Energy Queensland Limited

Statement of Corporate Intent 2020/2021

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

The Honourable Cameron Dick MP
Treasurer and Minister for Investment

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

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

Performance Agreement

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

In accordance with Chapter 1, Part 3, Section 7 of the GOC Act, the Statement of Corporate Intent represents a formal performance agreement between the Board of Energy Queensland Limited and its shareholding Ministers, with respect to the financial and non-financial performance targets specified for the financial year. The Statement of Corporate Intent represents agreement to the major activities, objectives, policies, investments and borrowings of Energy Queensland Limited for 2020/21.

This Statement of Corporate Intent is consistent with Energy Queensland Limited's 2020 to 2025 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 2020/21.

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 Investment

28 June 2021
Date:

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

2/6/21
Date:

Philip Garling
Chair Energy Queensland Limited

31 August 2020
Date:

Key Performance Indicators

Table 1: Energy Queensland Limited's 2020/21 key financial and non-financial performance indicators

Key Result Area	Measure	*2019/20 Actual*	2020/21 Plan
Safety	TRIFR	*7.2*[1]	*6.8*[2]
	LTIFR	*2.1*[1]	*2.0*[2]
Financial	NPAT ($M)	*482.8*	97.1
	SCS TOTEX ($M)[3]	*1,915.2*	1,878.4
	ROCE	*5.8%*	3.4%
Customer	Customer Index	*7.1*	6.8
People	Employee Engagement Results	*73%*	72.4%
Operations	Minimum Service Standards (MSS)[4]	*83.3%*	100%
	PoW Delivery Index	*86%*	>90%

1. Safety actuals and targets updated based on updated actual manhours worked. The actual manhours worked are approximately 9% higher than previously recorded. Hence both actual safety performance and targets have improved accordingly.

2. Target based on an improvement of 5% from 2019/20 end of year actuals.

3. The methodology for calculating SCS Totex applies accounting treatments which align with statutory and management accounting practices which diverge from the regulatory accounting treatment and classifications

4. Captures system average interruption duration index (SAIDI) and system average interruption frequency index (SAIFI) limits by feeder type (CBD, Urban, Short Rural and Long Rural). Exceedance may happen as result of prolonged outages. All reasonable endeavours should be used to ensure that MSS not exceed EOY targets set in our Distribution Authorities. Refer to additional commentary in Section 3.3.2 on Page 17 of the Corporate Plan.

Response to Shareholder Expectations

Shareholding Ministers typically set out their expectations for Energy Queensland Limited (Energy Queensland) through a Shareholder Mandate. Although the current mandate expired on 30 June 2020, Energy Queensland continues to engage with Government to ensure emerging challenges and opportunities are explored and will form a basis for the expectations as set out in the next Mandate.

Although the future financial impact of the COVID-19 outbreak remains uncertain, Energy Queensland is committed to continuing to protect the health, safety and wellbeing of the community and our people whilst continuing to deliver a reliable electricity supply across Queensland.

Following significant effort over several years from teams across Energy Queensland, in early June 2020, the Australian Energy Regulator (AER) released its final determinations on the proposals submitted by Energex and Ergon Energy for the 2020/2025 regulatory period. The AER appreciated our frank engagement and acknowledged the genuine efforts to address all requested information.

Overall, the determinations represent a material reduction in the funding sought for Energy Queensland's distribution businesses and have resulted in the review and reprioritisation of our extensive program of work to ensure the ongoing safety, reliability and affordability of our electricity distribution networks. The final determinations, which have been developed after extensive engagement with our customers, are underpinned by the following key principles:

- Safety first – the safety of our people, customers and communities will always remain our top priority;
- More affordable electricity – ensuring we collaborate with our customers to deliver better outcomes around affordability, simplicity, choice and predictability while also embracing new technologies;
- A secure supply – ensuring we are equipped to respond to the severe weather events across Queensland; and
- A sustainable future – ensuring we are able to innovate and transform to a smart network to achieve greater efficiencies for the community overall.

Through the AER's final decisions, Energy Queensland will deliver a reduction in distribution network charges to residential and small business customers. Energy Queensland has committed to ongoing reductions in regulatory expenditure.

In addition, Energy Queensland will continue to support its retailing and energy services businesses to grow and pursue commercial business opportunities for customer benefit, regional economies and to reduce portfolio risk.

In summary, the following business priorities underpin Energy Queensland's focus for 2020/21:

- Deliver value, and a reliable supply for our customers;
- Increase customer and community trust;
- Reduce costs and increase productivity;
- Improve employee engagement and safety;
- Make it easier to do work, supported by new technology; and
- Pursue profitable growth opportunities.

Key assumptions and risks

Key assumptions

2020/21 represents a transitional phase for Energy Queensland into the next regulatory control period for its network businesses and progressing towards sustainable growth within its commercial portfolios. The next regulatory period will be characterised by a lower allowed regulatory rate of return and an expectation of ongoing reductions in regulatory expenditure.

The financial outlook reflected in the SCI represents the network revenue outcomes of the final regulatory determination published by the AER in June 2020. Strategic planning to formulate the most appropriate long-term response and optimisation of planned expenditure through the remaining years of the regulatory control period is underway to ensure our commitment to safety and sustainability is addressed.

Our financial projections continue to include efficiency ambitions and ongoing reductions in both direct and indirect expenditure as committed to customers. Energy Queensland operates in a constrained policy environment and the challenge to achieve these committed reductions remains significant.

Net profit and future dividends are expected to decrease significantly compared with 2019/20 results. This decline is as a result of the reduction in network revenue as reflected in the final regulatory determination and other factors, such as declining forecast in Ergon Retail customer load profiles and fluctuating wholesale markets. The future financial impact of the COVID-19 outbreak remains uncertain. Potential financial impacts include those associated with deteriorating economic conditions such as higher levels of unrecoverable debt and lower levels of uptake of discretionary electricity related services.

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

Table 2: Key annual assumptions

Consolidated Group ($M)	2020/21 Plan
Average interest rate	3.99%
General cost escalation factor[1]	2.37%
Corporate tax rate	30%
Dividend payout ratio[2]	100%
Weighted Average Cost of Capital [3]	4.73%

1. General cost escalation is applied to costs excluding labour and contractors
2. Dividends are calculated based on 100% of NPAT less non-cash items, such as (but not necessarily limited to) gifted assets, asset impairments and mark-to-market movements.
3. WACC is set per AER final determination to determine regulated revenue.

Key Current and Emerging Risks

The key current and emerging risks facing Energy Queensland for 2020/21 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. 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. As outlined in the Ergon Energy AER Revised Regulatory proposal, Energy Queensland is planning to invest in 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.

Epidemic, Pandemic and Viral Outbreak Event

With the current COVID-19 virus outbreak in Australia (and globally), Energy Queensland is working with Federal and State Government agencies to understand the fast changing and emerging risk to Energy Queensland's employees and business operations and to its customers and the communities in which it operates and interacts. The nature and scope of potential business impacts are being reviewed and updated as the risk position changes. Potential business continuity impacts include, for example, health and wellbeing consequences for employees, additional pressures on employee and contractor resourcing requirements to support the network, retail and energy services' business activities, supply chain interruption (depending on the length and size of the event) and travel restrictions. Energy Queensland is focusing on ensuring that it has appropriate processes in place to protect employees when undertaking their work in various scenarios (where the virus infects the broader community) to ensure the safe, compliant and reliable supply of electricity to customers and the community.

Climate Resilience and Natural Catastrophe Events

The global climate continues to change in ways that affect the planning and day to day operations of businesses including Energy Queensland. The manifestations of climate change include higher temperatures, altered rainfall patterns, and more frequent or intense extreme events such as heatwaves, drought, bushfires, storms and cyclones. These types of events are unpredictable by their very nature and pose a high risk to Energy Queensland's infrastructure and business operations 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.

These risks arise from 'normal' day-to-day, seasonal, and year-to-year variability in climate as well as regional climate differences. Energy Queensland has practices and strategies in place to deal with this routine climate variability. However, climate variability will continue to raise challenges and risks that must be managed. When managing climate variability in the future, Energy Queensland cannot simply rely on the assumption that the prevailing climate will be the same as it has been in the past.

Energy Queensland considers the impact of climate change and Energy Queensland's ability to respond to climate change and associated environmental pressures as part of its overall strategy. Accordingly, Energy Queensland has adopted a low carbon emissions approach to its business operations including the examination of how Energy Queensland can reduce its impact on the environment.

Unforeseen changes in energy policy and regulatory environment

The volume and speed of change introduced as a result of Federal and State policy positions and amendments to the legal and regulatory compliance requirements imposed on Energy Queensland causes significant financial cost and implementation pressures on Energy Queensland to ensure readiness and compliance. Examples include the variations to expected revenue due to price changes as set by the Queensland Competition Authority (QCA), five minute and global settlement, ring-fencing compliance, 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 2020/21, Energy Queensland's total capital expenditure is forecast at $1,539 million. For the regulated distribution businesses, capital expenditure on their respective networks for 2020/21 is reflective of the revised regulatory proposal submitted to the AER. Refinements to planned expenditure will continue to be made in future submissions as planned spend is optimised through the remaining years of the regulatory control period.

Table 3: Statement of Capital Expenditure

Total Capital Expenditure Consolidated Group ($M)	2019/20 Actuals	2020/21 Plan
Augmentation (Augex)	157.4	167.5
Replacement (Repex)	660.4	573.5
Connections	131.4	133.6
Total Network Expenditure	**949.2**	**874.6**
Fleet	80.2	62.1
Property	87.5	68.8
Tools and Equipment	11.5	7.2
ICT	183.7	238.6
Total Non-Network Expenditure	**362.9**	**376.7**
Alternative Control Services	157.1	139.3
Unregulated	128.5	149.0
Total Other Capital Expenditure	**285.6**	**288.2**
Total Capital Expenditure	**1,597.8**	**1,539.6**

Large projects to be completed in 2020/21

The key projects for 2020/21 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 2020/21

Ergon/ Energex	Project Description	Commissioning Date [1]	Approved ($M)
EGX	Establish 132kV Double Circuit between Palmwoods and West Maroochydore	Jul-20	106.7
EGX	Ann St Substation - Upgrade Sub Fire Protection	Dec-20	2.4
EGX	Lomandra Drive - 33/11kV Zone Substation	Feb-21	5.8
EGX	Clayfield Replace 33kV Transformer 1 & Transformer 2	Mar-21	10.9
EGX	Alexandra Headland - Replace Aged Relay & 11kV Backup Protection	May-21	2.8
EE	West Dalby Substation Augmentation	Dec-20	3.7
EE	Pirrinuan – Replace Transformer 2	Dec-20	2.8
EE	MIST - Micro Grid & Isolated System Test Facility	Feb-21	4.5

[1] Commissioning Date is inclusive of a 3-month window

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 2020/21, 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). 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 the cash component of Energy Queensland's consolidated profit. The Board adopts such a 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. Energy Queensland is committed to maintaining a stand-alone credit rating of at least BBB.

Community Service Obligation

A new Community Service Obligation (CSO) deed has been executed with a commencement date of 1 July 2020 with a one-year term. The new CSO deed includes reopener clauses to ensure material unexpected variances to forecasts can be considered by either party. Discussions will shortly commence with the Department of Energy and Public Works on whether the CSO deed should be reopened based on the August 2020 forecast of the 2020/21 CSO amount or for other permitted reasons. The CSO is subject to many variables and thus the forecast estimates are subject to several assumptions.

Estimated network charges for the one-year Deed are based on the revised regulatory proposals. They are subject to revision pending annual approval by the AER of network prices, and any pass-throughs and other revenue adjustments. The expected volume of energy sales is estimated considering forecast customer numbers, current sales volumes, expected weather conditions and the expected uptake of Distributed Energy Resources (DER). Changes in any of these variables would also impact the CSO outcomes.

Table 5: Community service obligation (CSO) forecasts

Consolidated Group ($M)	2019/20 Actuals	2020/21 Plan
NEM CSO[1]	335.5	348.9
ACS Metering CSO	15.6	15.6
Mt Isa CSO	21.5	23.5
Isolated CSO	67.6	66.0
CSO Over Recovery[2]	57.9	1.1
Total Energy Queensland CSO[3]	**498.1**	**455.1**

[1] NEM CSO includes NEM CSO, ACS Streetlighting CSO and Retail handbacks.

[2] The CSO over recovery represents the difference between the latest estimate of the 2020/21 CSO and the fixed amount in the 2020/21 CSO deed.

[3] The CSO total is less the drought relief scheme which is now the subject of a separate deed.

Financial statements

Statement of Profit and Loss

Table 6: Statement of Profit and Loss

Consolidated Group ($M)	2019/20 Actuals	2020/21 Plan
Operating Revenue		
Distribution Use of System (DUoS) Revenue	2,680.3	2,609.8
Transmission Use of System (TUoS) Revenue	571.9	581.7
Retail Revenue (excluding network charges)	737.3	621.4
Other SCS Revenue	251.9	10.6
ACS Revenue	393.2	339.3
Unregulated Revenue	228.8	227.4
Interest Received	4.0	0.9
Other Revenue	6.4	5.3
Total Operating Revenue	**4,873.8**	**4,396.3**
TUoS Expenditure	570.7	584.2
Energy Purchases	685.9	620.7
Solar PV Feed In Tariff	277.5	276.3
CSO Expense offset	(498.1)	(455.1)
SCS Program of Work	578.6	575.6
ACS Program of Work (including unfunded)	161.0	205.6
Unregulated Expenditure	246.6	219.2
Other Direct Expenditure	54.7	153.6
Total Direct Operating Expenditure	**2,076.8**	**2,180.1**
Indirect Expenditure (excl Restructure)	825.8	783.6
Corporate Restructuring Costs	14.7	21.2
Depreciation & Amortisation	979.2	1,015.0
Overhead Allocation	(454.9)	(453.3)
Realised Earnings Before Interest & Tax	**1,432.2**	**849.8**
Mark to Market (MTM) Loss/(Gain)	28.1	0.0
Earnings Before Interest & Tax (EBIT)	**1,404.1**	**849.8**
Borrowing Costs	713.7	711.1
Income Tax Expense	207.6	41.6
Net Profit After Tax (NPAT)	**482.8**	**97.1**

1. Solar Feed In Tariff previously reimbursed by shareholder assumed to revert to Distribution Revenue pass-through with associated recovery from customers and thus reclassified to DUoS revenue.

2. Reduction in Operating Revenue reflective of lower Network and Retail revenues as outlined under "Key Assumptions" section above.

3. Other direct expenditure for 2020/21 reflects increased costs associated with potential financial implications from COVID-19.

Statement of Financial Position

Table 7: Statement of Financial Position

Consolidated Group ($M)	2019/20 Actuals	2020/21 Plan
Cash Assets	21.5	8.0
Current Receivables	692.4	555.5
GOC Cash Management Facility	9.4	13.7
Inventories	185.6	186.6
Current Assets Held for Sale	14.2	18.4
Financial Assets	2.6	2.5
Other Current Assets	47.4	31.9
TOTAL CURRENT ASSETS	**973.0**	**816.7**
Non-Current Receivables	0.4	0.5
Property, Plant and Equipment	24,458.2	25,336.3
Intangible Assets	477.4	595.8
Other Non-Current Assets	133.4	122.4
TOTAL NON-CURRENT ASSETS	**25,069.6**	**26,055.0**
TOTAL ASSETS	**26,042.6**	**26,871.7**
Current Payables	964.5	478.7
Current Interest-Bearing Liabilities	12.4	380.4
Current Provisions	369.2	138.3
Current Financial Liabilities	226.8	233.0
Other Current Liabilities	173.2	123.0
TOTAL CURRENT LIABILITIES	**1,746.0**	**1,353.4**
Non-Current Interest-Bearing Liabilities	17,343.3	17,934.4
Net Deferred Tax Liabilities	3,291.0	3,492.8
Non-Current Provisions	22.0	24.1
Other Non-Current Liabilities	289.8	289.3
TOTAL NON-CURRENT LIABILITIES	**20,946.0**	**21,740.6**
TOTAL LIABILITIES	**22,692.1**	**23,094.0**
NET ASSETS	**3,350.5**	**3,777.7**
Contributed Equity	1,009.7	1,009.7
Reserves	2,176.6	2,567.6
Retained Earnings	164.2	200.3
TOTAL SHAREHOLDER'S EQUITY	**3,350.5**	**3,777.7**

Statement of Cash Flows

Table 8: **Statement of Cash Flows**

Consolidated Group ($M)	2019/20 Actuals	2020/21 Plan
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	4,408.0	4,225.9
Payments to Suppliers and Employees	(2,747.3)	(2,857.3)
Community Service Obligations	494.3	479.6
Borrowing Costs	(731.8)	(708.7)
Income Tax Equivalent Received / (Paid)	(256.6)	(242.2)
NET CASH PROVIDED BY/ (USED IN) OPERATING ACTIVITIES	**1,166.5**	**897.3**
CASH FLOWS FROM INVESTING ACTIVITIES		
Intercompany Transfers	0.0	0.0
Withdraws / (advances) to QTC Investment	309.0	(4.3)
Payments for property, plant and equipment	(1,451.0)	(1,408.0)
Proceeds from sale of property, plant and equipment	11.1	16.7
Interest received	4.9	0.9
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES	**(1,126.0)**	**(1,394.7)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds / (Repayment) from Borrowings	633.3	958.4
Payment of Lease Liabilities	(22.9)	(31.3)
Net Repayable Deposits	(2.0)	0.2
Dividends Paid	(657.4)	(443.4)
Issued Capital	0.0	0.0
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES	**(48.9)**	**483.9**
Cash at the Beginning of the Financial Period	29.9	21.5
Net Increase/ (Decrease) in Cash Held	(8.4)	(13.5)
QTC Working Capital Facility	0.0	0.0
CASH AT THE END OF THE FINANCIAL PERIOD	**21.5**	**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	2020/21 Plan
Advertising (And Other Marketing Channels)	4,948,363
Community Investment Partnerships	1,442,938
Corporate Entertainment	75,000
Other Related Activities	171,000
Total	**6,637,301**

Advertising

Activity	2020/21 Plan
Advertising over $5,000	
Community and High-Risk Safety Campaigns	2,750,000
Other Marketing Activities[1]	769,000
Product and Services Marketing - Retail	558,625
General Customer Engagement – Retail	665,225
Leveraging the Community Partnership Program - Retail	205,513
Total Advertising	**4,948,363**

1. Other Marketing Activities includes the following advertising activities not reported under safety campaigns – Yurika business ($564k) and Energex Residential Demand Mgt ($160k) and other marketing activities ($45k)

Corporate and Community Support

Activity	2020/21 Plan
Major & Multi-market Sponsorships over $5,000	
Community Fund[2]	100,000
Queensland Museum	150,000
Queensland State Emergency Services	150,000
University Partnerships - QUT, UQ, API	96,500
Queensland Rural Fire Service	75,000
Queensland Ballet	50,000
Queensland Theatre Company	50,000
RFDS Local Heroes Award	38,438
Local Government - LGAQ/LGMA	35,000
Carnival of Flowers	30,750
JUTE Theatre	15,000
Lord Mayor Business Awards	13,500
Ronald McDonald House	10,250
QUT Business Leaders Forum	20,500
Unallocated Funds[2]	438,000
Local Area Sponsorships under $5,000	
Local Community Support $10,000 per Area	170,000
Total Community Investment Partnerships	**1,442,938**

2. Energy Queensland continues to review the organisations that are sponsored to best deliver shared value

Corporate Entertainment

Activity	2020/21 Plan
Ignite Awards	6,000
Other Entertainment below $5k	69,000
Total Corporate Entertainment	**75,000**

Other related activities

Activity	2020/21 Plan
Other Related Activities - Memberships over $5,000	
Energy Charter	50,000
Thriving Communities Partnership	25,000
Townsville Enterprise	25,000
Capricorn Enterprise	22,000
City Smart[3]	20,000
Mt Isa to Townsville Economic Development Zone Inc	8,500
Urban Development Inst of Australia (UDIA)	-
CEDA Corporate Membership	7,000
Unallocated Funds	13,500
Total Other Related Activities	**171,000**

3. City Smart membership was previously budgeted for but not captured as a community-related activity.

Attachment 2 – Employment and Industrial Relations Plan

Our vision at Energy Queensland is to energise Queensland communities and our 2019/20 Business Plan details the specific initiatives and outcomes towards achieving our vision. This includes the seven key priorities of the business:

1. Prioritise the safety, well-being and engagement of our people
2. Transition the workforce for growth and a digital future
3. Improve affordability and simplicity for customers
4. Enhance the customer and community experience
5. Enable growth opportunities
6. Drive digital enablement
7. Drive operational efficiencies

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

- Community and customer focused - maintain and deepen our communities' trust by delivering on our promises, keeping the lights on and delivering a valued customer experience every time;
- Operate safely as an efficient and effective organisation - continue to build a strong safety culture across the business and empower and develop our people while delivering safe, reliable and efficient operations;
- Strengthen and grow from our core - leverage our portfolio business, strive for continuous improvement and work together to shape energy use and improve the utilisation of our assets; and
- Create value through innovation - be bold and creative, willing to try new ways of working and to deliver new energy services that fulfil the unique needs of our communities and customers.

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 customer.

2019/20 Remuneration for CEO and Senior Executives

The remuneration provided in the table below reflects CEO and Senior Executives at 1 July 2019.

CEO / Senior Executives	Base salary	Employer superannuation [1]contributions	Total remuneration (excluding performance pay)	Performance [2]payment	Total remuneration
Vacant[3] Chief Executive Officer	n/a	n/a	n/a	n/a	n/a
Peter Scott[4] Chief Financial Officer	$540,599	$21,003	$561,602	$67,970	$629,572
Paul Jordon Executive General Manager Distribution	$491,623	$49,163	$540,786	$62,469	$603,255
Belinda Watton Chief Transformation Officer	$461,952	$21,003	$482,955	$57,120	$540,075
Peter Price Head of Corporate Strategy and Executive General Manager Asset Safety and Performance	$486,874	$48,688	$535,562	$62,607	$598,169
Cheryl Hopkins Executive General Manager Retail and Chief Risk Officer	$472,051	$21,003	$493,054	$57,861	$550,915
Charles Rattray Executive General Manager Energy Services	$428,608	$21,003	$449,611	$33,060	$482,671
Michael Dart[5] Executive General Manager Community, Customer and Corporate Affairs	$343,041	$21,003	$364,044	n/a	$364,044

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

[2] Performance payments indicated are for the performance period of 2018 - 2019

[3] David Smales ceased employment with Energy Queensland on 30 June 2019.

[4] Peter Scott commenced as acting Chief Executive Officer from 1 July 2019 receiving higher duties Total Remuneration (excluding performance pay) of $771,742. Michael Hutchens was acting Chief Financial Officer receiving higher duties Total Remuneration (excluding Performance Payment) of $494,755.

[5] Michael Dart was acting Interim Executive General Manager Community, Customer and Corporate Affairs from 1 July 2019 before being permanently appointed from 1 January 2020. Mr Dart participated in the non-Executive Performance Incentive Scheme.

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 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 2019, Energy Queensland's full-time equivalent numbers (FTE) in each Employment Category are listed below:

Employment Category	Number of Employees
Permanent Employees	6,692.1
Fixed Term Employees[6]	196.3
Senior Executive Contract	9.0
Apprentices (In House)	418.0
Trainees (In House)	2.0
Casual Employees	31.5
Total Directly Employed Workforce	**7,348.9**
Total Workforce	**7,348.9**

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

As at 31 December 2019, 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 2017	6,781.0
	• Energy Queensland Retail Union Collective Agreement 2017	338.4
	Total Enterprise Agreements	**7,119.4**
Contractual Arrangements*		
Energy Queensland	• Total Fixed Remuneration and Total Employment Cost	229.5
	Total Contractual Arrangements	**229.5**
	Total Number of Employees	**7,348.9**

*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. Energy Queensland is seeking to re-negotiate the enterprise agreements in 2020 with approval subject to Government Owned Corporations Wages Policy.

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 1 July 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 2019, the number of people in each Superannuation Fund is as follows:

Type	Number of Employees
Energy Super Defined Contribution Fund	6,137
Energy Super Defined Benefit Fund	1,069
Other – own choice of fund	248
Total	**7,454**

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 four key areas: creating a great employee experience, growing our people for a digital future, transforming the way we work, and leading with purpose. 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 2020 onwards, the implementation of the People Strategy will continue to accelerate. The following initiatives are planned or underway:

- Developing the strategic workforce plan that articulates the organisation's workforce capacity and skills required in the future;
- Encouraging a mindset of continuous learning through access to contemporary learning content and platforms;
- Continued embedding of the desired state culture through aligning the organisations values and behaviours, symbols and systems with the attributes of a people centred culture;
- Enhancing employee engagement strategies to embed a people centred culture where all employees have a voice and can contribute;
- Continuing to develop great leaders through the SKILLED Leader program and enhanced frontline leadership development; and
- Accelerating implementation of the Energy Queensland Diversity and Inclusion Strategy to create a workforce that better represents the Queensland customer and community.

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.

Energy Queensland's focus on Health, Safety and Environment activities through 2018 - 2020 has been on alignment, decluttering and optimisation of HSE processes, rules and documentation, as well as the introduction of new programs such as Safety is Defence, Mates in Energy and Learning Teams to improve health, safety and environment outcomes.

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); and
- Increase involvement of the workforce in HSE process improvements through key projects including the site hazard management review project.

Sensitivity to Operations

- Maximise new technologies to support improved communications and frontline 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;
- Ensure we understand our inherent exposure to risk in the work we do and assess all available options; and
- Review the impact our asset management process has on our workforce and community through the development of an Asset Integrity Management Plan.

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	2019-20 Approved WACC[1]	2020-21 Final WACC[2]
Vanilla WACC (Nominal)	**5.98%**	**4.73%**
Return on Debt (Kd) (Nominal Pre-tax)	4.97%	4.76%
Return on Equity (Post-tax Nominal)	7.50%	4.69%
- Risk Free Rate	2.96%	1.03%
- Market Risk Premium	6.5%	6.1%
- Equity Beta	70.0%	60.0%
- Gamma	40.0%	58.5%
Return on Equity (Ke) (Post-tax Nominal)	**7.50%**	**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 is based on the Energex and Ergon Energy Pricing Proposals approved by the AER.

2. WACC reflects the return on equity as approved in the AER Final Determination dated 5th June 2020 for 2020-21.

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 and 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 (CI)	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) and 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.