Energy Queensland Limited

Statement of Corporate Intent 2022/23

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

COMMERCIAL-IN-CONFIDENCE

The information provided in this document is confidential. 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 2022/23.

This Statement of Corporate Intent is consistent with Energy Queensland Limited's 2022/23 to 2026/27 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 2022/23.

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 Chairman 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:

8 June 2022

Philip Garling
Chairman Energy Queensland Limited

Date:

Key Performance Indicators

Energy Queensland Limited (Energy Queensland) is committed to achieving its performance targets for 2022/23, as shown in Table 1. Measure definitions are included in Attachment 4.

Table 1: Energy Queensland Limited's 2022/23 key financial and non-financial performance indicators

Key Result Area	Measure	*2021/22 Estimated*	2022/23 Plan
Safety and People	Significant Incident Frequency Rate (SIFR)	*1.3*	1.2
	Employee Engagement	63%	65%
Financial	Net Profit After Tax (NPAT) ($M)	216.5	214.1
	Standard Control Service Total Expenditure ($M)	1,966.0	2,044.3
Customer	Customer Satisfaction (CSAT)	69	69
Operations	Operational Delivery	90%	90%
	Service Target Performance Incentive Scheme (STPIS) – Energex ($M)	7.8	N/A
	Service Target Performance Incentive Scheme (STPIS) – Ergon ($M)	3.8	N/A
	SAIDI[1] - Energex	81.48	81.48
	SAIFI[2] - Energex	0.82	0.82
	SAIDI – Ergon	282.41	282.41
	SAIFI – Ergon	2.38	2.38

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 2022/23. It has been prepared in accordance with Section 7 (2) of the GOC Act and represents the first year of the five-year outlook that is detailed in the associated Corporate Plan (CP) 2022/23 to 2026/27.

The underpinning driver for Energy Queensland's strategy is to ensure positive outcomes for our customers, and the communities in which we operate. This is demonstrated by ensuring the safety and security of our networks (keeping the lights on), ensuring the safety of assets in the community 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 Make it easy. This is complemented by a Customer Experience Strategy that is being 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

The increasing numbers of households and businesses investing in solar photovoltaic (PV) generation has led to rapidly declining minimum operational (grid) demand. This has created challenges in relation to significant reverse power flows across some parts of the distribution network as well as system security, stability and operational risks. There are three potential solutions which Energy Queensland is proposing in collaboration with the Queensland Government and Powerlink for a coordinated response to mitigate the

[1] System Average Interruption Duration Index

[2] System Average Interruption Frequency Index

minimum demand risk. These include encouraging more daytime energy consumption through tariff reform and changes to load control; installing battery energy storage at scale across the transmission and distribution network; and curtailing solar export during system constraints associated with minimum demand.

To address the immediate and significant safety risks in the Ergon Energy Corporation Limited (Ergon Energy) network and to meet community safety expectations, Energy Queensland plans a proposed increase in network replacement capital expenditure in excess of what has been provided by the Australian Energy Regulator (AER) to 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.

Financial sustainability continues to be a key priority to keep prices down for customers and to ensure that we can fund the future needs of the business in a rapidly changing energy industry and deliver returns for our shareholders. To deliver profitability in line with the AER rate of return, we will need support to achieve the requisite level of efficiencies against current government policy settings while delivering cost savings through the program of work. Yurika Pty Ltd's (Yurika) 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 market. Ergon Energy Queensland Pty Ltd (Retail) is forecasting reduction in financial returns primarily due to volatile wholesale market exposure, increasing customer churn, increasing costs due to regulatory reform and industry change and restricted revenue due to regulatory constraints.

Energy Queensland will focus on the following priorities in 2022/23 to respond to the emerging challenges of our operating environment:

- Asset 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 to improve our financial position.

Energy Queensland will continue to engage with Government in relation to expectations for the next Shareholder Mandate (SHM).

Key assumptions and risks

Key assumptions

The financial forecast for 2022/23 reflected in the SCI is predominantly driven by the network businesses' revenue outcomes from the final regulatory determination published by the AER in June 2020. These determinations materially reduced the revenue allowances for the network businesses across the 2020-25 period, when compared with the previous regulatory period. The largest driver of change in Energy Queensland's profitability from the 2015-20 regulatory control period compared to the 2020-25 period is the return on capital, which accounts for more than 50% of regulated revenue. The nominal Weighted average cost of capital (WACC) decreased from around 6.0% in the 2015-20 regulatory control period to 4.47% (in average) for the 2020–25 period. This accounts for in excess of $350 million reduction in regulated revenue per annum.

Following further assessment of ongoing network risk, additional network capital investment has been incorporated into the SCI. The higher capital program mitigates network risks by addressing asset defects and failure rates as well as enhancing asset inspection and maintenance programs. Further analysis of the network operating and capital program is required to ensure relevant safety, legislative and customer obligations have been met.

To enable additional resourcing to deliver the network safety programs and meet increased customer demand in both regulated and non-regulated works (including digital metering rollout) additional investment in Fleet has been incorporated. Given the criticality of technology, continuous improvement, ongoing end of life replacements and increasing risks around cyber security; the ICT program has been updated to reflect a revised level of sustainable investment.

Energy Queensland has updated its forward projections to reflect ongoing supply chain and inflationary pressures on its cost base. Input and overhead expenditure across both the capital and operating programs have been increased to reflect higher costs, including fuel, material and freight expenses, and insurance premiums. To the extent that these increases are known they have been included and any further changes will be incorporated into subsequent updates.

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	2021/22 Estimated	2022/23 Plan
Average interest rate	3.50%	3.54%
General cost escalation factor[1]	3.50%	3.50%
Corporate tax rate	30%	30%
Dividend payout ratio[2] [3]	0%	100%
Weighted Average Cost of Capital [4]	4.57%	4.50%

1. General cost escalation is typically applied to costs excluding labour and contractors.
2. Dividends are calculated based on 100% of NPAT less non-cash items, including gifted assets, asset impairments and mark-to-market movements.
3. Energy Queensland has agreed with Queensland Treasury to retain dividends otherwise provided for the 2021/22 financial year to support reinvestment in emerging network technologies and other critical infrastructure.
4. WACC is estimated in accordance with AER rate of return guideline to determine regulated revenue.

Key Current and Emerging Risks

The key current and emerging risks facing Energy Queensland for 2022/23 include:

System Security

The record number of households and businesses investing in solar PV generation has led to rapidly declining minimum operational (grid) demand. The roof top PV leads to significant reverse power flows across some parts of the distribution network creating challenges for system security and stability which could lead to broad scale blackouts 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 to manage the system security risks. Action is needed to ensure identified solutions will include scaled energy storage across the distribution and transmission networks, curtailment of solar export during system constraints, and tariff reform amongst others are actioned in appropriate time.

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. In February 2021, the Energy Queensland Board approved a trial to install five batteries across the Ergon Energy network (locations at Toowoomba, Hervey Bay, Bundaberg, Yeppoon, and Townsville), at a total estimated cost of $40 million, to examine the potential for battery storage to manage the evolving minimum demand issues that are placing the security of the network at risk. The trial will be used to demonstrate the value of distribution connected batteries and influence regulatory reforms to remove barriers and explore how the stacking of benefits can be shared appropriately to provide investor confidence in a scaled program of distribution connected batteries.

Community, Employee and Contractor Safety

Due to the nature of the distribution network assets, the safety of the community, employees and contractors continues to be a high priority. Energy Queensland manages systems and processes to ensure the community is educated around 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. 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 aged population of assets including overhead lines, poles, LV neutrals and substation equipment.

Delivery of ICT program

Energy Queensland's digital 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. The testing and deployment of the Digital Enabling Building Blocks (DEBBs) project will significantly impact business capacity and require a significant cultural paradigm shift.

Cyber security continues to be a source of 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 also need careful consideration from an all hazards perspective.

Retail business challenges

Retail is forecasting a material reduction in financial returns primarily due to volatile wholesale market exposure, increasing competitor pressures, increasing costs due to regulatory reform and restricted revenue due to regulatory constraints, such as not being able to offer behind the meter services or competitive offers.

Commercial & Industrial customers continue to churn, representing a year to date loss of 34 GWh of annual load (as at 9 February 2022). Residential customers, previously considered unlikely to churn, have left Retail to take up market offers with competitive retailers. Retail has no ability under current restrictions to counteroffer to customers when they are offered a more competitive price. Reversion legislation further prevents large customers returning to Retail in the future.

Proposals to address these issues have been suggested. Until constraints are removed, the Energy Queensland portfolio, as a whole, may face reduced earnings as a result of these challenges. There is a need to reinvigorate Retail's future business model to address the current financial and strategic challenges.

Capital expenditure

Total capital expenditure

For 2022/23, Energy Queensland's total capital expenditure is forecast at $1,689 million, higher than current year estimated spend by approximately $123 million. Ongoing review and reprioritisation of capital investments will continue to be made in future submissions as planned spend is optimised through the remaining years of the regulatory control period. Total capital expenditure for 2022/23 is outlined in Table 3.

Table 3: Statement of Capital Expenditure

Total Capital Expenditure Consolidated Group ($M)*	*2021/22 Estimated*	2022/23 Plan
Augmentation (Augex)	159.1	222.3
Replacement (Repex)	729.2	705.0
Connections	157.4	172.2
Total Network Expenditure	**1,045.7**	**1,099.5**
Fleet	37.9	67.4
Property	42.0	35.8
Tools and Equipment	8.2	8.2
ICT	190.1	133.2
Total Non-Network Expenditure	**278.2**	**244.5**
Alternative Control Services	113.5	138.3
Unregulated	128.5	206.6
Total Other Capital Expenditure	**242.0**	**344.9**
Total Capital Expenditure	**1,565.9**	**1,688.9**

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

Network Resilience

Following each severe weather season or significant disaster event, Energy Queensland Limited 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 projects which will improve the resilience of the electricity network during future events. Apart from the range of asset refurbishment programs Energy Queensland has to achieve the optimal service life from its assets and to help improve resilience, safety, and reliability across the entire network; Energy Queensland is pursuing additional funding arrangements to further enhance the resilience of critical network infrastructure in key locations.

Large projects to be completed in 2022/23

The key projects for 2022/23 listed in table 4 below include all specific capital works projects with:

- A total escalated 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 2022/23

Ergon/ Energex	Project Description	Region	Commissioning Date	Approved ($M)
Ergon	Lakes Creek Substation Refurbishment	Lakes Creek Rockhampton	Jul-22	5.6
Energex	Richlands Substation Replacement	Richlands Brisbane	Aug-22	6.5
Energex	Surfers Paradise Asset Replacement	Surfers Paradise Gold Coast	Feb-23	8.7
Ergon	Gracemere Substation Upgrade	Gracemere Rockhampton	Mar-23	11.5
Energex	Upgrade substation and replace transformer at Kilcoy	Kilcoy Somerset	Mar-23	16.2
Ergon	Howard Substation Rebuild	Howard Fraser Coast	Mar-23	15.2
Ergon	Egans Hill-Gracemere Line Construction	Egans Hill Rockhampton	Mar-23	9.5
Ergon	TELCO Ethernet Aged Replacement	Approx. 90 sites across North/South	Apr-23	7.8
Energex	Replace transformers and switchgear at Black Mountain	Black Mountain Sunshine Coast	Aug-23	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 2022/23, Energy Queensland will:

Gain approval for:

- All regulated investments above $75 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 $20 million.

Provide notification of:

- All regulated investments above $20 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 the 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 also committed to supporting the Queensland Government Ethical Supplier Mandate. Energy Queensland has also developed a Modern Slavery Statement to assess the risks of modern slavery in its supply chains and operations.

Capital Structure and Dividend policies

Energy Queensland's dividend policy is to typically 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% debt to the Standard Control Services (SCS) Regulatory Asset Base (RAB) and is committed to maintaining a stand-alone credit rating of at least BBB (the most recent rating was assessed as BBB+ by Fitch Ratings in February 2022).

For the 2021/22 financial year, it has been agreed with shareholding representatives to withhold the declaration and subsequent payment of dividends to enable reinvestment of capital for critical infrastructure and emerging network technologies.

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 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 market prices. 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 2022/23 are outlined in Table 5.

Table 5: Community service obligation (CSO) forecasts[1]

Consolidated Group ($M)	*2021/22 Estimated*	2022/23 Plan
NEM CSO[2]	340.2	515.0
ACS Metering CSO	18.1	12.6
Mt Isa CSO	30.1	27.7
Isolated CSO	67.4	65.2
CSO Over Recovery[3]	68.9	0.0
Total Energy Queensland CSO[3]	**524.7**	**620.5**

1. The net flows are prepared on a cash basis. Variances compared to Statement of Profit and Loss and CSO forecasts are due to the timing difference of accruals.
2. NEM CSO includes National Electricity Market (NEM) CSO, ACS Streetlighting CSO and Retail handbacks.
3. The CSO over-recovery represents the difference between the calculated CSO and fixed deed CSO amounts.

Financial statements

Statement of Profit and Loss

Table 6: Statement of Profit and Loss

Consolidated Group ($M)*	*2021/22 Estimated*	2022/23 Plan
Distribution Use of System (DUoS) Revenue	2,539.6	2,676.8
Transmission Use of System (TUoS) Revenue	624.8	544.2
Retail Revenue (excluding network charges)	473.9	481.1
CSO Grant	524.6	620.5
Other SCS Revenue	14.1	17.2
ACS Revenue	367.2	377.4
Unregulated Revenue	279.9	355.1
Interest Received	0.7	0.2
Other Revenue	9.1	6.2
Total Operating Revenue	**4,833.9**	**5,078.7**
TUoS Expenditure	609.2	553.6
Energy Purchases	640.3	739.4
Solar PV Feed In Tariff	253.7	278.2
SCS Program of Work	581.8	620.9
ACS Program of Work (including unfunded)	168.3	164.5
Unregulated Expenditure	244.3	310.2
Other Direct Expenditure	68.3	77.9
Total Direct Operating Expenditure	**2,565.9**	**2,744.6**
Indirect Expenditure (excl Restructure)	702.8	791.1
Corporate Restructuring Costs	20.0	17.6
Depreciation & Amortisation	1,010.0	1,014.2
Overhead Allocation	(443.4)	(462.0)
Realised Earnings Before Interest & Tax	**978.6**	**973.2**
Mark to Market (MTM) Loss/(Gain)	25.0	0.0
Earnings Before Interest & Tax (EBIT)	**953.6**	**973.2**
Borrowing Costs	644.3	667.4
Income Tax Expense	92.8	91.8
Net Profit After Tax (NPAT)	**216.5**	**214.1**

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

Statement of Financial Position

Table 7: Statement of Financial Position

Consolidated Group ($M)*	*2021/22 Estimated*	2022/23 Plan
Cash Assets	19.1	19.1
Current Receivables	682.7	793.6
GOC Cash Management Facility	120.0	95.6
Inventories	196.7	204.0
Current Assets Held for Sale	8.9	0.0
Financial Assets	243.9	243.9
Other Current Assets	43.5	43.5
TOTAL CURRENT ASSETS	**1,314.7**	**1,399.6**
Non-Current Receivables	0.4	0.4
Property, Plant and Equipment	25,072.1	26,235.4
Intangible Assets	677.4	682.4
Other Non-Current Assets	316.6	316.7
TOTAL NON-CURRENT ASSETS	**26,066.5**	**27,234.9**
TOTAL ASSETS	**27,381.2**	**28,634.5**
Current Payables	548.0	739.7
Current Interest-Bearing Liabilities	11.6	11.6
Current Provisions	371.9	404.1
Current Financial Liabilities	1.2	1.2
Other Current Liabilities	177.6	184.3
TOTAL CURRENT LIABILITIES	**1,110.3**	**1,340.9**
Non-Current Interest-Bearing Liabilities	18,625.0	19,096.3
Net Deferred Tax Liabilities	3,430.5	3,563.5
Non-Current Provisions	21.0	22.1
Other Non-Current Liabilities	157.8	137.1
TOTAL NON-CURRENT LIABILITIES	**22,234.3**	**22,819.0**
TOTAL LIABILITIES	**23,344.5**	**24,159.9**
NET ASSETS	**4,036.6**	**4,474.7**
Contributed Equity	1,009.7	1,009.7
Reserves	2,427.3	2,809.8
Retained Earnings	599.7	655.2
TOTAL SHAREHOLDER'S EQUITY	**4,036.6**	**4,474.7**

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

Statement of Cash Flows

Table 8: Statement of Cash Flows

Consolidated Group ($M)*	*2021/22 Estimated*	2022/23 Plan
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	4,271.5	4,259.2
Payments to Suppliers and Employees	(2,790.2)	(2,953.6)
Community Service Obligations	518.8	612.5
Borrowing Costs	(659.2)	(688.2)
Income Tax Equivalent Received / (Paid)	(35.0)	(130.8)
NET CASH PROVIDED BY/ (USED IN) OPERATING ACTIVITIES	**1,305.8**	**1,099.1**
CASH FLOWS FROM INVESTING ACTIVITIES		
Withdraws / (advances) to QTC Investment	(120.0)	24.4
Payments for property, plant and equipment	(1,473.0)	(1,589.8)
Proceeds from sale of property, plant and equipment	(5.8)	8.9
Interest received	0.7	0.2
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES	**(1,598.2)**	**(1,556.4)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds / (Repayment) from Borrowings	473.2	471.3
Payment of Lease Liabilities	(19.1)	(14.0)
Net Repayable Deposits	0.0	0.0
Dividends Paid	(219.7)	(0.0)
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES	**234.5**	**457.3**
Cash at the Beginning of the Financial Period	77.0	19.1
Net Increase/ (Decrease) in Cash Held	(57.9)	0.0
CASH AT THE END OF THE FINANCIAL PERIOD	**19.1**	**19.1**

**Note: Numbers 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 other related activities

Energy Queensland's advertising investment is predominantly targeted towards the Network businesses' community and high risk industry electrical safety awareness campaigns. This spend remains steady and assists Ergon Energy and Energex to continue building awareness of how to interact safety with electricity assets, and who to contact in an emergency. While the spend on other marketing has been below budget, plans are in place for targeted business development and demand management activities in 2022-23.

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 spend will remain low in the 2022-23 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 development 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 spend 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	2021/22 Budget	2021/22 Estimated Actuals	2022/23 Plan
Advertising (And Other Marketing Channels)	4,651,000	3,924,700	4,237,000
Community Investment Partnerships	1,424,500	1,143,470	1,312,500
Corporate Entertainment	75,000	30,000	75,000
Other Related Activities	157,000	173,500	187,000
Total	**6,307,500**	**5,271,670**	**5,811,500**

Advertising

Activity	2021/22 Budget	2021/22 Estimated Actuals	2022/23 Plan
Advertising over $5,000			
Community and High Risk Safety Campaigns	2,750,000	2,750,000	2,750,000
Other Marketing Activities[1]	618,000	301,700	570,500
Product and Services Marketing - Retail	572,500	535,000	548,000
General Customer Engagement – Retail	500,000	169,000	196,000
Leveraging the Community Partnership Program - Retail	210,500	169,000	172,500
Total Advertising	**4,651,000**	**3,924,700**	**4,237,000**

1. Other Marketing Activities includes the following advertising activities not reported under safety campaigns – Yurika business ($349.5k) and Energex Residential Demand Management ($210k) and other marketing activities ($25k)

Community Investment Partnerships

Activity	2021/22 Budget	2021/22 Estimated Actuals	2022/23 Plan
Major & Multi-market Sponsorships over $5,000			
Community Fund	100,000	170,570	150,000
Queensland State Emergency Services	150,000	157,000	150,000
University Partnerships - QUT, UQ, API, Career Trackers	119,500	114,500	100,000
Queensland Rural Fire Service	75,000	85,000	75,000
Queensland Theatre Company	50,000	50,000	50,000
Local Government - LGAQ/LGMA	35,000	35,000	35,000
Queensland Ballet	-	-	30,000
Queensland Museum	-	20,000	20,000
JUTE Theatre	15,000	15,000	15,000
UNIQ You	-	16,500	16,500
BMD Northcliffe Surf Club	-	-	15,000
Orange Sky	-	15,000	15,000
Local Government - LGMA Queensland Awards for Excellence	-	5,000	5,000
RFDS Local Heroes Award	39,500	38,500	30,000
Carnival of Flowers	31,500	30,750	26,500
Ronald McDonald House	10,500	10,250	10,000
Unallocated Funds	628,500	210,400	399,500
Local Area Sponsorships under $5,000			
Local Community Support $10,000 per Area	170,000	170,000	170,000
Total Community Investment Partnerships	**1,424,500**	**1,143,470**	**1,312,500**

Corporate Entertainment

Activity	2021/22 Budget	2021/22 Estimated Actuals	2022/23 Plan
Ignite Awards	6,000	-	6,000
Other Entertainment below $5k	69,000	30,000	69,000
Total Corporate Entertainment	**75,000**	**30,000**	**75,000**

Other related activities

Activity	2021/22 Budget	2021/22 Estimated Actuals	2022/23 Plan
Other Related Activities - Memberships over $5,000			
Energy Charter	50,000	50,000	50,000
Energy Users Association of Australia	-	30,000	30,000
Thriving Communities Partnership	25,000	25,000	25,000
Townsville Enterprise	25,000	25,000	25,000
Capricorn Enterprise	22,000	22,000	22,000
Mt Isa to Townsville Economic Development Zone Inc	8,500	8,500	8,500
Committee for Economic Development of Australia (CEDA)	8,000	8,000	8,000
Toowoomba and Surat Basin Enterprise	5,000	5,000	5,000
Unallocated Funds	13,500	-	13,500
Total Other Related Activities	**157,000**	**173,500**	**187,000**

Attachment 2 – Employment and Industrial Relations Plan

Our vision at Energy Queensland is to energise Queensland communities and our Business Plan details the specific initiatives and outcomes towards achieving our vision. This includes the following key priorities of the business:

1. We will deliver value and reliable supply for our customers
2. We will increase customer and community trust
3. We will reduce costs and increase productivity
4. We will improve employee engagement and safety
5. We will make it easier to do work supported by new technology
6. We will pursue profitable growth opportunities

We believe that providing a great employee experience in the organisation translates into positives for our customers. The way we work and how we develop our people ensures that they are building the skills and capabilities needed to strive and thrive in roles that matter to deliver great outcomes for our customers and communities.

We are aligning our people around a shared vision, strengthening our culture and focusing on communities in which we operate. Energy Queensland has established three core strategic objectives to support the transformation of the network and services to meet the future energy needs of our customers. These objectives are:

- **The safety of our people, customers and communities is our first priority**. Safety and network asset integrity remain at the forefront of our activities. Our networks are extensive with 1.7 million poles, many of them over 50 years old. Due to this our asset failure rates are too high, and we have already increased the rate of replacement and repair of our assets.
- **System Security.** Our role is to ensure electricity can be reliably supplied to our customers. With the increase in renewable energy resources (particularly rooftop solar generation) we are seeing minimum loads impact the performance of our network. This presents significant risks and requires a concerted effort to find sustainable solutions.
- **Financial sustainability**. We need to do all we can to reduce indirect costs and deliver value for our business to improve our financial position. We will also proactively pursue opportunities to generate revenue and grow our business, particularly in Retail and Yurika.

Energy Queensland has a diverse portfolio and we are working to grow opportunities in the unregulated areas and skill our workforce for the future. We will continually look at ways of making the business more efficient while ensuring we provide sustainable, reliable and affordable energy solutions for our customers and communities.

Our people vision provides direction on how we will adapt and evolve to match the pace of our energy world, with and through our people; creating the workforce and culture needed to deliver success for our communities, customers and our business.

Safety and the well-being of our people, customer and communities is paramount and demonstrated through our behaviours and outcomes. Our people are at the heart of Energy Queensland, their experience at work makes it easy for them to strive, thrive and deliver for our customers and communities.

Our people are right-skilled to be ready for the evolving nature of work in a digital world. We leverage new technology and information to empower our people and our customers, and to be at the forefront in the energy market.

Our leaders connect and inspire our people to deliver. Our leaders create connection to the purpose of Energy Queensland for our people, inspiring others through their words and actions. We connect and collaborate to innovate, embracing the diversity of our people, customers and communities.

Collaboration is at the heart of how we engage with our people and deliver. We are agile and able to quickly adapt to the changing needs of customers.

2021/22 Remuneration for CEO and Senior Executives

The remuneration provided in the table below reflects CEO and Senior Executives at 1 July 2021.

CEO / Senior Executives	Base salary	Employer superannuation contributions[3]	Total remuneration (excluding performance pay)	Performance payment[4]	Total remuneration
Rod Duke Chief Executive Officer	$911,730	$23,568	$935,298	$0	$935,298
Peter Scott Executive General Manager Finance	$575,661	$23,568	$599,229	$0	$599,229
Paul Jordon Executive General Manager Operations	$524,562	$52,457	$577,019	$0	$577,019
Belinda Watton Executive General Manager Services	$491,745	$23,568	$515,313	$0	$515,313
Peter Price Executive General Manager Engineering	$519,495	$51,950	$571,445	$0	$571,445
Marianne Vosloo Executive General Manager Digital	$416,432	$23,568	$440,000	$0	$440,000
Ayesha Razzaq Executive General Manager Retail	$420,621	$23,568	$444,189	$0	$444,189
Carly Irving Executive General Manager Yurika	$420,621	$23,568	$444,189	$0	$444,189
Michael Dart Executive General Manager Customer	$376,920	$23,568	$400,488	$0	$400,488

[3] Peter Price and Paul Jordon are defined benefit superannuation members.

[4] No performance payments were paid for the 2020/2021 period as per Shareholding Minister direction on 16 July 2021.

Employment Conditions

As a 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

At 31 December 2021, Energy Queensland's full-time equivalent numbers (FTE) in each Employment Category are listed below:

Employment Category	Number of Employees
Permanent Employees	6,791.9
Fixed Term Employees[5]	146.2
Senior Executive Contract	9.0
Apprentices (In House)	381.0
Trainees (In House)	1.0
Casual Employees	28.0
Total Directly Employed Workforce	**7,357.1**
Total Workforce	**7,357.1**

5. Includes all fixed-term employees and Vacation Students.

As at 31 December 2021, Energy Queensland FTE 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	6,850.0
	• Energy Queensland Retail Union Collective Agreement 2020	303.0
	Total Enterprise Agreements	**7,153.0**
Contractual Arrangements*		
Energy Queensland	• Total Fixed Remuneration and Total Employment Cost	204.1
	Total Contractual Arrangements	**204.1**
	Total Number of Employees	**7,357.1**

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

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 GOC 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).

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 SCI and achievement of business and stretch targets.

Superannuation

Energy Queensland makes superannuation contributions on behalf of employees to the default Superannuation Fund operated by LGIA Super, other than those employed under an Individual Contract Agreement (ICA) who may elect choice (this includes previous Enterprise Agreement legacy arrangements that may have previously elected choice). Energy Queensland subsidiaries contribute the Superannuation Guarantee (SG) of 10% 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.

Energy Queensland subsidiaries also offer an increase of employer superannuation contribution to 11% if an EBA employee elects to make a minimum voluntary contribution of 5% from their salary. The SG rate is currently legislated to increase to 10.5% on 1 July 2022 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 31 December 2021, the number of people in each Superannuation Fund is as follows:

Type	Number of Employees
Energy Super Defined Contribution Fund	6,319
Energy Super Defined Benefit Fund	924
Other – own choice of fund	225
Total	**7,468**

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 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* (Cth). Auditing processes are undertaken where required.

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 six key business priorities: delivering value and reliable supply for our customers, increasing customer and community trust, reducing cost and increasing productivity, improving employee engagement and safety, making it easier to do work supported by technology and pursuing profitable growth opportunities. 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.

From 2021 onwards, the implementation of the People Strategy will continue to accelerate. The following initiatives are planned or underway:

- Prioritise implementation of the non-network asset utilisation strategy;
- Deliver on financial and operational targets to achieve sustainable business efficiencies;
- Improve the effectiveness and efficiency to deliver outstanding client experiences at benchmark cost;
- Improve and sustain employee engagement;
- Mature our people centred culture;
- Complete final set of SKILLED Leader workshops and continue learning groups;
- Continued coordinated delivery of our Health, Safety and Environment (HSE) strategy;
- Successfully enable organisational digital transformation and efficiency, in alignment with DEBBs program of delivery;
- Enable workforce efficiencies by outworking/leveraging digital technologies; and
- Develop the Energy Queensland Strategic Workforce Plan.

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.

We were able to rapidly facilitate remote working arrangements in line with Government direction. Workplaces have been modified to enable physical distancing and had increased cleaning and disinfection regimes. The field workforce was equipped with adapted work practices, additional resources and protective equipment to keep them safe. Vulnerable workers have been supported with alternative working arrangements or special leave where appropriate. Our strong focus on employee support and mental health continued throughout the pandemic response with Employee Assistance Program, the Mental Health Advocates, Mates-in-Energy and dedicated 'Leading through COVID-19' resources covering domestic and family violence, alcohol and substance abuse and self-care.

Whilst not mandated, employees have been supported and encouraged to get vaccinated to support the government targets for reopening Queensland.

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

The 2023 HSE Strategy covers the five focus areas Energy Queensland is working towards becoming a High Reliability Organisation (HRO) that sustains safe and reliable performance despite operating in a high risk and complex environment. An additional sixth area included to recognise Environment and Cultural Heritage (E&CH).

To achieve this action Energy Queensland will focus on:

People & Wellbeing:

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

Safety is Defence:

- Safety is Defence is the way we do things. Integrate language within all Energy Queensland operating groups and HSE activities. Focus on front line leadership.

Sensitivity to Operations:

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

Deference to Expertise:

- Focussed improvements in areas of high hazard areas to 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 (E&CH):

- Build on profile in targeted areas aligned with new E&CH Policy

Consultation

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

- Industry Unions;
- Shareholder & Structural Policy Division, Queensland Treasury;
- Office of Industrial Relations; 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 (2006). 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	2021-22 Approved WACC[1]	2022-23 Final WACC[2]
Vanilla WACC (Nominal)	**4.57%**	**4.50%**
Return on Debt (Kd) (Nominal Pre-tax)	4.49%	4.37%
Return on Equity (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%
Return on Equity (Ke) (Post-tax Nominal)	**4.69%**	**4.69%**
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.
2. WACC reflects the return on equity as approved in the AER Final Determination for 2020-21 to 2024-25 (Inclusive).

Capital asset pricing model

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

$Ke = Rf + \beta e \ x \ MRP$

Where: Ke = Required rate of return on equity

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

MRP = Market risk premium

βe = 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 Control Service Total Expenditure (SCS Totex)	Total expenditure relating to standard control services.
Non-Financial Measure	**Definition**
Significant Incident Frequency Rate (SIFR)	Significant Incident Frequency Rate (SIFR) captures: • 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 The KPI measure the rate of significant incidents per million hours worked in the reporting period.
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.
Employee Engagement	Measures employee engagement to the business.
Operational Delivery	The delivery measure provides a more holistic and comprehensive view of the Energex and Ergon Energy Network Program of Work, with the first-time inclusion of a work unit rate sub-measure to track productivity. It is comprised of Work Unit Rate; Projects on Time; Projects on Budget; and Program Delivery.
STPIS Energex / STPIS Ergon	The Service Target Performance Incentive Scheme (STPIS) is a reliability incentive scheme that rewards or penalises Energex and Ergon Energy Network based on unplanned outages. There are four elements to the STPIS reward/penalty calculation including a reliability component (CBD, UR, SR, LR SAIDI/SAIFI), a customer service component (telephone answering), incentive rates (for each reliability and customer service component), and forecast revenue cap. The calculation of the measure is based on: 1. Calculate the s-factor (%) for each reliability and customer service parameters (YTD/EoY Target – YTD/Predicted Performance) * Incentive Rate / 100 2. Sum the s-factors for all parameters 3. Sum s-factors * Forecast revenue cap 4. Reward / Penalty

Financial Measure	Definition
SAIDI and SAIFI	The AER sets reliability targets for both Energex and Ergon in its final determinations which cover SAIDI and SAIFI targets for the 5 year period. These account for the rolling 5-year average performance for the 2015-20 regulatory period. For both Energex and Ergon, the AER concluded: "*Since the STPIS only requires the performance targets to be modified by any reliability improvement planned for the next (2020–25) regulatory control period where it is expected to result in a material improvement in supply reliability, we propose to set Energex's performance targets based on average performance over the past five regulatory years without modification*." These targets have been adopted for each Network from 2022. For both organisations the AER also noted that weather impacts may negatively impacted reliability performance.