Energy Queensland Limited

Statement of Corporate Intent 2019/2020

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

The Honourable Cameron Dick MP
Treasurer and Minister for Infrastructure and Planning

The Honourable Dr Anthony Lynham MP
Minister for Natural Resources, Mines and Energy

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 2019/20.

This Statement of Corporate Intent is consistent with Energy Queensland Limited's 2019 to 2024 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 2019/20.

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

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

The Honourable Cameron Dick MP
Treasurer and Minister for Infrastructure and Planning

Date:

The Honourable Dr Anthony Lynham MP
Minister for Natural Resources, Mines and Energy

Date:

31 May 2019

Philip Garling
Chair Energy Queensland Limited

Date:

Key Performance Indicators

Table 1: Energy Queensland Limited's 2019/20 key financial and non-financial performance indicators

Key Result Areas	Measure	Full Year Target
Safety	TRIFR[1]	5% improvement
	LTIFR [1]	5% improvement
Financial	NPAT ($M)	506.9
	SCS TOTEX ($M)[2]	1,630.4
	ROCE	6.0%
Customer	Customer Index	6.7
People	Employee Engagement Results	69%
Operations	Minimum Service Standards (MSS)[3]	Achieve MSS
	PoW Delivery Index	>90%

1. Target to be established based on an improvement from 2018/19 end of year actuals.
2. The methodology for calculating SCS Totex from 2019/20 applies the new internal management cost allocation methodology (CAM) and associated accounting treatments which align with statutory and management accounting practices and diverges from the regulatory accounting treatment
3. Captures system average interruption duration index (SAIDI) and system average interruption frequency index (SAIFI) limits by feeder type (i.e. CBD, Urban, Rural (short and long))

Response to Shareholder Expectations

Shareholding Ministers set out their expectations for Energy Queensland Limited (Energy Queensland) through a number of priorities specified in the current Shareholder Mandate. Energy Queensland will continue to respond to shareholders' expectations within this Mandate whilst also engaging with Government in relation to expectations for the next Mandate. The following focus areas form the basis of Energy Queensland's strategic priorities:

- Deliver lower electricity prices for customers;
- Support delivery of 50% Renewables in Queensland by 2030;
- Progress digital transformation to deliver significant operational efficiencies and enhance the customer experience;
- Continuing focus on strengthening Retail business and growth of Energy Services and potential new opportunities to create regional job opportunities and deliver sustainable long-term value to shareholders, communities and customers;
- Achieve target financial returns including delivering the 2020-25 AER determination and manage long term strategic risks to prices, revenue, asset value and shareholder returns;
- Drive strategic workforce planning to enable growth and prepare for a digital future while maintaining a focus on the safety and engagement of Energy Queensland's workforce;
- Network transformation to ensure safety by design and to support customer energy needs and a low carbon future through increased connection of Distributed Energy Resources (DER) while maintaining reliability and power quality performance; and
- Proactively influence policy, regulatory and tariff reform to support affordability and deliver equitable outcomes for Queensland communities and customers.

As announced by the Queensland Government in the 2015/16 Mid-Year Fiscal and Economic Review (MYFER), the formation of Energy Queensland was expected to result in savings of approximately $562 million against the Government's forward estimates at that time. The forward estimates approximated the regulatory allowance over the period to 2019/20 ("Baseline"). Energy Queensland expects to exceed the target of $562 million cumulative savings net of implementation costs against the baseline as referenced in the Shareholder Mandate by approximately $148 million by the end of 2019/20.

Meeting the merger savings target has been a fundamental element of Energy Queensland's strategy that now lays the foundation for further savings through digital enablement and process alignment as committed to in the 2020-25 Australian Energy Regulator (AER) regulatory proposals. This in turn contributes to an offering that is valued by customers and considered appropriate by the AER.

In recognising that the whole business has a strategic orientation towards its Queensland-based communities and customers, and with energy affordability a key issue, Energy Queensland has committed to significant reductions to network prices and ongoing reductions in regulatory expenditure through the 2020-2025 Network Investment Proposal which was submitted to the AER on 31 January 2019. This will result in significant price reductions being delivered to customers and communities both now and into the longer term.

Energy Queensland plans to sustain the merger savings achieved to date throughout the next regulatory control period and build on these through digital transformation. The regulatory proposals submitted to the AER in January 2019 reflect the commitment to reduce indirect expenditure during the next regulatory control period. This will be achieved through ongoing business process improvement and is underpinned by a digital transformation of the business and network operations through the introduction of technology and a corporate approach to people and change. In addition to the merger savings expected for 2019/20, Energy Queensland has factored in further indirect expenditure reductions to establish a reduction glide-path into the next regulatory control period.

Key assumptions and risks

Key assumptions

The key assumptions underpinning Energy Queensland's estimated financial results for 2019/20 are in accordance with the GOC Act. Energy Queensland is anticipated to remain in a strong financial position supported by the underlying regulated asset base (RAB) and a regulatory regime underpinning revenue for 2019/20.

Net profit and consequently future dividends are expected to decrease compared with the 2018/19 budget in correlation with the marginal decrease in network revenue for 2019/20 (which is due to the approach to price smoothing across the current regulatory period and the unwinding of previous network regulatory revenue adjustments) and the reduction in retail revenue as outlined below.

Ergon Energy Queensland Pty Ltd (Retail) forecast an EBIT of approximately $230 million for 2019/20. Estimated retail sales were based on the draft determination regulated retail electricity prices for regional Queensland in 2019/20 as published by the Queensland Competition Authority (QCA) in February 2019 and expected load.

Based on the draft determination, the QCA has signalled a reduction of notified prices. Main residential tariffs (tariff 11) have reduced by 4.1 per cent, with business tariffs reducing further. Any further changes to notified prices from the final determination to be published by the QCA in May 2019 may result in material changes to current Retail profit estimates for 2019/20.

2019/20 is the final year of the Solar Bonus Jurisdictional Scheme grant agreement between Energy Queensland and the State. It has been assumed that any remaining grant revenue will be returned to the State from unearned revenue.

The financial forecasts are based on a set of economic and operational assumptions as shown below in Table 3.

Table 2: Key annual assumptions

Consolidated Group	2018/19 Estimated Actuals	2019/20 Plan
Effective Long Term Interest Rate	4.58%	4.52%
General Cost Escalation Factor	1.75%	2.25%
Corporate Tax Rate	30%	30%
Dividend Payout Ratio	100%	100%
Weighted Average Cost of Capital	6.01%	5.98%
Gearing Ratio Benchmark - Debt/RAB(SCS)	70%	70%

Key risks

The key risks facing Energy Queensland for 2019/20 include:

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. To mitigate these risks, 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 strives to meet legislative and due diligence obligations associated with safety of employees and contractors and implements systems and processes to systematically identify and manage activities that may cause injury, illness to employees or contractors.

Natural Catastrophe Events

Natural catastrophe events include damaging winds, floods, heatwaves and bushfires. These types of incidents are unpredictable by their very nature and pose a high risk to Energy Queensland's infrastructure as they can cause damage to network assets, loss of supply to communities and customers, loss of revenue, increased costs (insurance premiums, repairs, fines, backlog of programmed work), customer dissatisfaction and reputational damage.

Unforeseen changes in energy policy and regulatory environment

The continued rate of Federal and State policy and regulatory change introduces significant pressures on Energy Queensland to ensure readiness and compliance across multiple rule changes which may also impose significant financial implementation costs. Examples include the tightening of customer hardship policies, variations to expected revenue due to price changes as set by the QCA, five minute settlement, enhanced customer protection for life support, metering installation timeframes and compliance with reliability and renewable targets.

Digital Transformation

Energy Queensland is currently undertaking a digital transformation to become a utility of the future where our systems and data, and therefore Energy Queensland's people, are better connected. This digital transformation includes the implementation of a range of cloud-based, mobile-enabled tools and technology. Failure to successfully design, implement and embed new technology will impact Energy Queensland's ability to deliver on its strategic objectives and planned efficiency improvements.

Capital expenditure

Total capital expenditure

For 2019/20 Energy Queensland's total capital expenditure is forecast at $1,402 million. For the regulated distribution businesses, capital expenditure for 2019/20 is planned to be lower than the allowance set by the AER for the Energex and Ergon Energy distribution entities by $242 million.

Table 3: Statement of Capital Expenditure

Consolidated Group ($M)	2018/19 Estimated Actuals	2019/20 Plan[1]
Standard Control - Network		
Augmentation (Augex)	233.0	159.3
Replacement (Repex)	557.3	489.8
Connections	134.5	138.3
Total Standard Control - Network	**924.8**	**787.4**
Other Capital Expenditure		
Non-network	234.4	252.9
Alternative Control Services	144.0	161.3
Total Other Capital Expenditure	**378.3**	**414.2**
Unregulated	130.1	200.6
Total Capital Expenditure	**1,433.2**	**1,402.2**

[1] Network capital expenditure is reflective of reductions to capitalised overheads related to the adoption of the new cost allocation methodology (CAM) from 1 July 2019.

Large projects to be completed in 2019/20

The key projects for 2019/20 listed in the table below include all specific capital works projects with:

- A total escalated cost of $2 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 2019/20

Ergon/ Energex	Project Description	Commissioning Date [1]	Approved ($M)
EGX	Install 33kV Protection Scheme at Inala Substation	Oct-19	4.19
EGX	Replace transformer at Lota substation	Nov-19	4.33
EGX	Install 33kV single circuit feeder between Queensport and Bulimba	Dec-19	7.88
EGX	Replace transformers at Toolara Forest Substation	Dec-19	5.67
EGX	Install 33kV Protection Scheme at Enoggera Substation	Jan-20	3.52
EGX	Replace transformer at Lawnton Substation	Jan-20	3.50
EGX	Replace Circuit Breakers at Roderick Street Substation	Feb-20	3.65
EGX	Install 33kV Protection Scheme at Kenmore Substation	Mar-20	4.54
EGX	Replace 33kV Feeder between Sandgate and Brighton	Mar-20	2.54
EE	Replace 66kV Circuit Breakers at Proserpine Substation	Oct-19	3.63
EE	Install 66kV bay at Garbutt Substation	Nov-19	3.17
EE	Transformer Monitoring	Feb-20	2.80
EE	Replace aged Telecommunications VHF Network	Feb-20	2.69

[1] Commissioning Date is inclusive of 3 month window

Investment Thresholds

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:
  - Retail and isolated systems investments, where approval will be sought for investments above $10 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.

In relation to Building Queensland:

- Projects greater than $50 million require a business case to be submitted to Building Queensland for review; and
- Projects greater than $100 million require Building Queensland to lead the business case.

Capital structure

Energy Queensland's dividend policy complies with the GOC Act and the *Corporations Act 2001* (Cth). The Board targets a long term capital structure of 70% debt to the SCS RAB. Energy Queensland's dividend 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 consolidated profit. The Board adopts such a policy on the basis of 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. Energy Queensland is committed to maintaining a stand-alone credit rating for the merged business of at least BBB.

Community Service Obligation (CSO)

The CSO is subject to many variables and thus the forecast is subject to a high number of assumptions. Estimated network charges are based on the AER Determination and related adjustments and are subject to revision pending updated information such as approval of revenue and tariffs (including pass-throughs and other adjustments). The expected volume of energy sales is estimated taking into account current sales volumes, historical churn, expected weather conditions and the expected level of solar photovoltaic (PV) uptake. The expected revenue from sales is developed based on latest available rates set by the QCA. Changes in any of these assumptions would impact the CSO outcomes. Energy Queensland continues to work with Queensland Government representatives to develop strategies which could reduce the CSO over time.

Financial statements

Statement of Profit and Loss

Table 5: Statement of Profit and Loss

Consolidated Group ($M)	2018/19 Estimated Actuals	2019/20 Plan
Operating Revenue		
Distribution Use of System (DUoS) Revenue	2,719.1	2,656.0
Transmission Use of System (TUoS) Revenue	563.4	578.4
Retail Revenue (excluding network charges)	866.9	788.2
Other SCS Revenue	246.1	255.0
ACS Revenue	309.7	311.5
Unregulated Revenue	250.1	270.2
Interest Received	11.1	3.8
Other Revenue	6.3	5.0
Total Operating Revenue	**4,972.7**	**4,868.0**
Direct Operating Expenditure		
TUoS Expenditure	568.4	574.4
Energy Purchases	777.0	681.5
Solar PV Feed In Tariff	286.9	270.6
CSO Expense offset	(461.8)	(498.1)
SCS Program of Work	601.5	543.9
ACS Program of Work (including unfunded)	159.3	162.3
Unregulated Expenditure	222.2	246.8
Other Direct Expenditure	93.7	96.5
Total Direct Operating Expenditure	**2,247.2**	**2,077.9**
Indirect, Depreciation & Amortisation		
Indirect Expenditure (excl Restructure)	791.4	717.7
Corporate Restructuring Costs	30.6	34.3
Depreciation & Amortisation	945.9	988.7
Overhead Allocation	(648.8)	(445.1)
Realised Earnings Before Interest & Tax	**1,606.4**	**1,494.4**
Mark to Market (MTM) Loss/(Gain)	0.0	0.0
Earnings Before Interest & Tax (EBIT)	**1,606.4**	**1,494.4**
Borrowing Costs	755.8	770.2
Income Tax Expense	257.8	217.3
Net Profit After Tax (NPAT)	**592.7**	**506.9**

Statement of Financial Position

Table 6: Statement of Financial Position

Consolidated Group ($M)	2018/19 Estimated Actuals	2019/20 Plan
Cash Assets	10.0	8.0
Current Receivables	938.5	826.5
GOC Cash Management Facility	120.3	131.5
Inventories	177.4	181.4
Current Assets Held for Sale	12.4	0.0
Financial Assets	64.9	64.9
Other Current Assets	35.8	29.1
TOTAL CURRENT ASSETS	**1,359.4**	**1,241.4**
Non-Current Receivables	0.5	0.3
Property, Plant and Equipment	24,175.9	25,233.9
Intangible Assets	334.1	380.9
Other Non Current Assets	298.2	297.8
TOTAL NON-CURRENT ASSETS	**24,808.7**	**25,912.9**
TOTAL ASSETS	**26,168.1**	**27,154.3**
Current Payables	1,203.3	966.8
Current Interest Bearing Liabilities	14.8	14.8
Current Provisions	231.3	315.9
Current Financial Liabilities	8.1	8.1
Other Current Liabilities	370.6	192.2
TOTAL CURRENT LIABILITIES	**1,828.0**	**1,497.8**
Non Current Interest Bearing Liabilities	16,730.0	17,363.3
Net Deferred Tax Liabilities	3,624.5	3,711.4
Non Current Provisions	30.3	31.6
Other Non Current Liabilities	37.1	268.6
TOTAL NON-CURRENT LIABILITIES	**20,421.8**	**21,374.8**
TOTAL LIABILITIES	**22,249.9**	**22,872.6**
NET ASSETS	**3,918.2**	**4,281.7**
Contributed Equity	1,009.7	1,009.7
Reserves	2,685.0	3,048.6
Retained Earnings	223.5	223.5
TOTAL SHAREHOLDER'S EQUITY	**3,918.2**	**4,281.7**

Statement of Cash Flows

Table 7: Statement of Cash Flows

Consolidated Group ($M)	2018/19 Estimated Actuals	2019/20 Plan
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	4,566.4	4,600.5
Payments to Suppliers and Employees	(2,851.9)	(2,888.0)
Community Service Obligations	464.0	494.3
Borrowing Costs	(749.2)	(776.4)
Income Tax Equivalent Received / (Paid)	(307.6)	(209.4)
NET CASH PROVIDED BY/ (USED IN) OPERATING ACTIVITIES	**1,121.7**	**1,221.1**
CASH FLOWS FROM INVESTING ACTIVITIES		
Withdraws / (advances) to QTC Investment	517.8	(11.2)
Payments for property, plant and equipment	(1,346.3)	(1,281.1)
Proceeds from sale of property, plant and equipment	7.6	24.7
Interest received	11.1	3.8
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES	**(809.9)**	**(1,263.8)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds / (Repayment) from Borrowings	480.0	633.3
Net Repayable Deposits	(0.2)	0.2
Dividends Paid	(808.9)	(592.7)
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES	**(329.1)**	**40.7**
Cash at the Beginning of the Financial Period	27.3	10.0
Net Increase/ (Decrease) in Cash Held	(17.3)	(2.0)
CASH AT THE END OF THE FINANCIAL PERIOD	**10.0**	**8.0**

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 - Sponsorship, advertising, corporate entertainment, donations and other activities

Summary of Advertising, Community Support, Corporate Entertainment, Donations and Other Related Activities

Activity	2018-19 Estimated Actuals ($)	2019-20 Budget
Advertising (And Other Marketing Channels)	4,362,900	4,479,500
Community Support - Partnership Programmes	1,242,600	1,430,000
Corporate Entertainment	111,504	109,000
Other Related Activities	155,400	147,500
TOTAL	**5,872,404**	**6,166,000**

Advertising

Activity	2018-19 Estimated Actuals ($)	2019-20 Budget
Distribution over $5,000		
Community and High Risk Safety Campaigns	2,800,000	2,750,000
General Customer Engagement	-	-
Other Marketing Activities[1]	297,141	605,000
Retail over $5,000		
General Customer Engagement – Retail	378,500	302,000
Product and Services Marketing	672,759	622,000
Leveraging the Community Partnership Program - Retail	214,500	200,500
TOTAL ADVERTISING	**4,362,900**	**4,479,500**

[1] Other Marketing Activities includes the following advertising activities not reported under safety campaigns – Energex Residential Demand Mgt ($242k), Nexium Telecommunications activities ($318k) and other safety activities outside campaigns ($45k). Yurika business, marketing and related expenditure is also included in Other Marketing Activities as Yurika expenditure is unconfirmed whilst product development continues. Any Yurika specific expenditure will be provided through regular reporting.

Corporate and Community Support

Activity	2018-19 Estimated Actuals ($)	2019-20 Budget
Corporate & Statewide Sponsorships over $5,000		
Community Fund[2]	166,100	100,000
Queensland Museum	150,000	150,000
Queensland State Emergency Services	150,000	150,000
University Partnerships - QUT, UQ, API	80,000	100,000
Queensland Rural Fire Service	75,000	75,000
Queensland Ballet	50,000	50,000
Queensland Theatre Company	50,000	50,000
Local Government - LGAQ/LGMA	35,000	35,000
Carnival of Flowers	20,000	25,000
Lord Mayor Business Awards	13,500	13,500
Dream Big Project	5,000	6,000
Unallocated Funds[3]	133,000	362,000
Retail over $5,000		
QUT Business Leaders Forum	30,000	30,000
RFDS Local Heroes Award	30,000	37,500
Unallocated funds[2]	25,000	76,000
Distribution under $5,000		
Local Community Support[3]	230,000	170,000
TOTAL COMMUNITY SUPPORT	**1,242,600**	**1,430,000**

[3] EQL has a portfolio of companies and we are reviewing each entity's community support marketing activities. The 2019/20 Budget comprises total Corporate spend.

Corporate Entertainment

Activity	2018-19 Estimated Actuals ($)	2019-20 Budget
Other Entertainment below $5k	111,504	109,000
TOTAL CORPORATE ENTERTAINMENT	**111,504**	**109,000**

Other related activities

Activity	2018-19 Estimated Actuals ($)	2019-20 Budget
Other Related Activities - Memberships over $5,000		
Thriving Communities Partnership	25,000	25,000
Energy Charter	50,000	50,000
Townsville Enterprise	35,000	35,000
Capricorn Enterprise	20,000	22,000
Mt Isa to Townsville Economic Development Zone Inc	8,400	8,500
Urban Development Inst of Australia (UDIA)	10,000	10,000
CEDA Corporate Membership	7,000	7,000
TOTAL OTHER RELATED ACTIVITIES	**155,400**	**147,500**

Attachment 2 – Employment and Industrial Relations Plan

Our vision at Energy Queensland is to energise Queensland communities. To achieve this we need to collectively add value to our communities and customers in a rapidly shifting and changing energy market.

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.

To create a people-centred transformation of Energy Queensland our organisation culture reflects our SKILLED values in action – Safety, Knowledgeable, Innovative, Leading, Listening, Engaged and Diverse.

Safety and 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 customer.

2018/19 Remuneration for CEO and Senior Executives

The remuneration provided in the table below reflects CEO and Senior Executives at 1 July 2018.

CEO / Senior Executives	Base salary	Employer superannuation contributions	Total remuneration (excluding performance pay)	Performance payment	Total remuneration
David Smales **Chief Executive Officer**	$870,429	$20,532	$890,961	$114,474	$1,005,435
Peter Scott **Chief Financial Officer**	$530,058	$20,532	$550,590	$75,725	$626,315
Paul Jordon **Executive General Manager Distribution**	$481,453	$48,729	$530,182	$70,236	$600,418
Belinda Watton **Chief Transformation Officer**	$452,953	$20,532	$473,485	$54,808	$528,293
Peter Price **Head of Corporate Strategy and Executive General Manager Asset Safety and Performance**	$467,633	$47,330	$514,963	$66,574	$581,537
Cheryl Hopkins **Executive General Manager Retail and Chief Risk Officer**	$462,854	$20,532	$483,386	$59,082	$542,468
Charles Rattray **Executive General Manager Energy Services**	$420,263	$20,532	$440,795	$55,035	$495,830

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 2017; and
- Energy Queensland Retail Union Collective Agreement 2017.

Collective bargaining with industry unions will continue to be the preferred means of industrial regulation of enterprise agreements (consistent with Government GOC 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 2018, Energy Queensland Full time equivalent numbers (FTE) in each Employment Category are listed below:

Employment Category	Number of Employees
Permanent Employees	6,487.3
Fixed Term Employees[1]	159.2
Senior Executive Contract	7.0
Apprentices (In House)	436.7
Trainees (In House)	10.0
Casual Employees	42.0
Total Directly Employed Workforce	**7,142.2**
Total Workforce	**7,142.2**

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

As at 31 December 2018, Energy Queensland subsidiary 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 2017	6,565.9
	• Energy Queensland Retail Union Collective Agreement 2017	337.0
	Total Enterprise Agreements	**6,902.9**
Contractual Arrangements*		
Energy Queensland	• TFR and TEC	239.3
	Total Contractual Arrangements	**239.3**
	Total Number of Employees	**7,142.2**

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

Enterprise Agreements

The Energy Queensland Union Collective Agreement 2017 (EQ UCA 2017) and the Energy Queensland Retail Union Collective Agreement 2017 (EQ RUCA 2017) were operative from 25 December 2017 and will operate until 1 March 2021, 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% per annum pay increases;
- 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 2017).

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 Energy 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 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.

Energy Queensland subsidiaries also offer an increase of employer superannuation contribution to 10.5% 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% 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 31 December 2018, the number of people in each Superannuation Fund is as follows:

Type	Number of Employees
Energy Super Defined Contribution Fund	5,840
Energy Super Defined Benefit Fund	1,144
Other – own choice of fund	275
Total	**7,259**

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.

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.

Our 2020 Health, Safety and Environment (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.

To achieve this action Energy Queensland will focus on:

People & Wellbeing

- Focus on all aspects of our wellbeing through the deployment of an integrated Health and Wellness Strategy;
- Remove the stigma of mental health through the deployment of the Mates in Energy and Mental Health for Leaders Program;
- Build the competencies that our people need to support safe operations through the SKILLED values Leadership Program; and
- Partner with the community to reduce community incidents through improved asset integrity and community awareness, especially in high risk industries.

Safety is Defence

- Strengthen front line coaching competency and local ownership of safety through the deployment of Safety is Defence (SiD);
- Increase involvement of the workforce in HSE process improvements through key projects including the site hazard management review project; and
- Review the impact our asset management process has on our workforce and community through the development of an Asset Integrity Management Plan.

Sensitivity to Operations

- Maximise new technologies to support improved communications and front line operational outcomes;
- Build a simple and flexible Energy Queensland HSE Management System that supports Operations; and
- Ensure our field leaders have time to apply their SiD coaching skills and support their teams through the Distribution Programming, Scheduling & Supervision (PSS) Project.

Deference to Expertise

- Create simple Works Practices by involving the people who do the work. Review and remove operational paperwork that doesn't add value;
- Ensure our frontline distribution workforce have the right capabilities for a low paperwork environment by reviewing how training and competency is delivered and maintained, and
- Increase our knowledge in sustainable service provision through our Environment and Cultural Heritage Plan.

Continuous Learning

- Foster trust through open and transparent learning from investigations and audits, which do not result in increased complexity in our processes;
- Translate data into information and insights that enable the best decisions to be made; and
- Ensure we understand our inherent exposure to risk in the work we do and assess all available options.

Consultation

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

WACC Calculations	2015-20 Regulatory control period - Final Determination[1]	2018-19 Regulatory WACC[2]	2019-20 Regulatory WACC[2]
Vanilla WACC (Nominal)	**6.01%**	**6.01%**	**5.98%**
Return on Debt (Kd) (Nominal Pre-tax)	5.01%	5.02%	4.97%
Return on Equity (Post-tax Nominal)			
- Risk Free Rate	2.96%	2.96%	2.96%
- Market Risk Premium	6.50%	6.50%	6.50%
- Equity Beta	70%	70%	70%
- Gamma	40%	40%	40%
Return on Equity (Ke) (Post-tax Nominal)	**7.50%**	**7.50%**	**7.50%**
Effective Tax Rate (T)	**30%**	**30%**	**30%**
Benchmark Capital Structure			
- Proportion of Equity Funding	40%	40%	40%
- Proportion of Debt Funding	60%	60%	60%

1. WACC is based on the AER Final Determination.
2. WACC reflects the return on equity as allowed in the AER Final Determination, updated for the annual return on debt as prescribed by the AER for 2018-19 and 2019-20.

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
NPAT	Provides a measure of Energy Queensland's profitability after debt servicing costs an income tax.
SCS TOTEX	Total expenditure relating to standard control services
ROCE	Measures return on capital employed
Non-Financial Measure	**Definition**
TRIFR	Rate of recordable injuries and illnesses per million hours worked in the reporting period.
LTIFR	Rate of lost time injuries and illnesses per million hours worked in the reporting period.
Customer Index	Customer Index measures the customer experience being delivered across the portfolio of Energy Queensland businesses. The aim of the CI metric is to provide the business with a tool to accurately track performance and in doing so provides in-depth data and customer rich insights to specific touchpoints. These insights enable the business to understand customer touchpoints and develop improvements to the customer experience.
Employee Engagement Results	Measures employee engagement to the business
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) an b) system average interruption frequency index (SAIFI) limits by feeder type (i.e. CBD, Urban, Rural)
PoW Delivery Index	PoW Delivery Index consolidates the results of the following measures: • CAPEX project designs completed to program; • CAPEX projects commissioned to program; • CAPEX planned physicals to program; • OPEX planned physicals to program; • Customer projects on time; and • Customer initiated service orders on time.