority items which include:

- Continuing to maintain safety, reliability and customer responsiveness, particularly in emergencies and natural disasters;
- Maintaining service delivery capability to support local communities, particularly in regional Queensland;
- Ongoing implementation of the merger by creating and embedding new structures and cultural change to enable and support the long-term success of the merged business;
- Progressing the range of initiatives identified by the Merger Implementation Project to confirm the available savings;
- Improving benchmarked operating efficiency in the distribution businesses in preparation for the next regulatory determination;
- Successfully establishing the new Energy Services business to deliver new products and services that complement the existing network and retail businesses, enhance

the overall shareholder value of the portfolio and create new job opportunities across Queensland, with a focus on regional Queensland; and

- Taking steps to identify and address areas where Energy Queensland can deliver meaningful improvements in customer service in the near term.

In providing effective governance, oversight and strategic direction over the affairs of Energy Queensland, as well as those of its subsidiaries, the Energy Queensland Board is committed to ensuring the interests of the shareholding Ministers are met. Should any major changes to key assumptions and outcomes detailed in this SCI come to the attention of Energy Queensland this financial year, these matters will be brought to the attention of shareholding Ministers.

2 Corporate Overview

2.1 About Us

Energy Queensland was officially launched on 1 July 2016. It is a Queensland-based electricity business that delivers electricity to its customers via an integrated business model which enables enhanced flexibility and choice in the new energy market. Energy Queensland is comprised of a portfolio of three main areas of business:

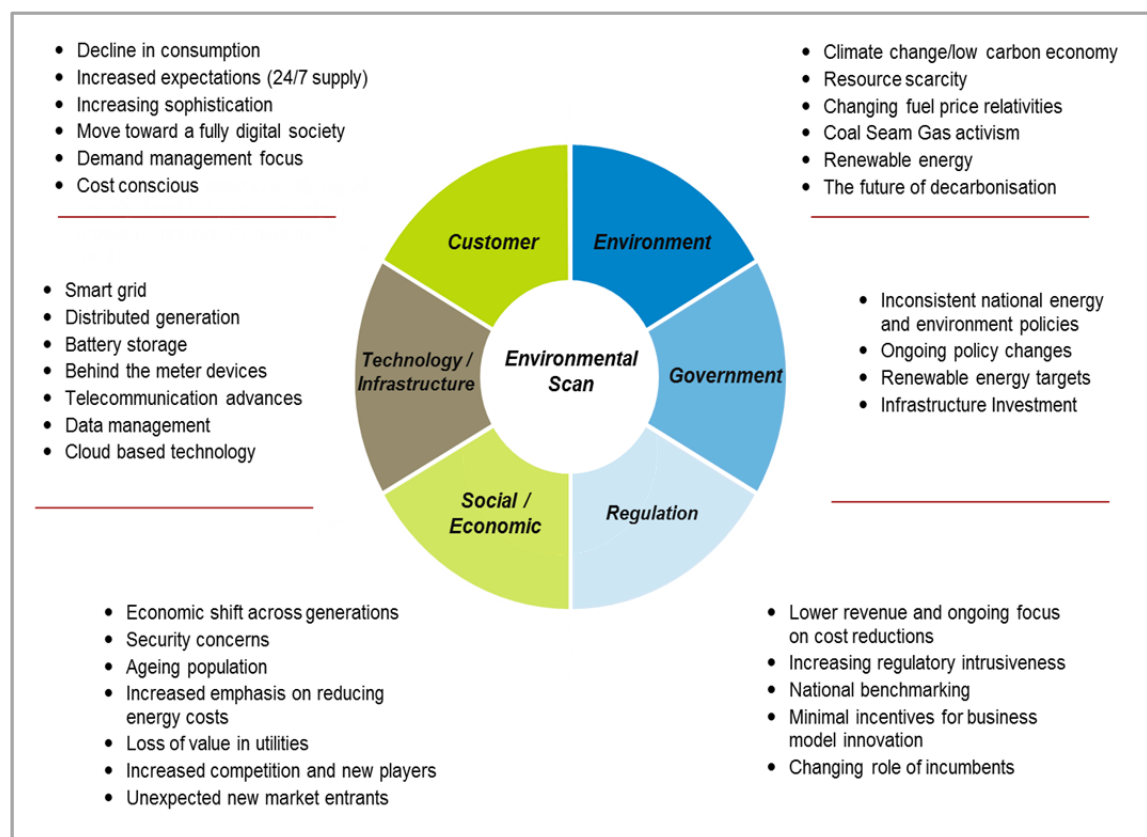
- Electricity Distribution – supplying electricity to businesses and customers across Queensland. The distribution business consists of:
 - Over 2.1 million customer connections serving a population of 4.8 million;
 - 205,000 km of electricity network (overhead and underground);
 - More than \$24 billion of assets; and
 - 1.7 million power poles.
- Retail Electricity services – Ergon Energy Queensland (EEQ) provides services to 740,000 customers across regional Queensland.
- Energy Services – this is a new business that is being established to pursue targeted and strategic investments in innovative technologies, products and services to provide greater choice to customers and respond to industry disruption. The success of the business will be premised on meeting its customer's needs whilst delivering a commercial return.
- SPARQ - is a company jointly owned by Ergon Energy and Energex and provides Information and Communications Technology (ICT) and telecommunication support.

2.2 Industry Landscape

The past five years has seen a large uplift in electricity prices. Combined with lower prices for technology, this has contributed to residential and commercial customers reducing their consumption of grid supplied electricity, either through the adoption of energy efficient measures, such as solar water heating and energy efficient air conditioning, refrigeration and electronics, and/or the installation of rooftop solar PV panels to self-generate electricity. From 2009 to 2015, Government subsidies and incentives, combined with rising electricity prices, encouraged over 1.4 million Australian households to install small scale solar PV systems. Queensland now has the second highest solar PV penetration rate in Australia with over 440 000 customers connected.

The electricity industry across Australia is experiencing unprecedented change particularly in the areas of customer preferences, technology and regulation. Figure 1 provides a high level summary of the range of challenges currently facing the industry. Renewable energy will continue to be a focus and will be increasingly enabled by storage and sophisticated asset management systems. Over the next decade, there is also likely to be a step change in the adoption of new technologies including distributed energy resources such as rooftop solar, energy storage and electric vehicles.

Figure 1 - Industry Challenges



The industry will need to invest in grid modernisation and smart grid technology to maintain reliability and resilience. As well, investment in innovative customer-focused solutions that enable increased choice and control will also be paramount so customers continue to see value in remaining connected to the distribution network.

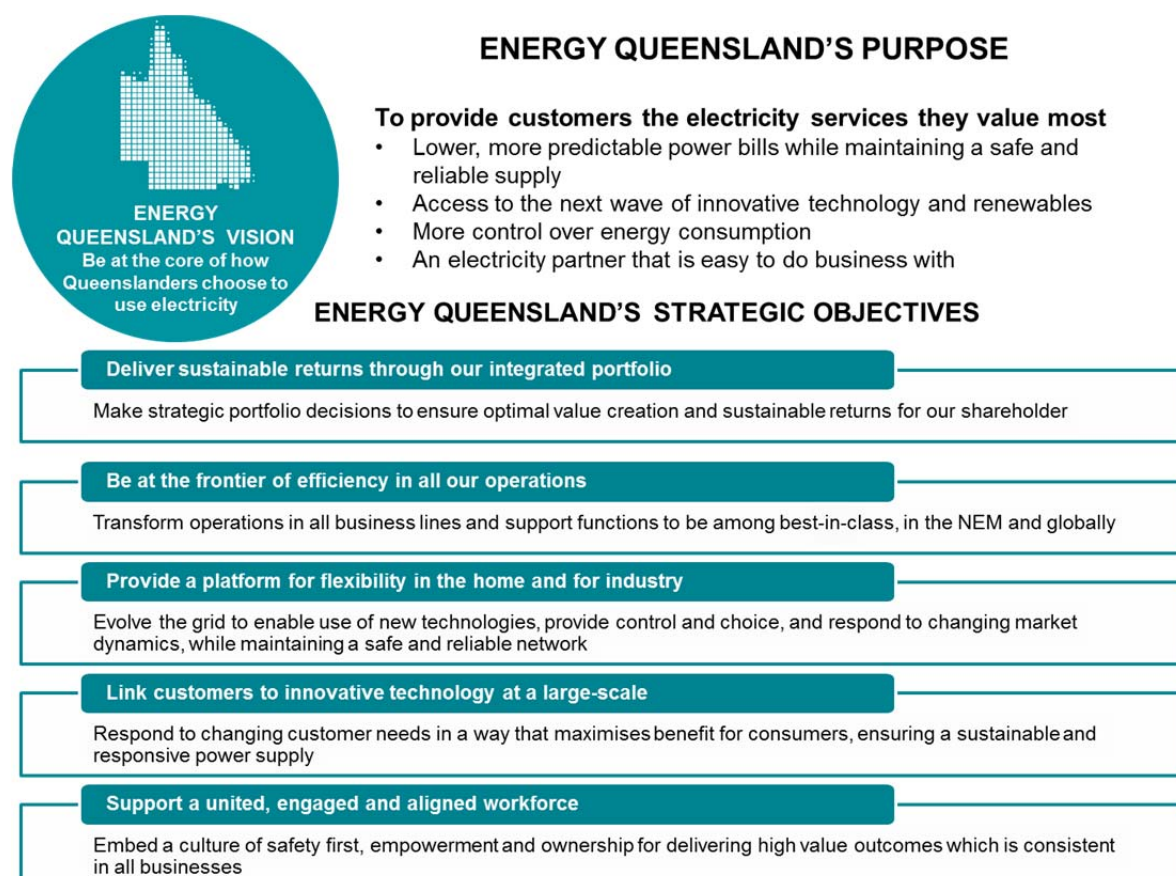
For Energy Queensland to succeed in this environment, it needs to:

- Have a strong understanding of customer needs and the ability to respond to changing customer demands to retain grid-connected customers in a changing energy market;
- Invest in a contemporary network that provides flexibility in the home and for industry, and supports the integration of distributed energy resources without compromising grid security;
- Develop and offer new products and services that complement the existing network and retail businesses, and provide customers with greater choice and control; and
- Create a lean and efficient organisation that delivers improved customer service, long term sustainable network prices and stable long term returns to its shareholder.

3 Strategy

Energy Queensland strives to be *'at the core of how Queenslanders choose to use electricity'* by providing customers the electricity services that they value the most. Figure 2 provides an overview of Energy Queensland's Vision, Purpose and Strategic Objectives.

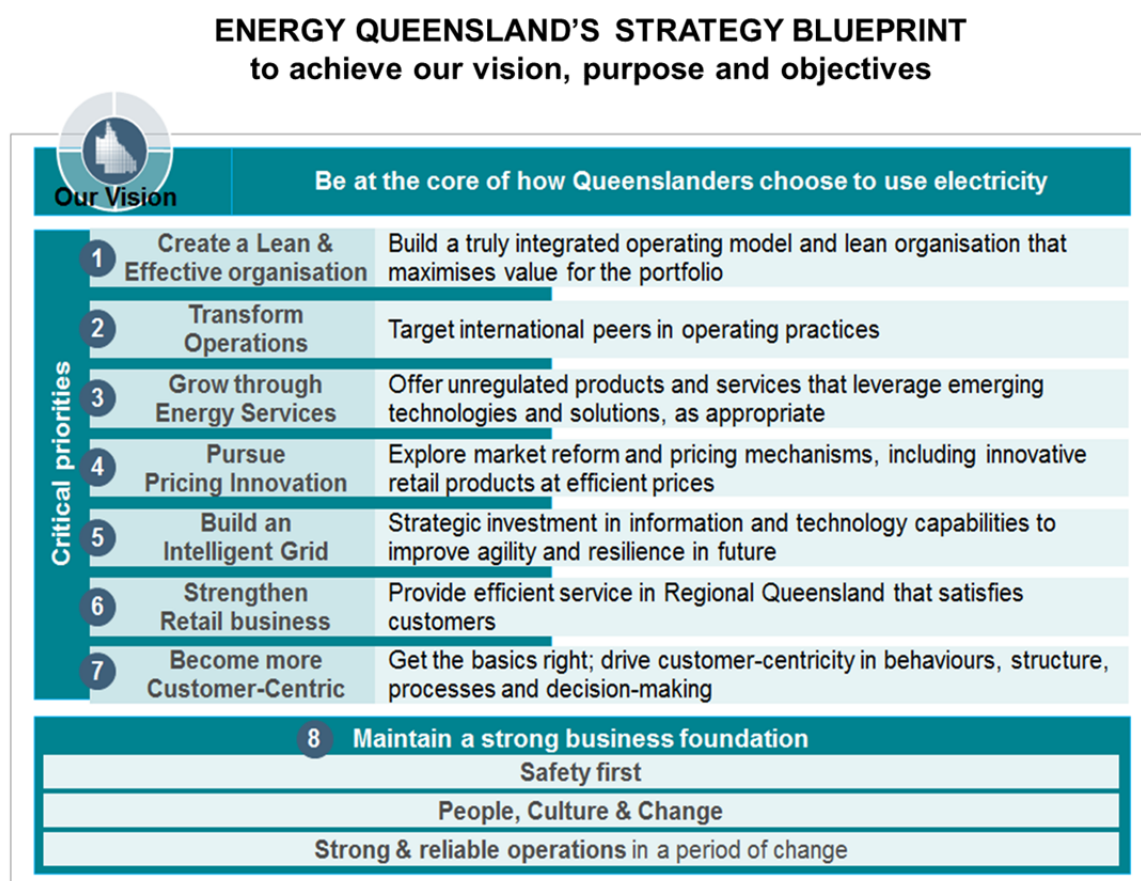
Figure 2 - Energy Queensland's Vision, Purpose and Strategic Objectives



This strategic framework provides Energy Queensland with a clear strategic focus and will be underpinned by the need for strong partnerships and close engagement with customers, communities, employees and key stakeholders, including government, regulators and existing and emerging market participants, e.g. retailers, electrical contractors and technology providers.

To support delivery of the vision, purpose and objectives, Energy Queensland has developed a Strategy Blueprint (see Figure 3). This Blueprint identifies eight critical business priorities that set out how the business will deliver on its strategic outcomes-

Figure 3 - Energy Queensland's Strategy Blueprint



3.1 Strategic Priorities and Key Initiatives for 2016/17

Energy Queensland has put in place both targets and initiatives to support the execution of the merger identified savings. These are expected to evolve through four stages – capturing early benefits and laying the organisational foundation; harmonising practices; achieving excellence at scale and reaching for the frontier.

The following table reflects the key initiatives being delivered in 2016/17 and shows their alignment to strategic objectives and Strategy Blueprint Priorities. Energy Queensland is confident that these key initiatives align with shareholding Ministers' expectations.

Table 1 - Energy Queensland's 2016/17 Key Initiatives

Strategy Blueprint Priorities	Strategic Objectives Alignment	Key Initiatives 2016/17
Create a Lean and Effective Organisation: <i>Build a truly integrated operating model and lean organisation that maximises value for the portfolio.</i>	<ul style="list-style-type: none"> • Deliver sustainable returns to shareholder • Perform at the frontier of efficiency 	<ul style="list-style-type: none"> • Implement organisational structure changes to streamline operations, harness efficiencies and transform the business • Implement improved processes and drive alignment to enable efficiency within the business • Drive to single system and associated process through a Chief Digital Officer (CDO) function • Implement improved investment processes and criteria that drive value for the portfolio
Transform Operations: <i>Target international peers in operating practices over time.</i>	<ul style="list-style-type: none"> • Perform at the frontier of efficiency 	<ul style="list-style-type: none"> • Identify quick wins within the Distribution Programs of Work to drive efficiency savings, including a review of projects, combined asset management policies and revised standards • Develop revised asset management strategies to increase network asset utilisation and enable future efficiencies • Improve field force productivity through design of improved measures and mobility enablement • Implement procurement strategies to drive optimal value from contracts

Strategy Blueprint Priorities	Strategic Objectives Alignment	Key Initiatives 2016/17
Grow through Energy Services: <i>Offer unregulated products and services that leverage emerging technologies and solutions, as appropriate.</i>	<ul style="list-style-type: none"> • Provide a platform for flexibility in the home and for industry • Link customers to innovative technology at a large-scale 	<ul style="list-style-type: none"> • Successfully establish the new Energy Services business • Optimise existing Energy Services and Unregulated Services activities • Generate unregulated growth opportunities by developing and growing compatible existing and new electricity-related products and services
Pursue Pricing Innovation: <i>Explore market reform and pricing mechanisms, including innovative retail products at efficient prices.</i>	<ul style="list-style-type: none"> • Deliver sustainable returns to shareholder • Provide a platform for flexibility in the home and for industry • Link customers to innovative technology at a large-scale 	<ul style="list-style-type: none"> • Evaluate strategic pricing and market reform alternatives for retail and distribution businesses • Pursue highest value pricing and market reform through innovation strategies and regulatory reform efforts • Deepen understanding of customer preferences through improved customer analytics and engagement • Develop pricing innovation strategy
Build an Intelligent Grid: <i>Strategic investment in information and technology capabilities to improve agility and resilience in future.</i>	<ul style="list-style-type: none"> • Provide a platform for flexibility in the home and for industry • Link customers to innovative technology at a large-scale 	<ul style="list-style-type: none"> • Actively prepare for Enterprise Resource Planning (ERP) / Enterprise Asset Management (EAM) implementation • Implement Field Force Automation enablement across Energy Queensland • Extend Remote Observation Automated Modelling Economic Simulation (ROAMES) capability across Energy Queensland • Incorporate intelligent grid technology into Strategic Asset Management and Energy Services strategies to facilitate the business in supporting customers' energy choices • Consolidate and refine the existing businesses intelligent grid strategies • Continue to prepare for Power of Choice

Strategy Blueprint Priorities	Strategic Objectives Alignment	Key Initiatives 2016/17
Strengthen the Retail Business: <i>Provide efficient service in Regional Queensland that satisfies customers.</i>	<ul style="list-style-type: none"> • Deliver sustainable returns to shareholder • Perform at the frontier of efficiency • Provide a platform for flexibility in the home and for industry • Link customers to innovative technology at a large-scale • Reduce the cost of the CSO by identifying opportunities to improve the efficiency of the network 	<ul style="list-style-type: none"> • Maximise the new Customer Information System (CIS) capability to improve billing, payments, debt and costs to serve • Improve productivity and cost to serve • Implement operational improvements including Self-Service and product capabilities • Develop retail capability and provide products and choices to regional Queensland customers • Examine options for delivering CSO efficiencies
Become more Customer-Centric: <i>Improve customer experience through getting the basics right; drive customer centricity in behaviours, structure, processes and decision-making.</i>	<ul style="list-style-type: none"> • Provide a platform for flexibility in the home and for industry • Link customers to innovative technology at a large-scale 	<ul style="list-style-type: none"> • Implement structures with clear accountabilities to facilitate better customer outcomes across the business • Implement Customer Strategy to ensure consistent and improved customer experience • Develop and test KPIs and metrics that will drive customer-centric thinking and decision making • Implement initial capabilities, processes and systems to improve understanding of customers and their interactions with the businesses, including digital engagement strategies

Strategy Blueprint Priorities	Strategic Objectives Alignment	Key Initiatives 2016/17
Maintain a Strong Business Foundation: <i>Ensure that Business As Usual performance continues to be delivered.</i>	<ul style="list-style-type: none"> • Enable a United, Engaged and Aligned Workforce 	Safety <ul style="list-style-type: none"> • Continue to drive behavioural programs to enhance safety performance and improve wellness • Create a combined Safety team across the merged business Strong Core Operations <ul style="list-style-type: none"> • Deliver against core programs of work and operational commitments People, Culture & Change <ul style="list-style-type: none"> • Introduce new Energy Queensland cultural initiatives • Execute a comprehensive change management plan • Build the brand, identity and values of Energy Queensland

4 Performance Measures

4.1 Key Performance Indicators

Energy Queensland's key financial and non-financial performance measures and targets for 2016/17 are set out below. As 2016/17 is Energy Queensland's first year of operation, it expects to further develop its suite of performance metrics to ensure ongoing alignment with its strategy and shareholder expectations. Energy Queensland will report to shareholding Ministers on a quarterly basis in regard to its performance against these measures and targets.

4.1.1 Energy Queensland Financial and Non-Financial Performance Measures

KRA	Measure	2016/17
Financial	NPAT (\$M)	\$686M
	SCS TOTEX (\$M)	\$1,872M
	ROCE	7.8%
Customer	Service Performance Index (Energex)	>80%
	Customer Index (Ergon)	6.7
	Customer Enablement Index (Ergon)	5.6
Safety	TRIFR (Energex)	<19.5
	TRIFR - Employees (Ergon) ¹	≤6.2
	LTIFR (Energex)	<2.0
	LTIFR - Employees (Ergon) ²	≤1.9
People	Employee Survey Results (Energex)	> 57%
	Employee Engagement Survey Results (Ergon)	> 64%
Operations	MSS: Minimum service standards	Favourable to MSS
	PoW Delivery Index (Energex)	>90%
	PoW Delivery Index (Ergon)	>90%

In developing the 2017/18 SCI, the requirement for additional performance measures will be explored and incorporated, where an appropriate target can be established. The measures currently under review and consideration include distribution yield, distribution cash coverage, CSO and gearing measures.

¹ For Ergon, the All Injury Frequency Rate (AIFR) has been renamed the Total Recordable Injury Frequency Rate (TRIFR) to align with industry standard definitions. Energex and Ergon currently include different events in the TRIFR measures and work will be undertaken during 2016/17 to ensure alignment in calculation formulas for this measure.

² Energex and Ergon currently include different events in the LTIFR measures and work will be undertaken during 2016/17 to ensure alignment in calculation formulas for this measure.

5 Financial Information

The information in this section is provided in accordance with Section 106 of the GOC Act and provides the financial forecasts for Energy Queensland for the 2016/17 financial year.

5.1 Key Developments / Factors

5.1.1 Merger Savings

Energy Queensland has been formed through the merger of Energex and Ergon Energy. As announced in the 2015/16 Mid-Year Fiscal and Economic Review (MYFER), this merger is expected to result in savings of approximately \$562 million against the forward estimates at that time. The forward estimates approximated the regulatory allowance over the period to 2019/20. For the 2016/17 year, the entity expects to achieve \$32 million of these savings through initial merger synergies, early procurement renegotiation initiatives and capital program reduction opportunities.

Whilst Energy Queensland's merger savings target for 2016/17 is budgeted to achieve \$32M, the business will aim to accelerate this plan and bring forward additional savings by applying stringent criteria to ensure prudent and efficient capital expenditure where opportunities present themselves to do so. This is expected to result in a total savings for 2016/17 in excess of the committed \$32M which would deliver a smoother glide path (particularly in the outer years), towards achieving the committed merger savings target of \$562M by 2019/20.

The relationship between the estimates contained in the MYFER and the forward targets of Energy Queensland is shown below:

Merger savings (\$M)	2015/16	2016/17	2017/18	2018/19	2019/20	Total
Savings announced by shareholder and adjusted in 2015/16 MYFER (\$M)	-8	10	178	180	202	562
Energy Queensland SCI/CP target savings in SCS Totex						
AER SCS Allowance (Approximate) / 2015 MYFER		1,958	1,913	1,939	1,979	7,789
SCS Totex Target		1,872	1,795	1,710	1,650	7,027
Implementation & redundancy costs		54	52	44	51	201
Energy Queensland SCI/CP savings compared to 2015 MYFER		32	66	185	279	562

5.1.2 Retail

In 2016/17, Ergon Energy Queensland (EEQ) is forecasting an EBIT of approximately \$184 million. In preparing the 2016/17 forecast, sales figures have been estimated on the basis that

the Queensland Competition Authority (QCA) will continue to develop notified prices using its existing pricing methodology, based on the draft QCA rates published in March 2016. Over the medium term, the price of alternative sources of supply such as solar PV and batteries are expected to decrease. Depending on the level of uptake from customers, this could reduce EEQ's energy sales and without compensating revenue from other sources, EEQ's future profitability is expected to come under increasing pressure.

5.1.3 Energy Services

The establishment of Energy Services is a key priority for Energy Queensland over the 2016/17 year. Energy Services is expected to be a profitable growth business that delivers returns in line with the strategic objectives of Energy Queensland. Consistent with this objective the initial focus of Energy Services will be the development of business cases to invest in Metering, Community Solar and Energy Management Services, where appropriate.

5.2 Consolidated Financial Information

5.2.1 Statement of Profit or Loss

Consolidated Group (\$M)	2015/16 Actual	2016/17 Plan
Operating Revenue		
Distribution Use of System (DUoS) Revenue	3,148.6	3,084.5
Transmission Use of System (TUoS) Revenue	825.1	876.8
Energy Sales - EEQ	1,838.0	1,995.7
Elimination of DUoS & TUoS charge to EEQ	(1,550.7)	(1,549.0)
Solar PV Pass-Through	93.0	61.8
Other SCS Revenue	129.0	13.1
ACS Revenue	232.3	303.4
Unregulated Revenue	205.7	202.8
Other Revenue	48.0	7.4
Interest Received	19.0	8.8
Total Operating Revenue	4,988.0	5,005.4
Direct Operating Expenditure		
TUoS Expenditure	787.5	870.6
Energy Purchases	576.1	613.6
Solar PV Feed In Tariff	194.6	191.2
CSO Contribution	(541.6)	(558.5)
SCS Program of Work	595.7	622.4
ACS Program of Work	118.9	149.8
Unregulated Expenditure	137.9	188.3
Other Direct Expenditure	19.3	18.4
Total Direct Operating Expenditure	1,888.3	2,095.7
Indirect, Depreciation & Amortisation		
Indirect Expenditure (excl Restructure)	840.1	763.4
Corporate Restructuring Costs	61.6	38.9
Depreciation & Amortisation	930.0	963.5
Overhead Allocation	(665.1)	(681.1)
Realised Earnings Before Interest & Tax	1,933.0	1,824.9
Mark to Market (MTM)	41.0	-
Earnings Before Interest & Tax (EBIT)	1,974.0	1,824.9
Borrowing Costs	616.0	818.7
Income Tax Expense	416.0	319.8
Net Profit After Tax (NPAT)	942.0	686.4

5.2.2 Statement of Financial Position

Consolidated Group (\$M)	2015/16 Actual	2016/17 Plan
Cash Assets	137.0	-
Current Receivables	901.0	991.4
Inventories	168.0	162.5
Current Assets Held for Sale	191.0	92.3
Other Current Assets	50.0	38.4
TOTAL CURRENT ASSETS	1,447.0	1,284.6
Non-Current Receivables	-	0.3
Property, Plant and Equipment	22,328.0	23,252.2
Intangible Assets	261.0	311.7
Other Non Current Assets	133.0	183.2
TOTAL NON-CURRENT ASSETS	22,722.0	23,747.4
TOTAL ASSETS	24,169.0	25,032.0
Current Payables	405.0	455.7
Current Interest Bearing Liabilities	20.0	20.0
Current Provisions	165.0	716.5
Other Current Liabilities	453.0	199.7
TOTAL CURRENT LIABILITIES	1,043.0	1,391.9
Non Current Interest Bearing Liabilities	16,267.0	16,341.8
Net Deferred Tax Liabilities	3,453.0	3,574.5
Non Current Provisions	12.0	27.6
Other Non-Current Liabilities	37.0	19.1
TOTAL NON-CURRENT LIABILITIES	19,769.0	19,963.0
TOTAL LIABILITIES	20,812.0	21,354.9
NET ASSETS	3,357.0	3,677.1
Contributed Equity	1,008.0	1,008.0
Retained Earnings	71.0	71.0
Reserves	2,278.0	2,598.1
TOTAL SHAREHOLDER'S EQUITY	3,357.0	3,677.1

5.2.3 Statement of Cash Flows

Consolidated Group (\$M)	2015/16 Actual	2016/17 Plan
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	5,066.1	4,883.9
Payments to Suppliers and Employees	(2,990.0)	(2,886.8)
Capital Contributions	22.9	24.9
Community Service Obligations	619.0	547.0
Borrowing Costs	(689.0)	(825.7)
Income Tax Equivalent Received / (Paid)	(594.0)	(537.4)
NET CASH PROVIDED BY/ (USED IN) OPERATING ACTIVITIES	1,435.0	1,205.9
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(1,378.0)	(1,443.1)
Proceeds from sale of property, plant and equipment	18.0	7.0
Interest received	20.0	15.9
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES	(1,340.0)	(1,420.2)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds / (Repayment) from Borrowings	3,524.0	74.8
Net Repayable Deposits	1.0	2.5
Dividends Paid	(4,147.0)	-
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES	(622.0)	77.3
Cash at the Beginning of the Financial Year	663.0	137.0
Net Increase/ (Decrease) in Cash Held	(526.0)	(137.0)
QTC Working Capital Facility	-	-
CASH AT THE END OF THE FINANCIAL PERIOD	137.0	-

5.2.4 Statement of Capital Expenditure

Consolidated Group (\$M)	2016/17 Plan
Standard Control - System	
Augmentation	174.2
Replacement	626.6
Connections	201.2
Standard Control - System	1,001.9
Non System	194.7
Alternative Control Services	163.4
Unregulated	48.5
ICT (Sparq)	75.2
Total Capital Expenditure	1,483.8

For 2016/17, Energy Queensland is forecasting total capital expenditure of 1,483.8 million. For the regulated distribution business, capital expenditure over 2016/17 is expected to be lower than the allowance set by the AER for both the Energex and Ergon distribution entities as the programs are reviewed under the guidance of Energy Queensland and initial synergies start to realise. Other capital expenditure across the Group is expected to be around \$481 million reflecting continued investment in ICT (including initial spend on a new ERP) and maintenance of current capability.

5.3 Major capital projects

A list of the relevant large projects with a total escalated cost over \$2M schedule to be completed in 2016-17 are outlined in Attachment 3 – Large projects with a total escalated cost over \$2M scheduled to be completed in 2016/17. These projects are under review as part of the Transform Operations strategic priority and are subject to change.

5.4 Community Service Obligation

The Uniform Tariff Policy (UTP) provides for parity of pricing for all non-market electricity consumers, regardless of their geographic location in Queensland. For customers outside of the south east corner, the cost of supplying electricity typically exceeds the price allowed for in regulated retail tariffs. The Queensland Government pays Ergon Retail (EEQ) a Community Service Obligation (CSO) to compensate for elements, as specified in the CSO Deed, associated with this under-recovery.

Aside from the cost differential between the south east corner and regional Queensland, in any particular year the amount of the CSO is mostly influenced by two key factors, energy sales and network prices.

The revenue from energy sales varies over the year depending on:

- the time of year, as typically the volume of sales is highest during the summer months; and
- the tariff mix, which influences the price of energy sold.

In forecasting the CSO for 2016/17, estimated network prices are based on the AER Determination. Expected volume of energy sales has been estimated taking into account current sales volumes, historical churn, expected weather and the expected level of solar PV uptake. The expected revenue from sales has been developed on the expectation that the Queensland Competition Authority (QCA) sets notified prices using the same methodology as in previous years. Changes in any of these assumptions would impact the CSO forecast. A 1% change in energy sales would be expected to change the CSO revenue by \$20 million. The budgeted amounts per category of CSO are as follows:

CSO Budget by category

Category	Amount (\$M)
NEM	472
Mt Isa	15
Isolated	58
ACS Metering	13
Total	558

5.5 Other Financial Information

5.5.1 Capital Structure and Dividends policies

The dividend policy complies with the GOC Act and the Corporations Act 2001 (Cwlth). The Board will ensure that Energy Queensland's dividend policy also takes into account the target capital structure. Energy Queensland's policy is to recommend and pay a dividend amount equivalent to 100% (or the percentage approved by shareholding Ministers, if different) of Energy Queensland's adjusted consolidated profit for 2016/17. The Board adopts such a policy on the basis of its shareholders agreeing to provide the necessary funding for projects which have received Board and shareholding Ministers' approval for the maintenance of Energy Queensland's approved capital structure or for ensuring the operational viability of Energy Queensland under the State borrowing program. The Board will prudently manage the financing of Energy Queensland's existing business and new business developments in accordance with Government GOC policy and guidance.

5.5.2 Investment Thresholds

Energy Queensland acknowledges the requirements to notify appropriate parties and obtain approval for proposed CAPEX consistent with the Investment Guidelines for GOCs. Energy Queensland will:

- Notify the Queensland Government of all projects above \$20 million;
- Obtain investment approval for regulated projects above \$75 million; and
- Obtain investment approval for unregulated projects at or above \$60 million for Energex and \$10 million for Ergon (which reflects a lower risk appetite for retail and isolated).

6 Government Directions

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

7 Performance Agreement

This Statement of Corporate Intent and all attachments for the financial year 2016/17 are presented in accordance with Chapter 3, Part 8 of the Government Owned Corporations Act 1993.

In accordance with Chapter 1, Part 3, Section 7 of the Government Owned Corporations Act 1993, the Statement of Corporate Intent represents a formal performance agreement between the Board of Energy Queensland and its shareholding Ministers, with respect to the financial and non-financial performance targets specified for the financial year. The Statement of Corporate Intent also represents an acknowledgment of an agreement to Energy Queensland's major activities, objectives, undertakings, policies, investments and borrowings for the 2016/17 financial year.

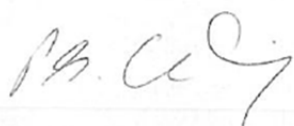
This Statement of Corporate Intent is consistent with Energy Queensland's 2016/17 to 2020/21 Corporate Plan submitted to the shareholding Ministers in accordance with Chapter 3, Part 7 of the Government Owned Corporations Act 1993.

In signing this document, the Board of Energy Queensland undertakes to ensure that the document and all reports to shareholding Ministers are prepared with accuracy and timeliness.

In signing this document, the Board of Energy Queensland undertakes to achieve the targets proposed in the Statement of Corporate Intent for the 2016/17 financial year.

Major changes to key assumptions and outcomes detailed in this Statement of Corporate Intent, 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 Government Owned Corporations Act 1993.

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



Philip Garling
Chairman

Date: 23 March 2017



The Honourable Curtis Pitt MP
Treasurer and Minister for Trade and Investment

Date: 22/06/2017



The Honourable Mark Bailey MP
Minister for Main Roads, Road Safety and Ports
and Minister for Energy, Biofuels and Water Supply

Date:

8 Attachments

Attachment 1	List of Financial and Non-Financial KPI descriptions
Attachment 2	Employment and Industrial Relations (E&IR) Plan
Attachment 3	Large Projects with a total escalated cost over \$2M scheduled to be completed in 2016/17
Attachment 4	Sponsorship, advertising, corporate entertainment, donations and other activities
Attachment 5	Glossary of Terms

8.1 Attachment 1 – List of Financial and Non-Financial KPI Descriptions

Measures	Definition
EBIT	Energy Queensland's revenue minus expenses excluding tax and interest
SCS TOTEX	Total expenditure relating to standard control services
ROCE	Return on Capital Employed
Customer Index (Ergon)	Customer Index Score measures satisfaction of key drivers across all customer groups. Target to be developed in October 2016 after one quarter of data.
Customer Enablement Index (Ergon)	Customer Enablement Index measures the level of support provided by the business to achieve profitability and customer-driven outcomes. Target to be developed in October 2016 after one quarter of data.
Service Performance Index (Energex)	Measures customers' perceptions of the actual services they receive from Energex and focuses on how the rate their contact with Energex as well as for the work and service received at their premise.
TRIFR	<p>Ergon - The All Injury Frequency Rate (AIFR) has been renamed the Total Recordable Injury Frequency Rate (TRIFR) to align with industry standard definitions. The All Injury Frequency Rate is the frequency rate of the number of injuries per million hours worked 'All Injuries' are made up of Lost Time Injuries and Medical Treatment Injuries.</p> <p>Energex - Number of recordable injuries x 1,000,000 divided by the total hours worked in the reporting period. Includes fatalities, LTIs (including occupational illness), Medical Treatment Injuries, suitable duties cases and aggravation cases (excluding journey and recess incidents).</p>
LTIFR	Number of fatalities and lost time injuries and illnesses x 1,000,000 divided by total hours worked in the reporting period.
Employee Survey Results	<p>Ergon - Employee engagement</p> <p>Energex - Measures employee engagement and alignment to the business</p>
MSS: Minimum Service Standards Levels	Subject to exclusions prescribed in the Electricity Industry Code, a distribution entity must use its best endeavours to ensure that it does not exceed in a financial year the a) system average interruption duration index (SAIDI) and b) system average interruption frequency index (SAIFI) limits by feeder type (i.e. CBD, Urban, Rural)

Measures	Definition
PoW Delivery Index	<p>PoW Delivery Index consolidates the results of the following measures:</p> <ul style="list-style-type: none"> • CAPEX project design on time • CAPEX project delivery on time • CAPEX routine physicals to program • OPEX routine physicals to program • Customer projects on timeCustomer service delivery on time

8.2 Attachment 2 – Employment and Industrial Relations Plan

Shareholder Information

Employment and Industrial Relations Philosophy / Direction

Energy Queensland's vision is to be at the core of how Queenslanders choose to use electricity. To achieve this vision, Energy Queensland Limited (Energy Queensland) needs to successfully balance the following outcomes:

- Ensure customers have lower, more predictable power bills by transforming the network to operate reliably, at global levels of efficiency and safety
- Provide access to the next wave of innovative technologies, services and renewables throughout the grid, including in regional Queensland
- Give customers the information, products and pricing options they need to take more control over their energy use
- Get the basics right and provide effortless and convenient customer service.

The merger process is expected to deliver new opportunities through the creation of an energy services business. This business will be positioned to ensure it can meet and adapt to changes and developments in the rapidly evolving energy market. Energy Queensland is also committed to the Government's objectives of maintaining a strong regional presence throughout Queensland and contributing to the stimulation of economic activity and job growth in regional areas. Consistent with existing employee agreements the Queensland Government is committed to ensuring there will be no forced retrenchments as a result of the merger process.

Energy Queensland strives to create a culture that ensures all employees are focussed on customers and whole of business outcomes. Energy Queensland will measure success by how customers experience service; ensuring health, safety and environmental performance for employees and the community; returns to Shareholders; the reduction in Community Service Obligation (CSO); and being a great place to work.

Energy Queensland's people initiatives are designed to enable this by:

- Identifying and developing our leadership capability for the future through the establishment of development plans for all senior leadership roles with consideration of principles relating to diversity of thought
- Utilising internal and external recruitment for leadership positions to gain the best fit to deliver a focus on innovation and commercialisation
- Managing the performance of our people with a focus on stretch targets/outcomes, behaviours and flexibility, and holding leaders accountable to make the difficult decisions when necessary
- Aligning the workforce to respond to Energy Queensland's current and future business needs. This includes downsizing to align with a reduced Program of Work across Energy Queensland and its subsidiaries, and restructuring across all levels to ensure the correct workforce mix is in place (permanent, fixed term and temporary resources), and is engaged and aligned to achieve common goals

- Challenging and embedding the diversity and inclusion of our workforce to provide a greater variety of solutions from a broader range of individual talents, experiences and ideas, leading to increased innovation and adaptability
- Commercially aligning and simplifying processes, systems and employment conditions.

Significant and Emerging Issues

The merging of Energex, Ergon Energy and SPARQ Solutions to form Energy Queensland will deliver significant savings by removing duplication and deliver efficiency improvements across the business. To achieve this, the business must undertake significant organisational and workforce transformation. This presents risks to the engagement and retention of employees and has the potential to impact the business through the loss of critical skills, capabilities, organisation and industry experience.

To mitigate this risk, Energy Queensland has developed staff transition principles in consultation with key stakeholders, including industry unions, to support the implementation of the Government's merger objectives at the Industrial Relations Consultative Group (IRCG). The IRCG includes representatives from Government, Energy Queensland and industry unions. It has been established by the Government to enable the engagement and consultation on industrial relations issues that may arise during the merger process (including on proposed structural changes).

Energy Queensland is committed to managing the implementation of change effectively and recognises the benefits of regular discussion and consultation with its employees and union representatives. In addition to the IRCG, a range of existing consultation committees will continue to operate during merger transition activities and deal with related operational matters until such time as an appropriate framework for consultation across the Energy Queensland business is finalised.

2015/16 Remuneration for CEOs and Senior Executives

Energex

CEO / Senior Executives	Base salary	Employer superannuation contributions	Car park ³	Other personal benefits ⁴	Total remuneration (exc performance pay)	Performance payment	Total remuneration
Terry Effeney Chief Executive Officer	\$ 671,420	\$ 67,143	\$ 3,013	\$ 301	\$ 741,877	\$ 96,319	\$838,196
Chris Arnold EGM Procurement, People and Services	\$ 400,891	\$ 40,089	\$ 3,013	\$ 301	\$444,294	\$ 55,370	\$499,664
Peter Price EGM Asset Management	\$ 400,891	\$ 40,089	\$ 3,013	\$ 301	\$ 444,294	\$ 53,619	\$497,913
Peter Weaver EGM Service Delivery	\$ 393,731	\$ 39,373	\$ 3,013	\$ 301	\$ 436,418	\$ 54,913	\$491,331
Kevin Kehl EGM Strategy, Regulation and Governance	\$ 388,862	\$ 38,887	\$ 3,013	\$ 301	\$ 431,063	\$ 57,785	\$488,848
Dayle Grant EGM Customer and Corporate Relations	\$ 376,785	\$ 19,308	\$ 3,013	\$ 301	\$ 399,407	\$ 47,115	\$446,522
Peter Scott Chief Financial Officer	\$ 412,628	\$ 19,308	\$ 3,013	\$ 301	\$ 435,250	\$ 38,273	\$473,523

³ Approximate value of car park if car park is a personal benefit to the Executive (other than by salary sacrifice).

⁴ Refers to home telephone/ communications expenses.

Ergon Energy

CEO / Senior Executives	Base salary	Employer superannuation contributions	Car park	Other personal benefits	Total remuneration (exc performance pay)	Performance payment	Total remuneration
Ian McLeod Chief Executive⁵	\$741,119	\$19,308	\$0	\$0	\$760,427	\$62,348	\$822,775
Roslyn Baker Executive General Manager Retail⁶	\$359,846	\$19,308	\$0	\$0	\$379,154	\$47,367	\$426,521
Peter Billing Executive General Manager Customer Service	\$386,916	\$19,308	\$0	\$0	\$406,224	\$51,831	\$458,055
Mike Hutchens Chief Financial Officer⁷	\$324,904	\$19,308	\$0	\$0	\$344,212	\$40,322	\$384,534
David Edmunds Executive General Manager Network Optimisation	\$364,212	\$19,308	\$0	\$0	\$383,520	\$42,751	\$426,271
Belinda Watton General Manager Human Resources⁸	\$296,164	\$19,308	\$0	\$0	\$315,472	\$33,864	\$349,336
Bev Rose General Manager Shared Services⁹	\$295,315	\$19,308	\$0	\$0	\$314,623	\$33,594	\$348,217
Graeme Finlayson General Manager AER¹⁰	\$319,767	\$19,308	\$0	\$0	\$339,075	\$40,887	\$379,962

⁵ Ian McLeods outer limit contract as Chief Executive expired on 19 February 2016.

⁶ Ros Baker was appointed as acting Chief Executive effective from 8 February 2016.

⁷ Mike Hutchens was appointed from 1 July 2015 into the position of Chief Financial Officer.

⁸ The accountabilities of Executive General Manager People and Shared Services are split between General Manager Human Resources, Belinda Watton, and General Manager Shared Services, Bev Rose. The TFR remuneration reflects the incumbent's nominal Total Employment Cost salary and a higher duties component (Belinda Watton \$271,157 plus \$44,315).

⁹ The accountabilities of Executive General Manager People and Shared Services are split between General Manager Human Resources, Belinda Watton, and General Manager Shared Services, Bev Rose. The TFR remuneration reflects the incumbent's nominal Total Employment Cost salary and a higher duties component (Bev Rose \$263,293 plus \$51,330).

¹⁰ Graeme Finlayson temporary direct report to Chief Executive until 30 June 2016,

SPARQ Solutions

CEO / Senior Executives	Base salary	Employer superannuation contributions	Car park	Other personal benefits	Total remuneration (exc performance pay)	Performance payment	Total remuneration
Peter Effenev Chief Executive	\$389,862	\$38,987	\$0	\$0	\$428,849	\$54,050	\$482,899
Col Hanley Applications Capability Manager	\$231,497	\$23,150	\$0	\$0	\$254,647	\$27,449	\$282,096
Bryce Maskey Projects Delivery Manager	\$239,503	\$19,031	\$0	\$0	\$258,534	\$32,209	\$290,743
Paul Cockburn Service Delivery Manager	\$241,362	\$19,031	\$0	\$0	\$260,393	\$22,879	\$283,272
Jonathan Thompson Chief Financial Officer	\$256,270	\$25,627	\$0	\$0	\$281,897	\$30,674	\$312,571
Peter Poncini Group Manager – Office of CIO	\$247,105	\$24,711	\$0	\$0	\$271,816	\$29,701	\$301,517

Employment Conditions

As a Government Owned Corporation covered by federal industrial relations legislation, Energy Queensland will continue to meet its obligations consistent with the guidelines provided by the Queensland Government and the Federal Government's Fair Work Act 2009.

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

- Energex Union Collective Agreement (EUCA) 2015
- Ergon Energy Union Collective Agreement (EEUCA) 2015
- EEQ Retail Enterprise Agreement (EEQ) 2014
- SPARQ Solutions Enterprise Union Agreement (SS EUA) 2016.

Collective bargaining with industry unions will continue to be the preferred means of industrial regulation of enterprise agreements. Industry unions include:

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

As at 30 June 2016, Energy Queensland subsidiary full time equivalent (FTE) employees were employed under the following industrial instruments and contractual arrangements:

Business	Type	Number of Employees
Enterprise Agreements:		
Energex	• Energex Union Collective Agreement 2015	2,850.6
Ergon Energy	• Ergon Energy Union Collective Agreement 2015	3,658.9
	• Ergon Energy Queensland Retail Enterprise Agreement 2014	289.8
SPARQ Solutions	• SPARQ Solutions Enterprise Union Agreement 2016	311.4
	• Total Enterprise Agreements	7,110.7
Contractual Arrangements*:		
Energex	• TFR	112.7
Ergon Energy	• TFR and TEC	103.2
SPARQ Solutions	• TFR and TEC	11.0
	• Total Contractual Arrangements	226.9
	• Total Number of Employees	7,337.6

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

To support the merger, the Government sought the establishment of an Industrial Relations Consultation Group (IRCG) to advise on industrial relations issues and to develop a framework to guide the merger of Energex and Ergon Energy distribution and retail electricity businesses.

The objective of these transition principles is to provide a:

- supportive and transparent framework for employees to transfer, where applicable, from the existing businesses to the Parent company, Energy Queensland;
- set of principles and practices which the businesses will adhere to in the treatment of affected employees during the restructure process;
- appropriate and fair treatment of employees during the merger process including an avenue for employees to resolve disputes arising from the transfer;
- consistent set of parameters to be used by the businesses to assist in making the merger process as seamless and as efficient as possible; and
- basis for 'modelling' best practice change management practices.

These transition principles are in addition to prevailing provisions contained in enterprise agreements.

Enterprise Agreements

The existing enterprise agreements will continue in force after their nominal expiry date until such time as they are replaced or terminated by law.

The transition principles commit the parties to commence discussions in relation to future enterprise agreement arrangements for Energy Queensland by 1 April 2017. Any commencement of formal negotiations will be in accordance with the planning and approval requirements of the Government Owned Corporations Wages Policy.

Key features of the current enterprise agreements include:

- Employment Security provisions (i.e. no forced retrenchments);
- 3% per annum pay increases (EEQ enterprise agreement provides a 2.75% per annum pay increase);
- Applicable allowances indexed by annual wage increase each year;
- Employee and union consultation provisions;
- Union Delegate Rights and Responsibilities clauses; and
- Provisions surrounding Use of Contractors (for core electrical work in the EUCA and EEUCA).

With the exception of the EEQ enterprise agreement, all other enterprise agreements were approved in accordance with current GOC Wages Policy 2015.

Ergon Energy has an Memorandum of Understanding with the Services Union and Professionals Australia to align core terms (e.g. employment security, consultation) of the EEQ enterprise agreement with that of EEUCA.

Redundancy Provisions

The following redundancy and retrenchment provisions are common to all four (4) Enterprise Agreements currently in use at Energy Queensland:

- 'No forced retrenchment' for employees provided they do not unreasonably refuse redeployment to suitable alternative employment within a fifty (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 (3) 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 (4) weeks and seventy five (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; and
- Long Service Leave: A long service leave payment of 1.3 weeks for each completed year of service will be made.

For all Enterprise Agreements other than the EUCA 2015, employees may also be eligible for an Early Separation Incentive Payment (ESIP) of 13 week's pay where applicable. Approval of ESIP is at the discretion of Ergon Energy. Employees must apply for ESIP within 14 days of notification and their employment must terminate within 14 days of receipt of approval of an ESIP application.

Employees employed under the terms of the EUCA 2015 may be eligible for a Separation Date Incentive Payment (SDIP) of 13 week's pay, where applicable and at Energex's discretion.

Other Employment Conditions

Energex Enterprise Agreement employees

Employees who are covered by the EUCA 2015 may, at the absolute discretion of Energex and subject to the achievement of earnings before interest and tax (EBIT) business targets, participate in an annual performance pay plan.

The size of the total pool available for distribution each year is determined by the CEO, however, will not exceed the maximum pool of 6% of participating employee salaries. While the size of the pool is primarily driven by the achievement of business and stretch targets, the CEO applies a level of judgement and discretion in an assessment of the results.

The aggregate pool is distributed proportionately amongst eligible employees.

Ergon Energy Enterprise Agreement employees

Employees who are covered by the EEUCA 2015 conditions do not have access to performance pay unless employed under the Individual Employment Arrangement (IEA) provisions. The IEA provides eligibility for the Ergon Energy At-risk Scheme of up to 10% of salary, which is subject to achievement of corporate gateway KPIs and individual performance targets being met (the same At-risk scheme criteria that is applied to above Enterprise Agreement employees).

SPARQ Solutions Collective Agreement employees

Employees who are covered by the SS EUA 2016 may, at the absolute discretion of SPARQ Solutions and subject to the achievement of business targets, participate in an annual performance pay plan.

The size of the total Performance Pay pool available for distribution each year is up to a maximum of 6% of all participating employee's eligible salaries. The size of the pool is at the absolute discretion of SPARQ Solutions and is primarily based on performance against a range of financial and non-financial KPI's.

The aggregate pool is distributed amongst eligible employees having regard to employee performance during the period.

Consistent with Ergon Energy, SPARQ Solutions also has a small number of employees employed under IEA provisions who are also eligible to participate in an At-risk Scheme of up to 10% of salary, subject to the achievement of corporate KPIs and individual performance targets being met.

Above Enterprise Agreement employees

Employees employed under a common law contract arrangement that is outside the coverage of an Enterprise Agreement at Energex, Ergon Energy and SPARQ Solutions 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 each organisation's SCI and achievement of business and stretch targets.

Superannuation

All Energy Queensland employees other than those employed under the EEUCA 2015 can elect to choose a complying superannuation fund other than the default fund (operated by Energy Super). Energy Queensland subsidiaries contribute the Superannuation Guarantee (SG) of 9.5% of the employee's ordinary time earnings for those who are members of the Defined Contribution section of Energy Super and all other funds of choice.

Additionally, Energy Queensland subsidiaries also offer an increase of employer contribution to 10% if an employee elects to make a minimum voluntary contribution of 5% from their salary. The SG rate is currently legislated to increase to 10% on 30 June 2021 and then increase by 0.5% each year until it reaches 12% on 1 July 2025.

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).

At 30 June 2016, Energy Queensland FTE numbers in each Superannuation Fund is listed below:

Business	Energex	Ergon Energy	SPARQ Solutions	Total
Energy Super Defined Contribution Fund	2,184.8	3,295.9	245.5	5,726.2
Energy Super Defined Benefit Fund	569.2	736.3	55.3	1,360.8
QSuper Defined Benefit Fund	1.0	0.0	0.0	1.0
Other – own choice of fund	208.3	19.7	21.6	249.6
Total	2,963.3	4,051.9	322.4	7,337.6

Types of Employment

At 30 June 2016, Energy Queensland FTE numbers in each Employment Category is listed below:

Employment Category	Energex	Ergon Energy	SPARQ Solutions	Total
Permanent Employees	2,679.7	3,621.4 ¹¹	309.4	6,610.5
Fixed Term Employees ¹²	88.6	123.5	7.0	219.1
Senior Executive Contract	7.0	6.0	6.0	19.0
Apprentices (In House)	187.0	238.0	0.0	425.0
Trainees (In House)	0.0	21.0	0.0	21.0
Casual Employees	1.0	42.0	0.0	43.0
Total Directly Employed Workforce	2,963.3¹³	4,051.9¹⁴	322.4¹⁵	7,337.6
External labour hire ¹⁶	109.0	163.0	112.0	384.0
s457 Temporary Visa (excluded from total) ¹⁷	0.0	1.0	0.0	
Total Workforce	3,072.3	4,214.9	434.4	7,721.6

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

¹¹ Includes Sponsored Apprentices (24 Sponsored Apprentices are included in this figure).

¹² Includes all fixed-term employees and Vacation Students.

¹³ Total includes 91.4 FTE deemed to be inactive due to employee absence exceeding 3 months in duration.

¹⁴ Total includes 83.1 FTE deemed to be inactive due to employee absence exceeding 3 months in duration.

¹⁵ Total includes 2.0 FTE deemed to be inactive due to employee absence exceeding 3 months in duration.

¹⁶ Includes labour hire and professional services contractors. Core tendered contractors are excluded due seasonal fluctuations in utilisation. Work assigned to external contractors is in accordance with Section 6 and long-term trends indicate that utilisation is trending downwards.

¹⁷ S457 Temporary Visa employees are included in one of the Total Directly Employed Workforce categories and they are on a temporary visa while their permanent residency visas are being processed.

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 its 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 (Commonwealth) and the Building and Construction Industry Improvement Act 2005. Auditing processes are undertaken where required.

Workplace Health and Safety

There is no greater priority than safety and it remains a key value. As the owner of the electricity network across the entire state, Energy Queensland needs to ensure its employees, customers and communities stay safe.

Energy Queensland is committed to creating a positive safety culture for its employees, customers and community, where health and safety is integrated into everything it does.

Energy Queensland wants to stand with the best when it comes to safety performance in Australia, but acknowledges that the safety journey is a continuous one – it’s critical in times of change that the business continues to understand and manage risk, and strive for continual improvement.

This includes community safety and raising awareness about how to live safely with electricity – at home, at work and in public spaces.

Consultation

The Energy Queensland E&IR Plan is developed in accordance with the terms of section 149 of the Government Owned Corporations Act 1993, in that consultation has occurred with:

- Industry Unions;
- Shareholder & Structural Policy Division, Queensland Treasury;
- Public Service Commission; and
- Department of Premier and Cabinet.

8.3 Attachment 3 – Large projects with a total escalated cost over \$2M scheduled to be completed in 2016/17

The key projects for 2016/17 listed in the table below includes all specific capital works projects with:

- a total escalated cost of \$2M 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 of these projects is available in Energex's/Ergon's Distribution Annual Planning Report, which covers a rolling five year planning cycle.

Ergon or Energex	Project Description	Approved \$'s (\$M)
Energex	Establish a second 110kV Feeder between Powerlink Bulk Substation at Loganlea and Energex Bulk Supply Substation at Jimboomba	51.9
Energex	Replace 33kV switchgear at Toowong Zone Substation	8.6
Energex	Replace transformers at Sandgate Zone Substation	3.2
Energex	Upgrade Substation Flood Resilience at Oxley Zone Substation	2.9
Energex	Upgrade Raceview Bulk Substation	2.7
Energex	Replace 33kV Feeder between Tennyson Bulk Supply Substation and Sherwood Zone Substation	2.2
Ergon	GUSS Storage Systems and SWER upgrades	40.5
Ergon	Roma Substation transformer upgrade	39.3
Ergon	Investment in new substation and 11kV distribution lines at East Warwick	33.3
Ergon	LV Copper Safety Replacements Stage 1	31.9
Ergon	Redevelop zone substation at Central Dalby	26.2
Ergon	Gladstone South Substation upgrade - Install 2x20MVA	18.7
Ergon	Marian South Substation & Feeder upgrades	13.6
Ergon	Biloela Substation Augmentation Install a 2nd 66/11kV	9
Ergon	Relocation of Duchess Road Feeders (Mica Creek)	9
Ergon	Feeder relocation - Boyne Island	8
Ergon	New Line Construction - Ballandean construct new 33/11 kV Line	7.6
Ergon	Refurbishment of Switchboard and protection upgrade (Jarvisfield)	4.8
Ergon	Tanby new Kinka feeder 22kV required	2.7

8.4 Attachment 4 - Sponsorship, advertising, corporate entertainment, donations and other activities

8.4.1 Advertising Community Support, Corporate Entertainment, Donations and Other Related Activities

Activity	2015/16 Actuals (\$)	2016/17 Budget (\$)
Advertising (And Other Marketing Channels)	5,013,996	5,866,115
Community Support - Partnership Programmes	1,360,658	1,676,505
Corporate Entertainment	274,791	289,015
Other Related Activities	81,306	87,950
TOTAL	6,730,751	7,919,585

8.4.2 Advertising

Activity	2015/16 Actuals (\$)	2016/17 Budget (\$)
Community and High Risk Industry Safety - Distribution	1,584,425	1,585,000
General Customer Engagement - Distribution	182,516	175,000
Other Marketing Activities	33,413	122,025
General Customer Engagement - Retail	530,533	610,340
Product and Services Marketing - Retail	559,885	780,250
Leveraging the Community Partnership Program - Retail	131,205	483,500
Health and Safety Marketing Costs ¹	149,808	155,000
Network Tariff Strategy Marketing costs ¹	24,470	40,000
TOTAL ERGON ADVERTISING	3,196,255	3,951,115
Safety Campaigns	1,532,795	1,275,000
Other Marketing Activities	284,946	625,000
Miscellaneous Advertising <\$5k	-	15,000
TOTAL ENERGEX ADVERTISING	1,817,741	1,915,000
TOTAL ADVERTISING	5,013,996	5,866,115

¹ Additional activity included to provide consistent reporting approach between Ergon and Energex.

8.4.3 Community Support

Activity	2015/16 Actuals (\$)	2016/17 Budget (\$)
Local Government Community Support	26,276	35,000
Carnival of Flowers - Regional Stakeholder Engagement	50,000	50,000
General Community Support - Distribution	85,879	78,000
State Emergency Services	50,000	50,000
UQ Women in Engineering ¹	-	10,000
CEDA Sponsorship ¹	-	6,500
Tactical Local Community Support <\$5k	109,132	120,000
QUT Business Leaders Forum	30,000	35,000
Unallocated Community Support - Retail	-	115,000
UDIA Partnership	-	25,000
Community Sponsorship Program - Retail	20,000	90,000
Unallocated Community Sponsorship Program - Retail	-	5,000
Community Fund	50,426	50,000
Other Community Support <\$5k ¹	11,636	21,005
TOTAL ERGON COMMUNITY SUPPORT	433,349	690,505
Royal National & Agricultural Assoc. of Qld	130,000	130,000
RACQ Careflight - Sunshine Coast	10,000	-
Queensland Museum	100,000	200,000
Queensland Rural Fire Service	75,000	75,000
Queensland State Emergency Service	100,000	100,000
Volunteer Marine Rescue	52,500	55,000
QUT Scholarship	58,500	58,500
UQ Scholarship	14,500	20,000
UQ Women in Engineering	10,000	10,000
Queensland Ballet	30,000	25,000
Queensland Theatre Company	50,000	50,000
Duke of Edinburgh Awards	40,000	40,000
Queensland Futures Institute	25,000	25,000
PA Research Foundation	100,000	100,000
Other Community Support	131,809	97,500
TOTAL ENERGEX COMMUNITY SUPPORT	927,309	986,000
TOTAL COMMUNITY SUPPORT	1,360,658	1,676,505

¹ Additional activity included to provide consistent reporting approach between Ergon and Energex.

8.4.4 Corporate Entertainment

Activity	2015/16 Actuals (\$)	2016/17 Budget (\$)
Staff Christmas Functions	64,091	60,000
Other Entertainment below \$5k ¹	110,414	116,923
TOTAL ERGON CORPORATE ENTERTAINMENT	174,505	176,923
Customer Care Excellence Awards	13,347	35,000
Apprenticeship Awards	12,447	8,000
Supplier Awards	4,181	5,000
Staff Recognition - 25 years of service	5,000	5,000
Other Entertainment below < \$5k	65,311	59,092
TOTAL ENERGEX CORPORATE ENTERTAINMENT	100,286	112,092
TOTAL CORPORATE ENTERTAINMENT	274,791	289,015

1 Additional activity included to provide consistent reporting approach between Ergon and Energex.

8.4.5 Donations and other related activities

Activity	2015/16 Actuals (\$)	2016/17 Budget (\$)
Townsville Enterprise Membership	33,500	33,000
Capricorn Enterprise Membership	20,000	20,000
Mt Isa to Townsville Economic Development Zone Inc.	-	7,500
CEDA Corporate Membership ¹	6,450	6,450
Clean Energy Council Membership ¹	13,500	13,500
Other Community Memberships <\$5k ¹	7,856	7,500
TOTAL ERGON OTHER RELATED ACTIVITIES	81,306	87,950
TOTAL ENERGEX OTHER RELATED ACTIVITIES²	-	-
TOTAL OTHER RELATED ACTIVITIES	81,306	87,950

1 Additional activity included to provide consistent reporting approach between Ergon and Energex.

2 Previously reported activity removed to provide consistent reporting approach between Ergon and Energex.

8.5 Attachment 5 - List of Financial and Non-Financial KPI Descriptions

Measures	Definition
NPAT	Energy Queensland Group Net Profit After Tax
SCS TOTEX	Total expenditure relating to standard control services
ROCE	Return on Capital Employed
Improved load factor or similar	Monitor only - grid utilisation, total energy used (KWh) divided by total possible energy use in period, if used at peak demand
Customer Index (Ergon)	Customer Index Score measures satisfaction of key drivers across all customer groups. Target to be developed in October 2016 after one quarter of data.
Customer Enablement Index (Ergon)	Customer Enablement Index measures the level of support provided by the business to achieve profitability and customer-driven outcomes. Target to be developed in October 2016 after one quarter of data.
Service Performance Index (Energex)	Measures customers' perceptions of the actual services they receive from Energex and focuses on how the rate their contact with Energex as well as for the work and service received at their premise.
TRIFR¹⁸	<p>Ergon - The All Injury Frequency Rate (AIFR) has been renamed the Total Recordable Injury Frequency Rate (TRIFR) to align with industry standard definitions.</p> <p>Energex - Number of recordable injuries x 1,000,000 divided by the total hours worked in the reporting period. Includes fatalities, LTIs (including occupational illness), Medical Treatment Injuries, suitable duties cases and aggravation cases (excluding journey and recess incidents).</p>
LTIFR¹⁹	Number of fatalities and lost time injuries and illnesses x 1,000,000 divided by total hours worked in the reporting period.
Employee Survey Results	<p>Ergon - Employee engagement</p> <p>Energex - Measures employee engagement and alignment to the business</p>
MSS: Minimum Service Levels	Subject to exclusions prescribed in the Electricity Industry Code, a distribution entity must use its best endeavours to ensure that it does not exceed in a financial year the a) system average interruption duration index (SAIDI) and b) system average interruption frequency index (SAIFI) limits by feeder type (i.e. CBD, Urban, Rural)
PoW Delivery Index	<p>PoW Delivery Index consolidates the results of the following measures:</p> <ol style="list-style-type: none"> 1. CAPEX project design on time 2. CAPEX project delivery on time 3. CAPEX routine physicals to program 4. OPEX routine physicals to program 5. Customer projects on time 6. Customer service delivery on time

¹⁸ Note: TRIFR measures are not aligned between Energex and Ergon in definition of events to be included.

¹⁹ Note: LTIFR measures are not aligned between Energex and Ergon in definition of events to be included.

8.6 Attachment 6 – Glossary of Terms

Abbreviation	Description
ACS	Alternative Control Services
AER	Australian Energy Regulator
ARR	Annual Revenue Requirement
BAU	Business as Usual
CAM	Cost Allocation Methodology
CAPEX	Capital Expenditure
CIS	Customer Information System
CNF	Competitive Neutrality Fee
CP	Corporate Plan
CPI	Consumer Price Index
CSO	Community Service Obligations
DUOS	Distribution Use of System
DER	Distributed Energy Resources
E&IR	Employment and Industrial Relations
EECL	Ergon Energy Corporation Limited
EEUCA	Ergon Energy Union Collective Agreement
EUCA	Energex Union Collective Agreement
FiT	Feed-in Tariff
FTE	Full Time Equivalent
GOC Act	<i>Government Owned Corporations Act 1993 (Qld)</i>
ICT	Information and Communications Technology
KRA	Key Result Area
LTIFR	Lost Time Injury Frequency Rate
MSS	Minimum Service Standards
NECF	National Energy Customer Framework
NEM	National Electricity Market
OPAT	Operating Profit After Tax
OPEX	Operating Expenditure

Abbreviation	Description
PoC	Power of Choice
PoW	Program of Work
RAB	Regulated Asset Base
ROA	Return on Assets
SCI	Statement of Corporate Intent
SCS	Standard Control Services
SEQ	South East Queensland
WACC	Weighted Average Cost of Capital