



**Financial and Service Quality
Performance 2007-08**

Ergon Energy

March 2009

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1. INTRODUCTION AND SUMMARY

In its 2005 Final Determination on the Regulation of Electricity Distribution, the Authority required the Queensland Distribution Network Service Providers (DNSPs) to provide information relating to their financial and service quality performance annually.

This report provides an assessment of the financial performance of Ergon Energy for 2007-08, including comparisons with the financial forecasts included in the Authority's 2005 Final Determination and with its past financial performance.

The financial information for 2007-08 was submitted in accordance with the Authority's Cost Allocation Guidelines. In December 2007, the Authority revised the regulatory reporting guidelines in order to identify excluded services separately from network services. As a result, Ergon Energy's financial report for 2007-08 was prepared to reflect the separate contribution of network and excluded services.

The service quality information was submitted in accordance with the Authority's Electricity Distribution Service Quality Reporting Guidelines (Version 2.0), which required the DNSPs to provide data on specific service quality measures on a quarterly and annual basis. The DNSPs reporting of service quality information commenced since 2001. A revision of the Guidelines was made in August 2005 to improve the reporting of service quality performance. In some instances, this will mean that data provided since 1 July 2005 cannot be reliably compared to past data.

The report draws on data from the regulatory statements and both the annual and quarterly service quality reports, primarily for 2007-08, along with data obtained from the three preceding financial years.

1.1 General Operating Background

There are currently two DNSPs operating in Queensland: Ergon Energy and Energex. Both DNSPs are owned by the Queensland Government and previously had significant retailing operations. Energex's retailing operations and a portion of Ergon Energy's retailing operations were sold by the Government during 2006-07, with Ergon Energy retaining only certain franchise customers.

Network Characteristics: comparison between Ergon Energy and Energex

Both distribution entities have considerably different network characteristics. Energex operates a largely urban network with relatively high customer density in southeast Queensland, whereas Ergon Energy operates a geographically dispersed network with low customer density that covers much of the remainder of the state.

Table 1 identifies the key characteristics of each network, and illustrates the differences between the two networks. A key difference is customer density. Specifically, while there are 24.8 customers per kilometre of line in Energex's network, Ergon Energy has just 5.2 customers per kilometre of line in its network.

These differences in network characteristics are an important determinant of the service quality performance of each distribution entity, particularly the reliability of their respective networks. It is also to be expected that the distribution entities' performances will vary significantly on a number of other service quality measures.

Table 1: Network characteristics - 2007-08

| <i>Characteristics</i> | <i>Ergon Energy</i> | <i>Energex</i> |
|-------------------------------------|---------------------|----------------|
| Network service area (sq km) | 1,698,100 | 25,064 |
| Number of customers ^a | 766,453 | 1,270,734 |
| Energy delivered (GWh) | 13,813 | 20,879 |
| Energy delivered per customer (MWh) | 18.0 | 16.4 |
| Kilometres of line | 146,339 | 51,349 |
| Customers per km of line | 5.2 | 24.8 |
| Maximum demand of network (MVA) | 2,387 | 4,284 |
| Number of distribution transformers | 85,034 | 43,420 |
| Asset utilisation (%) ^b | 21.0 | 27.5 |
| Distribution losses (%) | 6.50 | 5.74 |

^a These values are reported in the distributors' regulatory reports and differ slightly to the values reported for the same measures in the distributors' service quality reports due to technical differences in the way they are defined.

^b Sub-transmission transformer utilisation factor. Electricity throughput, Megawatt hour (MWh), expressed as a percentage of sub-transformer capacity (MVA) multiplied by the number of hours per year.

1.2 Ergon Energy's Customer Profile

Ergon Energy's customer base consists of:

- (a) Individually calculated customers (ICCs) – those customers whose electricity consumption is sufficiently large to warrant individually calculated prices;
- (b) Connection asset customers (CACs) - those customers whose electricity consumption is sufficient to warrant individually calculated connection charges, but their remaining charges are averaged; and
- (c) Standard asset customers (SACs) – those customers who pay averaged prices. The SACs includes (small) customers with an average consumption of up to 100MWh per year and (large) customers with an average consumption of between 100 and 4,000MWh per year;
- (d) Embedded Generators (EGs) - those generators who have a name plate rating greater than 10kW single phrase or 30kW three phrase; and
- (e) Public streetlights.

The number of customers in each category and the corresponding units of electricity sold to each in 2007-08 are presented in **Table 2**.

Table 2: Ergon Energy customer numbers and units sold: 2007-08

| <i>Customer type</i> | <i>Customers</i> | | <i>Units sold</i> | | <i>Units sold per customer</i> | |
|---|------------------|---|-------------------|---|--------------------------------|---|
| | <i>Number</i> | <i>Percentage change from previous year</i> | <i>MWh</i> | <i>Percentage change from previous year</i> | <i>MWh/customer</i> | <i>Percentage change from previous year</i> |
| Individually calculated customers | 48 | (2.0) | 3,815,383 | 1.0 | 79,487.1 | 3.1 |
| Connection asset customers | 61 | (3.2) | 553,499 | (6.3) | 9,073.8 | (3.2) |
| Standard asset customers (consuming 100-4,000MWh pa) | 909 | 10.6 | 525,549 | 3.7 | 578.2 | (6.2) |
| Standard asset customers (consuming <100MWh pa) (Franchise customers) | 643,279 | 1.3 | 8,850,422 | 2.5 | 13.8 | 1.5 |
| Public street lighting | 122,144 | 3.8 | 68,599 | 1.7 | 0.6 | 0.0 |
| Embedded generators | 12 | 0 | - | 0 | 0 | 0.0 |
| Total | 766,453 | 1.7 | 13,813,452 | 1.7 | 18.0 | 0.0 |

Overall, Ergon Energy experienced a 1.7% growth in customer numbers during 2007-08, which was only slightly lower than the forecast growth rate of 1.8%. The growth in 2007-08 was mainly driven by the increase in the number of franchise customers during the year.

Energy sales also grew by 1.7% in real terms in 2007-08, which is substantially higher than the 0.7% growth rate recorded in the previous year. This compares to the forecast growth in energy sales of 2.2% in the 2005 Final Determination. The lower than forecast growth reflects a reduction in energy consumption associated with a relatively mild summer season in 2007-08.

There was no change to energy sales per customer in 2007-08 as the total growth in customer numbers appeared to be consistent with the total growth in energy sales across most customer types.

1.3 Summary of Ergon Energy's Financial Performance

In its 2005 Final Determination, the Authority estimated the level of revenue, operating costs and capital expenditure required to deliver prescribed distribution services for each year of the regulatory period (June 2005 - July 2010). However, actual annual revenue, operating and capital expenditure are likely to vary from those estimates in response to a range of external circumstances and operational requirements not foreseen at the time estimates were made.

Table 3 presents a summary of the estimated and actual revenues earned in 2007-08 along with Ergon Energy's operating, maintenance and capital expenditures incurred in delivering prescribed distribution services for 2007-08. Actual revenue earned and costs incurred in 2006-07 are presented to provide performance comparisons between the two years.

Table 3: Ergon Energy financial performance: 2007-08 (\$ nominal)

| | <i>Actual</i> | <i>Actual</i> | <i>Forecast</i> | <i>Variance from forecast</i> | |
|--|------------------|------------------|------------------|-------------------------------|-------------|
| | <i>2006-07</i> | <i>2007-08</i> | <i>2007-08</i> | <i>2007-08</i> | |
| | <i>(\$ mill)</i> | <i>(\$ mill)</i> | <i>(\$ mill)</i> | <i>(\$ mill)</i> | <i>(%)</i> |
| Revenue | | | | | |
| Revenue from services | 697.3 | 733.4 | 749.4 | (16.0) | (2.1) |
| Capital contributions | 42.0 | 70.5 | 38.4 | 32.1 | 83.6 |
| Revenue from outside use of regulated assets | 1.3 | 2.9 | 8.0 | (5.1) | (63.8) |
| Total Net Income | 740.6 | 806.8 | 795.8 | 11.0 | 1.4 |
| Operating and maintenance expenditure | 292.5 | 310.3 | 286.5 | 23.8 | 8.3 |
| Capital expenditure | 735.5 | 737.6 | 627.8 | 109.8 | 17.5 |

Ergon Energy's total net income in 2007-08 was \$806.8 million, which was \$11.0 million (or 1.4%) higher than forecast. This was due to the net effect of an over-recovery of \$32.1 million from capital contributions, and under-recoveries of \$16.0 million from the provision of services and \$5.1 million from the use of regulated assets by other Ergon Energy entities (non-regulated users).

Operating and maintenance expenditure of \$310.3 million in 2007-08 was \$23.8 million (or 8.3%) higher than forecast. However, the forecasts made at the time of the 2005 Final Determination included \$6.1 million in operating costs attributed to non-DUOS services. Non-DUOS services were subsequently reclassified as excluded distribution services and hence the actual result for 2007-08 does not include operating costs associated with these excluded distribution services [on which actual expenditure amounted to \$16.5 million]. On a like with like basis, including the operating costs associated with excluded distribution services, Ergon Energy's actual operating costs would increase to \$326.7 million and on that basis, the difference between forecast and actual would be an over-expenditure of \$40.2 million (or 14.0%).

On this basis (adding back excluded services operating costs), the increase of \$40.2 million in operating costs is attributable to:

- (a) a reclassification of capital costs to operating expenditure associated with employees who were previously engaged in the Project JET IT system but returned to (operating) corporate duties in 2007-08;
- (b) an overspend on non-DUOS services (later reclassified as excluded distribution services) of \$10.4 million;
- (c) increased expenditure associated with the emergency response to floods in early 2008; and
- (d) increased expenditure associated with vegetation management work to improve the reliability of its electricity network.

Capital expenditure was \$109.8 million (or 17.5%) higher than forecast for 2007-08. However, it was only \$2.1 million (0.3%) higher than the previous year. The higher than forecast result was driven by:

- (a) significantly higher expenditure on non-system assets; and

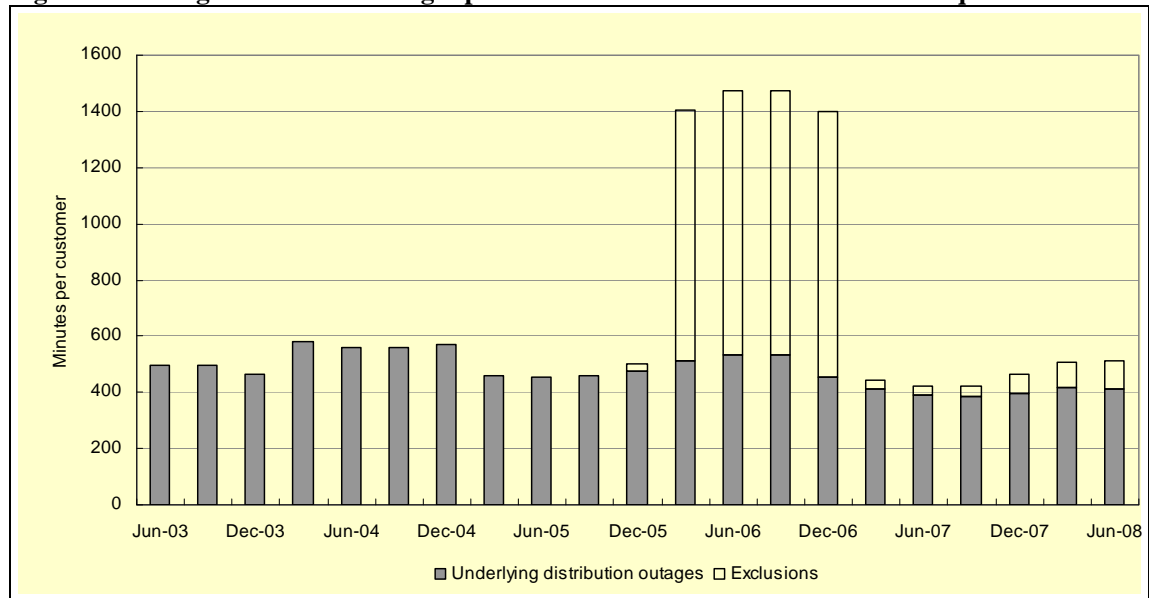
- (b) increases in the augmentation and customer initiated expenditures.

The increase also reflects a continued focus by Ergon Energy on improving its network performance in response to the Government’s Electricity Distribution and Service Delivery (EDSD) Review, which was reported in July 2004.

1.4 Summary of Ergon Energy Service Quality Performance

For the 12 months ending 30 June 2008, Ergon Energy customers experienced 3.7 distribution-related interruptions, leaving them without power for an average of 513 minutes. This result is shown in **Figure 1**. The high level of exclusions for 2006 was due to the effect of Cyclone Larry in March 2006. Removing the effect of exclusion events, the underlying duration of the distribution-related outages deteriorated slightly from 392.7 minutes in the 12 months ending 30 June 2007 to 414.1 minutes in the 12 months ending 30 June 2008. However, the 2007-08 performance was still superior to the 2005-06 year and prior.

Figure 1: Average duration of outages per customer for the 12 months to end of quarter



Source: Ergon Energy’s Quarterly Service Quality Reports and QCA’s Analysis.

The total number of technical quality of supply complaints received by Ergon Energy dropped from 2,240 complaints in 2006-07 to 1,921 complaints in 2007-08, a 14.2% drop. The main areas of complaints received in 2007-08 were related to low supply voltage (which can cause light dimming and motor starting problems), minor voltage dips and other miscellaneous events.

However, the average time taken to investigate and resolve technical quality of supply complaints deteriorated from 76 days in the June quarter 2007 to 96 days in the June quarter 2008. This is the worst result reported for this measure since September quarter 2002

Ergon Energy’s performance against a range of customer service measures was mixed during 2007-08:

- (a) the length of time that customers had to wait to speak to an operator when phoning the call centre dropped marginally from 26.8 seconds in the June quarter 2007 to 25.8 seconds in the June quarter 2008;

- (b) the percentage of calls abandoned fell marginally, from 2.2% in the June quarter 2007 to 2.1% in the June quarter 2008, representing the best result recorded for this measure over a year; and
- (c) the number of Guaranteed Service Level (GSL) payments and the amounts paid for GSLs increased in 2007-08, as compared to previous years. The total GSL claims increased from 441 payments in 2006-07 to 639 payments in 2007-08, while the total GSL payments made to customers increased from \$32,590 in 2006-07 to \$50,960 in 2007-08.

2. FINANCIAL PERFORMANCE

This section summarises the financial performance of the revenue cap regulated business segment of Ergon Energy. The information is for the year ended 30 June 2008. The data used in the analysis has been drawn mainly from Ergon Energy's 2007-08 audited Regulatory Reporting Statements. These accounts were submitted in accordance with the *Authority's Electricity Distribution: Regulatory Reporting Guidelines*.

Areas of particular interest concerning Ergon Energy's overall financial performance are revenue, operating and maintenance expenditure and capital expenditure. Ergon Energy's reported results on these components compared with the corresponding forecasts that were included in the 2005 Final Determination and the previous year's actual data are presented in the following sections below. Detailed financial data for Ergon Energy is provided at **Appendix A**.

In the Authority's 2005 Final Determination, the revenue cap calculations included both DUOS services and some non-DUOS services. Non-DUOS services include prescribed distribution services, such as temporary builders' services, that are related to the operation and use of the distribution system.

However, in December 2007, the Authority released its Final Decision on the *Electricity Distribution: Review of Excluded Distribution Services*. This decision removed all non-DUOS services from the regulatory cap and left only components associated with DUOS services. This reclassification was intended to remove the influence of the less predictable revenues earned from excluded distribution services (EDS) from the regulated revenue cap and to leave only the more consistent and predictable revenues earned from DUOS services. In light of this matter, \$6.1 million was deducted from Ergon Energy's 2007-08 Aggregate Annual Revenue Requirement (AARR) to allow for the removal of EDS from the regulated revenue cap.

2.1 Revenue

Under-/Over-Recovery of Distribution Revenue

In the 2005 Final Determination, the Authority set a maximum revenue cap for each of the five years of the regulatory period for Ergon Energy. The maximum revenue cap allows Ergon Energy to earn a return on assets, plus an allowance for depreciation and operating and maintenance expenditure incurred in the delivery of prescribed distribution services.

In its 2005 Final Determination, the Authority accepted Ergon Energy's proposed treatment of shared assets – regulated assets that are utilised by both the regulated and non-regulated businesses within Ergon Energy. Ergon Energy proposed to include these shared assets in the regulated asset base, as they are owned by the regulated business, but to charge non-regulated parts of the business the full costs of their use of those assets¹. The Authority approved this approach in its 2005 Final Determination.

The 2005 Final Determination also provided for any differences between forecast and actual revenues earned by the regulated and non-regulated parts of the Ergon Energy's business to be subject to an "unders-and-overs" process on an annual basis. This process compares actual revenue earned in the year against the annual revenue cap for that year as determined by the Authority in its 2005 Final Determination and allows under-recoveries to be collected through

¹ In the case of Energex, the shared asset portion of assets utilised by the regulated distribution services was identified and only that portion was included in the regulated asset base. The Energex and Ergon Energy approaches yield the same outcome ensuring that customers of the regulated business are not subsidising the provision of unregulated services.

higher customer prices the following year and any over-recoveries to be returned to the customers the following year.

Table 4: Ergon's AARR: 2007-08

| <i>Actual and forecast income</i> | <i>\$ million (nominal)</i> |
|---|-----------------------------|
| <u>Actual AARR</u> | |
| Revenue from services | 733.4 |
| Revenue from capital contributions | 70.5 |
| Revenue from outside use of regulated assets | 2.9 |
| Total | 806.8 |
| <u>Forecast AARR</u> | |
| Revenue from services | 749.4 |
| Revenue from capital contributions | 38.4 |
| Revenue from outside use of regulated assets | 8.0 |
| Total | 795.8 |
| Under-recovery of AARR in 2007-08, (a) – (b) | 11.0 |

Table 4 shows that Ergon Energy over-recovered its 2007-08 AARR by \$11.0 million. This comprised the net effect of:

- (a) \$16.0 million lower than forecast revenue from the provision of DUOS services;
- (b) \$5.1 million lower than forecast revenue from the use of regulated assets by other Ergon Energy entities; and
- (c) \$32.1 million higher than forecast revenue from capital contributions due to higher demand for customer initiated capital works.

After adjustment to 2009-10 values, the over-recovery will result in an additional \$13.0 million having to be returned to customers in 2009-10.

Under-/Over-Recovery of Transmission Use of System (TUOS) Charges

TUOS charges are calculated by the distributors each year to pass-through to distribution customers, the cost levied for the use of the transmission system. These costs primarily reflect Powerlink's charges and payments made to embedded generators. Electricity transmission charges are regulated by the Australian Energy Regulator (AER) and paid to Powerlink by distributors on behalf of customers.

The connection of an embedded generator to a distribution network reduces the amount of energy drawn from the transmission network. This in turn reduces the TUOS charge that the distributor has to pay the transmission network owner. However, the distributor passes through the full amount of these avoided TUOS payments to the embedded generator whose connection led to the reduction in TUOS payable.

The Authority approves TUOS charges, to be levied by the distributors, in allowing them to recover the TUOS charges they have paid to Powerlink and avoided TUOS payments to embedded generators. Any difference between TUOS revenue recovered by distributors from customers and the charges they pay to Powerlink and embedded generators is recouped from, or returned to, customers through future charges.

Table 5 indicates that TUOS charges to customers (TUOS revenue) were lower than TUOS payments to Powerlink (TUOS costs) and embedded generators by \$1.4 million during 2007-08. As a result, Ergon Energy will be allowed to recoup this under-recovery from customers as part of its 2009-10 TUOS charges.

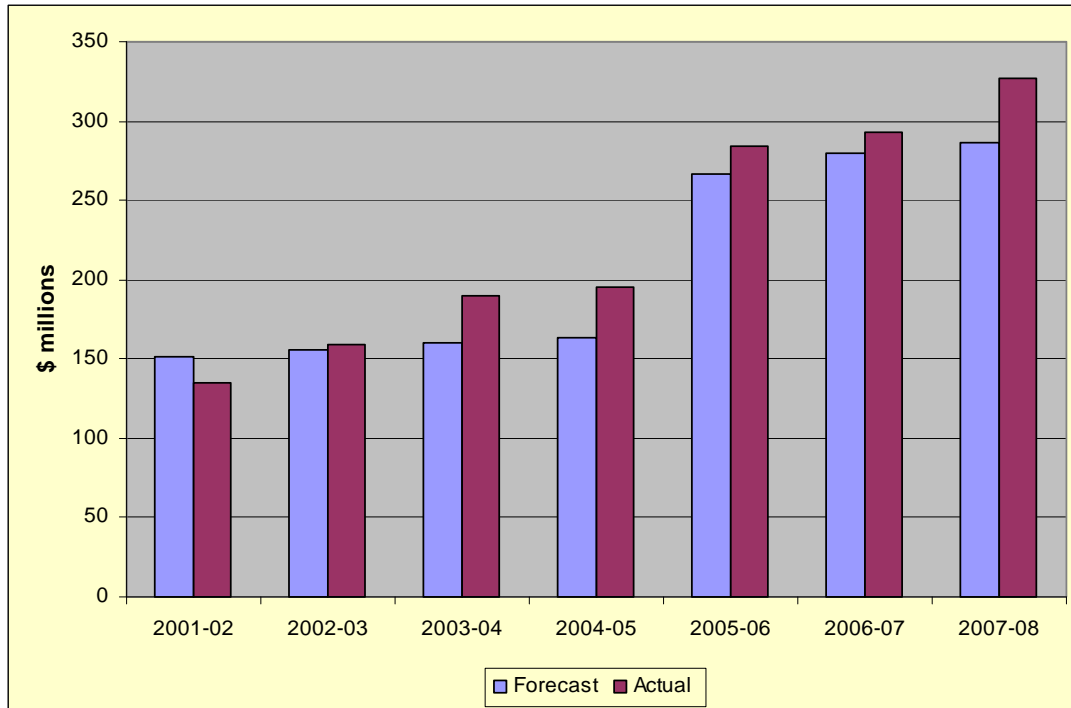
Table 5: Ergon Energy's TUOS Unders and Overs Account: 2007-08

| <i>TUOS revenues and charges</i> | <i>\$ million (nominal)</i> |
|---|-----------------------------|
| TUOS charged by Powerlink | 181.8 |
| <i>plus</i> TUOS charged by Embedded Generators | 2.9 |
| <i>equals</i> Total TUOS charged | 184.7 |
| <i>less</i> actual TUOS revenue earned during 2007-08 | 183.3 |
| <i>equals</i> Under-recovery for 2007-08 | 1.4 |

2.2 Operating and Maintenance Expenditure

The regulatory framework is designed to give the distribution businesses an incentive to increase their forecast return by improving operating efficiency. To this end, the distributors retain the benefit of any efficiency gain for the remainder of the regulatory period.

Figure 2 shows network operating and maintenance expenditure reported by Ergon Energy for 2001-02 to 2007-08, compared with the forecast of operating and maintenance expenditure at the time of the 2001 and 2005 Final Determinations.

Figure 2: Ergon Energy operating and maintenance expenditure: 2001-02 to 2007-08

Note: To allow for a like with like comparison, both forecast and actual data for 2007-08 include expenditure relating to non-DUOS services (later reclassified and Excluded Distribution Services).

In 2007-08, operating and maintenance expenditure of \$310.3 million was \$23.8 million (or 8.3%) higher than forecast. However, the forecasts made at the time of the 2005 Final Determination included \$6.1 million in operating costs attributed to non-DUOS services. Non-DUOS services were subsequently reclassified as excluded distribution services and hence the actual result for 2007-08 does not include operating costs associated with these excluded distribution services [on which actual expenditure amounted to \$16.5 million]. On a like with like basis, including the operating costs associated with excluded distribution services, Ergon Energy's actual operating costs would increase to \$326.7 million and, on that basis, the difference between forecast and actual would be an over-expenditure of \$40.2 million (or 14.0%).

On this basis (adding back excluded services operating costs), the increase of \$40.2 million in operating costs is attributable to:

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- (d) increased expenditure associated with vegetation management work to improve the reliability of its electricity network.

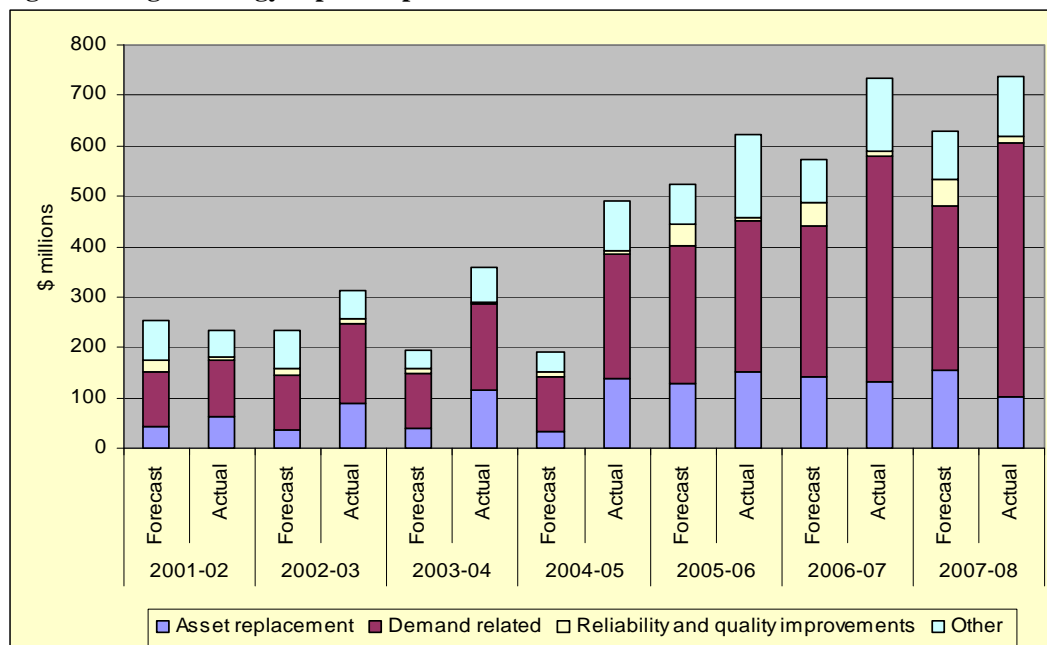
This is the sixth year in a row that Ergon Energy's operating and maintenance expenditure has exceeded its forecast expenditure. This is in part a result of Ergon Energy's response to the

Queensland Government’s ESDS Review (reported in July 2004) to deal with expected future growth in electricity demand on the network. The ESDS Review highlighted the extent of over-utilisation of Ergon Energy’s network due to past under-investment and the need to reduce utilisation to more sustainable levels.

2.3 Capital Expenditure

Figure 3 shows network capital expenditure in aggregate and by purpose reported by Ergon Energy for 2001-02 to 2007-08, compared with the forecast capital expenditure included in the 2001 and 2005 Final Determinations.

Figure 3: Ergon Energy capital expenditure: 2001-02 to 2006-07



“other” includes expenditures on non-system assets

Table 3 (above) illustrates that while Ergon Energy’s capital expenditure increased marginally from \$735.5 million in 2006-07 to \$737.6 million in 2007-08 (a 0.3% increase), it was \$109.8 million (or 17.5%) higher than originally forecast. This is consistent with the trend experienced in the last four financial years.

Significant growth in capital expenditure over the last four years largely reflects Ergon Energy’s response to the Government’s ESDS Review as previously highlighted for operating and maintenance expenditure. More specifically, the increase in capital expenditure was the result of higher than forecast demand-related expenditure of \$176.9 million (or 54%) in 2007-08, due to the significant increase in the costs of external resources, population growth and its business strategy to reduce connection times

Costs associated with non-system assets was also \$26.1 million (or 27.8%) higher than forecast, reflective of higher expenditures on motor vehicles, buildings, plant and equipment associated with the replacement of aging assets and business growth, which required additional expenditure on non-system assets to equip its field staff.

However, the over-recovery of capital expenditure was partially offset by lower than forecast reliability/quality improvement expenditure of \$39.3 million (or 76.3%) incurred in 2007-08. Ergon Energy noted that the lower than forecast spending in this area was a result of greater emphasis and resources being placed on other projects in this year.

3. SERVICE QUALITY PERFORMANCE

This section summarises the service quality performance of the revenue cap regulated business segment of Ergon Energy. The information is for the year ended 30 June 2008, being drawn from Ergon Energy's quarterly and annual service quality reports for 2007-08. These reports were submitted in accordance with the Authority's *Electricity Distribution: Service Quality Reporting Guidelines* (Version 2.0).

The service quality measures that the DNSPs are required to report against fall into three broad groups – reliability measures, quality of supply measures and customer service measures.

Reliability measures provide information about interruptions to electricity supply. Interruptions can occur because of problems with generation, transmission or distribution. Distribution interruptions may be planned or unplanned. Unplanned interruptions will at times be due to events that are beyond the control of the DNSPs, such as severe storms. A DNSP's performance is best indicated by the duration and frequency of planned and unplanned interruptions that are due to distribution network problems within the distributor's control, although lengthy and frequent interruptions due to other influences may indicate a need for improved risk management measures on the part of the distributors. Reliability data for worst performing feeders highlights the pockets of the network where customers experience relatively poor service quality.

Quality of supply measures are intended to indicate problems with the nature of electricity supply, such as low or high voltage levels, based on customers reporting symptoms that are typically associated with such problems. For example, low supply voltage would be evidenced by complaints relating to light dimming or motor starting problems.

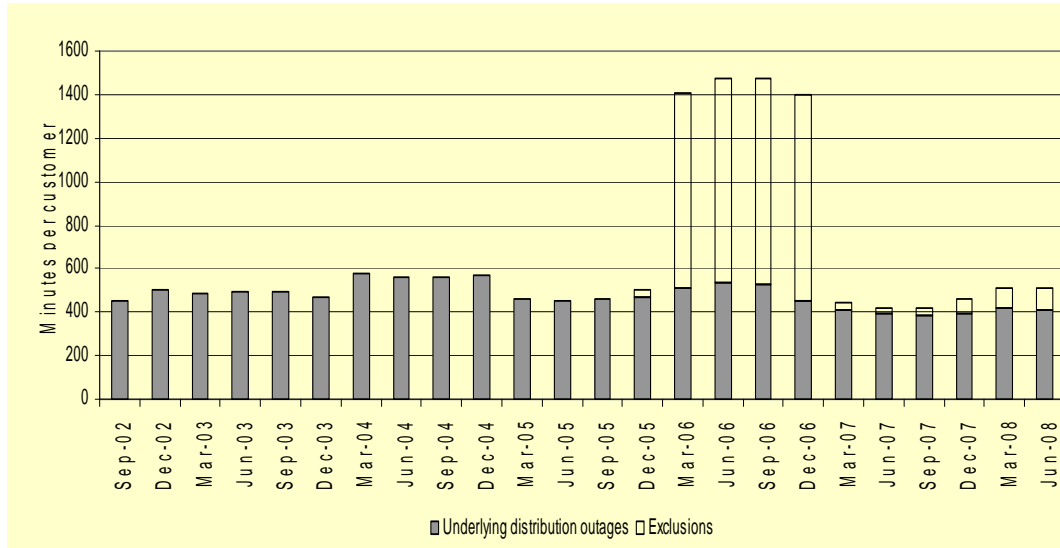
Customer service measures provide information about how well customers' problems, enquiries and requests for services are handled.

3.1 Reliability Measures

For the 12 months ending 30 June 2008, Ergon Energy customers on average experienced 3.7 distribution-related interruptions, leaving them without power for a total of 513 minutes. This result is shown in **Figure 4**. The high level of exclusions² reported in 2006-07 was the result of the effects of Cyclone Larry in March 2006. Removing the effects of exclusion events, the underlying duration of the distribution-related outages deteriorated from 392.7 minutes in the 12 months ending 30 June 2007 to 414.1 minutes in the 12 months ending 30 June 2008.

² Exclusions are defined as events that fall within the 2.5 beta method as defined under the Queensland Competition Authority's "Electricity Distribution Service Quality Reporting Guidelines, Version 2.0).

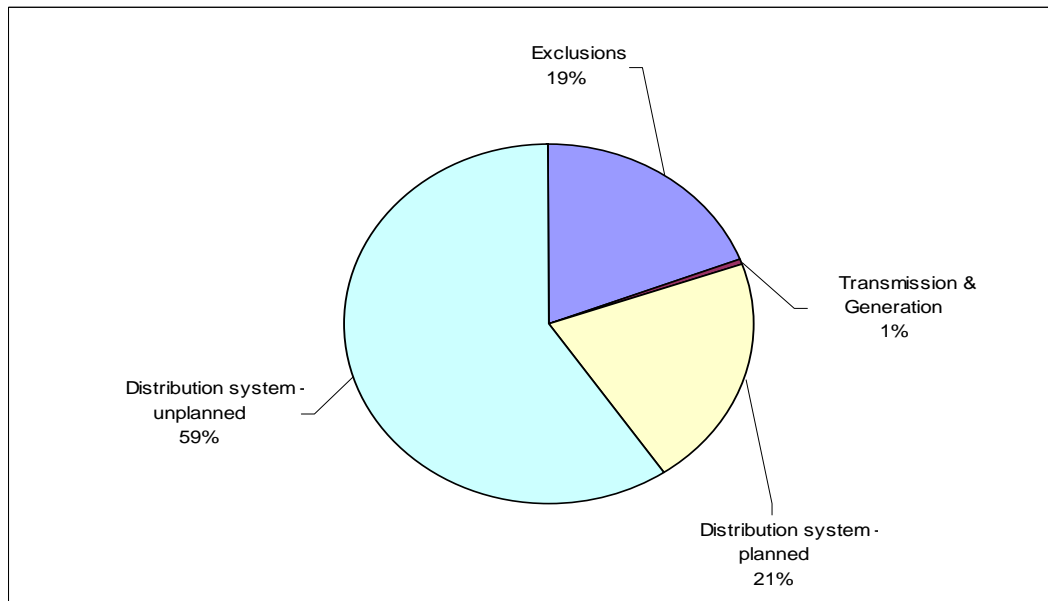
Figure 4: Average duration of outages per customer for the 12 months to end of quarter



Source: Ergon Energy’s Quarterly Service Quality Reports and QCA’s Analysis

As shown in **Figure 5**, unplanned interruptions in the distribution network, of which excluded weather-related events are a sub-component, accounted for the majority (59%) of the average 513 minutes that Ergon Energy customers were without electricity supply during 2007-08. Planned interruptions in the distribution network accounted for 21% of outages while transmission and generation interruptions accounted for the remainder. Exclusions contributed 19% of the outages during 2007-08.

Figure 5: Ergon Energy- duration of interruptions during 2007-08, by source



Source: Ergon Energy’s Quarterly Service Quality Reports and QCA’s Analysis

Interruptions arising in the distribution network can be separated by geographic category – Urban, Short Rural and Long Rural. As shown in **Table 6**, there were significant differences in

the level of reliability across Ergon Energy's network during 2007-08. Generally, customers in all geographic categories experienced an increase in the duration of interruptions over the year. However, the magnitude of the increases varied, with urban and short rural networks experiencing increases of 8.1 minutes and 9.1 minutes respectively, from the 12 months ending June quarter 2007 to the 12 months ending June quarter 2008, while the those customers in the long rural networks were experienced increases of 76.9 minutes to 1,036.9 minutes.

Table 6: Ergon Energy – average duration of distribution-related interruptions by network type (minutes), after removal of excluded events for the 12 months to end of quarter

| | <i>JUN 2007</i> | <i>SEP 2007</i> | <i>DEC 2007</i> | <i>MAR 2008</i> | <i>JUN 2008</i> |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Total distribution system | 392.7 | 383.7 | 395.9 | 418.9 | 414.1 |
| Urban | 173.1 | 158.4 | 168.3 | 181.8 | 181.16 |
| Short Rural | 451.0 | 431.4 | 427.4 | 464.1 | 460.1 |
| Long Rural | 960.0 | 986.9 | 1,064.1 | 1,043.2 | 1,036.9 |

Source: Ergon Energy's Quarterly Service Quality Reports

Quarter by Quarter Reliability

As shown in **Table 7**, Ergon Energy's performance was significantly worse during the December and March quarters (the storm seasons). While the removal of excluded events smoothes these variations in reliability performance between quarters, it does not entirely remove seasonal fluctuations.

Table 7: Ergon Energy - average number and duration of distribution-related interruptions per customer

| | <i>SEP 2007</i> | <i>DEC 2007</i> | <i>MAR 2008</i> | <i>JUN 2008</i> |
|--|-----------------|-----------------|-----------------|-----------------|
| Duration of all interruptions per customer (SAIDI) before excluded events – minutes | 85.86 | 179.83 | 164.49 | 75.19 |
| Duration of all interruptions per customer (SAIDI) after excluded events – minutes | 77.13 | 124.60 | 143.50 | 75.19 |
| Average number of interruptions per customer (SAIFI) before excluded events | 0.58 | 1.30 | 1.22 | 0.57 |
| Average number of interruptions per customer (SAIFI) after excluded events | 0.56 | 0.99 | 1.08 | 0.57 |
| Average duration of each interruption (CAIDI) before excluded events - minutes | 147.34 | 138.16 | 134.79 | 130.77 |
| Average duration of each interruption (CAIDI) after excluded events - minutes | 136.72 | 125.50 | 133.17 | 130.77 |

Source: Ergon Energy's Quarterly Service Quality Reports

Reliability of Worst Performing Feeders

Ergon Energy's worst performing feeders were individually selected according to the SAIDI and SAIFI measures, respectively. As such, the worst performing feeders reported under both measures are not directly comparable.

As shown in **Table 8**, the reliability of Ergon Energy's worst performing feeders deteriorated significantly in 2007-08 as compared to 2006-07.

Table 8: Ergon Energy - range of average number and duration of distribution-related interruptions per customer for the 10 worst performing feeders

| | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
|--|-------------|-------------|--------------|--------------|----------------|
| Duration of all interruptions per customer (SAIDI ^a) before excluded events – hours | | | | | |
| Urban | 18.2 – 43.8 | 15.7 – 39.6 | 18.4 – 78.7 | 15.9 – 99.2 | 25.6 – 111.5 |
| Short Rural | 60.6 – 91.6 | 52.5 – 76.0 | 65.5 – 110.2 | 46.8 – 134.6 | 95.1 – 1,453.4 |
| Long Rural | 55.7 – 86.9 | 54.7 – 97.0 | 63.6 – 165.9 | 50.8 – 103.4 | 65.1 – 136.4 |
| Average number of interruptions per customer (SAIFI ^b) before excluded events | | | | | |
| Urban | 1.1 – 13.7 | 4.0 – 12.0 | 5.0 – 25.3 | 1.0 – 13.3 | 6.8 – 14.0 |
| Short Rural | 5.2 – 36.6 | 7.0 – 17.8 | 15.1 – 32.5 | 5.0 – 16.2 | 15.0 – 22.8 |
| Long Rural | 11.1 – 34.2 | 7.3 – 22.3 | 11.0 – 29.4 | 6.6 – 18.0 | 13.3 – 21.5 |

Source: Ergon Energy's 2007-08 Annual Service Quality Report.

- a. SAIDI is an acronym for 'system average interruption duration index', which refers to the duration of all interruptions experienced in the last year on average, per customer.*
- b. SAIFI is an acronym for 'system average interruption frequency index', which refers to the total number of times in the last year when supply was interrupted on average, per customer.*

In 2007-08, Ergon Energy's 10 worst performing urban, short rural and long rural feeders for the SAIDI measure supplied electricity to 154, 306 and 931 customers, respectively. This is equivalent to 0.06%, 0.10% and 1.35% of Ergon Energy's customer base for the respective feeders. Without adjusting the data for exclusions, the customers on the urban feeder were without power for between 25.6 to 111.5 hours, while the customers connected to the short rural and long rural feeder were without power for between 95.1 to 1,453.4 hours and 58.5 to 136.4 hours respectively. The extraordinarily high duration of interruptions reported for the short rural feeder in 2007-08 was due to the presence of one feeder which recorded inflated SAIDI minutes in November 2007, brought about by a disconnection request by an industrial customer for its internal reconfiguration works. Therefore, the effect of this unusual event on the overall reliability performance was beyond the control of Ergon Energy.

In 2007-08, Ergon Energy's 10 worst performing urban, short rural and long rural feeders for the SAIFI measure supplied electricity to 1,501, 2,164 and 1,788 customers, respectively. This is equivalent to 0.62%, 0.71% and 2.58% of Ergon Energy's customer base for the respective feeders. The customers connected to the urban feeders experienced between 6.8 to 14.0 distribution-related interruptions over the year. Meanwhile, customers connected to the short rural and long rural feeders experienced between 15.0 to 22.8 and 13.3 to 21.5 distribution-related interruptions to supply over the year, respectively.

3.2 Quality of Supply Measures

The total number of technical quality of supply complaints received by Ergon Energy decreased from 2,240 complaints in 2006-07 to 1,921 complaints in 2007-08, a 14.2% drop. As shown in **Table 9**, complaints over low supply voltage (which can cause light dimming and motor starting problems), voltage swell (which is likely to cause minor equipment damages and blowing up of lights) and complaints related to other miscellaneous issues were among the most common types of complaints received during 2007-08.

Table 9: Ergon Energy –technical quality of supply complaints (categorised according to symptoms)

| | <i>SEP 2007</i> | <i>DEC 2007</i> | <i>MAR 2008</i> | <i>JUN 2008</i> | <i>TOTAL</i> |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|--------------|
| Total quality of supply complaints | 562 | 480 | 514 | 365 | 1,921 |
| Low supply voltage | 152 | 148 | 174 | 85 | 559 |
| Other complaints | 105 | 97 | 122 | 77 | 401 |
| Voltage swell | 160 | 83 | 88 | 104 | 435 |
| Voltage dips –minor | 49 | 48 | 30 | 34 | 161 |
| TV or radio interference | 24 | 42 | 24 | 25 | 115 |
| Waveform distortion or unbalance | 35 | 22 | 34 | 16 | 107 |
| Voltage dips –severe | 23 | 21 | 23 | 13 | 80 |
| Voltage spike | 11 | 17 | 15 | 9 | 52 |
| Noises from appliances or lights | 3 | 2 | 4 | 2 | 11 |

Source: Ergon Energy's Quarterly Service Quality Reports.

The average time taken to investigate and resolve technical quality of supply complaints deteriorated from 76 days in the June quarter 2007 to 96 days in the June quarter 2008. This is the worst result reported for this measure since the September quarter 2002. Ergon Energy attributed the deterioration to the increase in the time taken to resolve a number of outstanding and older quarter-by-quarter quality of supply complaints during the year.

As shown in **Table 10**, the majority of quality of supply complaints received consist of complaints for which there was no associated cause (635 complaints) and complaints due to network restrictions or events (553 complaints).

Historical comparisons on the possible causes of quality of supply complaints is complicated by the improvements in collecting data that were made by Ergon Energy in the March quarter 2004. This likely explains most of the increase in these numbers from 2003-04. Prior to the March quarter 2004, possible causes of quality of supply complaints and the number of complaints were reported in two different databases instead of one. The number of possible causes of quality of supply complaints was based on the number of jobs undertaken as a result of complaints and did not take into account the number of complaints which may have related to any single job.

Table 10: Ergon Energy – technical quality of supply complaints (possible causes)^a

| <i>Quality of supply complaint</i> | <i>2004-05</i> | <i>2005-06</i> | <i>2006-07</i> | <i>2007-08</i> |
|--|----------------|----------------|----------------|------------------|
| Network initiated quality of supply complaints | 859 | 769 | 761 | 553 ^b |
| Quality of supply complaints initiated on the customer side of the meter | 255 | 170 | 170 | 117 |
| Quality of supply complaints for which no cause was found | 803 | 761 | 200 | 635 ^c |

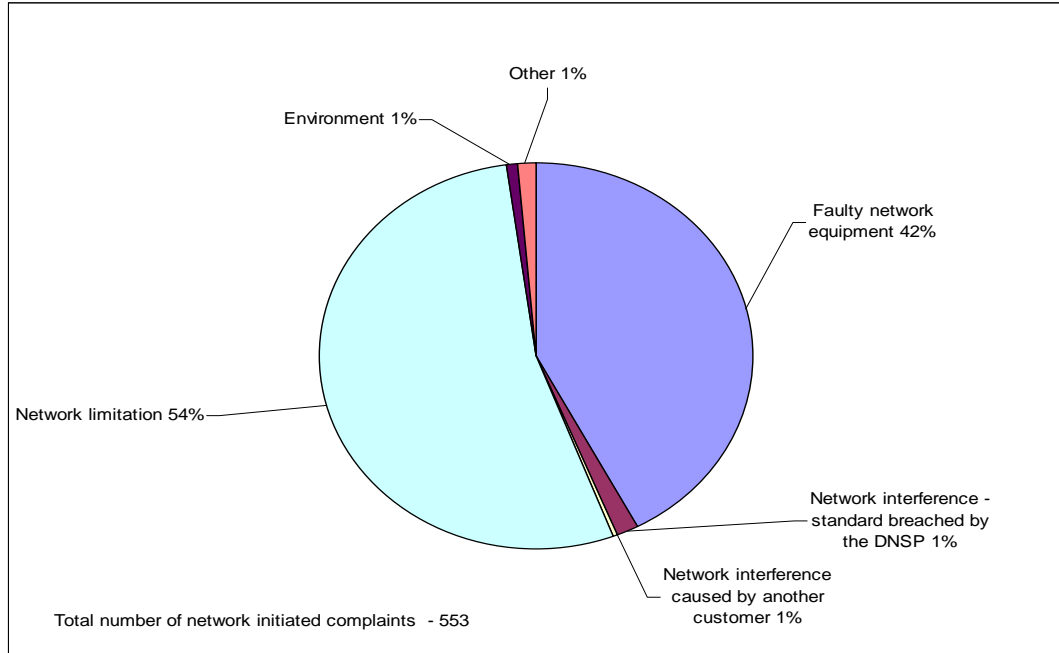
Source: Ergon Energy's 2007-08 Annual Financial and Service Quality Report

Note:

- a. the summation of the above categories of possible causes for quality of supply complaints does not equal to the total of the four quarterly quality of supply complaints as listed in **Table 9**, due to the removal of possible double entries and misclassified complaints.*
- b. this figure represents the number of quality of supply complaints received for which a network-initiated investigation has taken place. This figure excludes 313 quality of supply complaints that are still being investigated either at the fault call level or at the event level and 303 calls which have been incorrectly classified as quality of supply complaints when the call was initially logged.*
- c. this figure includes 237 complaints where the quality of supply complaint was deemed acceptable after the complaint has been investigated and checked at the fault call level and 209 complaints logged by the National Contact Centre.*

As shown in **Figure 6**, network-initiated complaints can be further broken down into sub-categories, of which network limitations and faulty network equipments accounted for 54% and 42% of total network-initiated complaints, respectively. Complaints received in relation to interference to the network arising from the operation of equipment by customers, the fault of the distributor, environmental issues and 'other' unclassified events account for the remaining quality of supply complaints received during 2007-08.

Figure 6: Ergon Energy – causes of network initiated quality of supply complaints



Source: Ergon Energy’s 2007-08 Annual Financial and Service Quality Report and QCA’s Analysis.

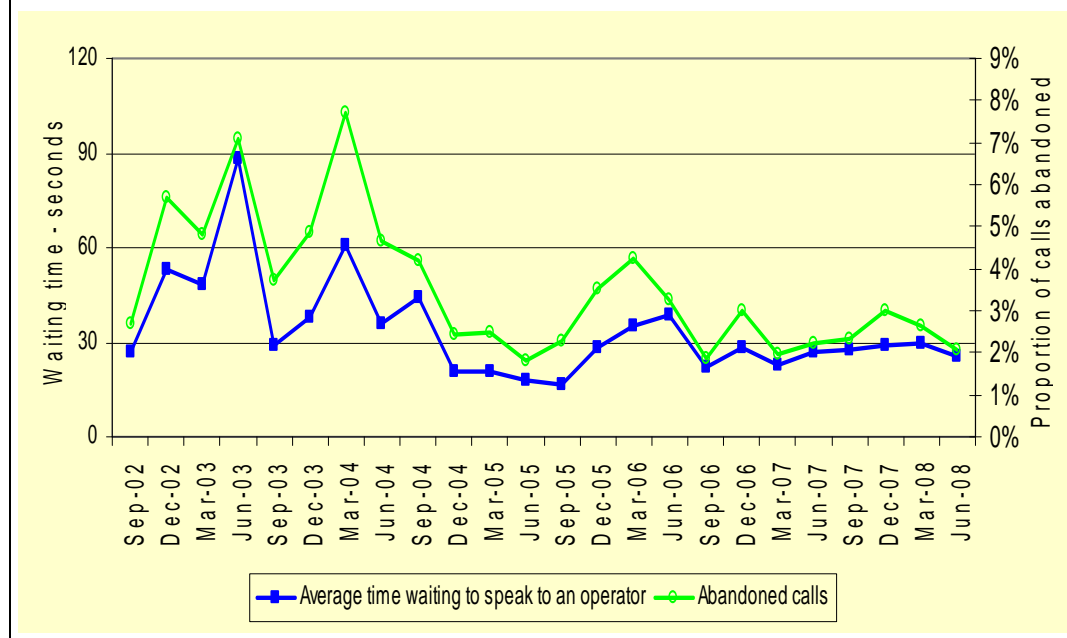
3.3 Customer Service Measures

Ergon Energy’s performance against a range of customer service measures was mixed during 2007-08.

As shown in **Figure 7**, the average length of time that customers had to wait to speak to an operator when phoning the call centre decreased marginally from 26.8 seconds in the June quarter 2007 to 25.8 seconds in the June quarter 2008. As shown in Figure 7, this result remained close to the trend experienced over the past year. This measure has shown a general improvement over the years, excepting a few spikes in the data related to the severe storms and outages that placed significant pressures on the call centre during those times.

Accordingly, the percentage of abandoned calls also fell marginally, from 2.2% during the June quarter 2007 to 2.1% in the June quarter 2008. This is the best result recorded for this measure during this year. This measure has also shown a general improvement over the years duplicating the trend recorded for the average length of time that customers had to wait to speak to an operator when calling the call centre.

Figure 7: Ergon Energy - average time waiting to speak to an operator & abandoned calls



Source: Ergon Energy’s Quarterly Service Quality Reports and QCA’s Analysis

As shown in **Table 11**, the number of complaints that Ergon Energy received relating to reliability of supply varied throughout 2007-08, with the number of reliability complaints being typically higher during the storm season quarters (December and March). In total, Ergon Energy reported 1,710 reliability complaints over the course of 2007-08, an increase of 477 complaints from that recorded for 2006-07.

A new requirement of the Authority’s revised Service Quality Reporting Guidelines is the inclusion of complaints relating to momentary interruptions to supply as a sub-category of reliability complaints. This is the first year that Ergon Energy could provide a complete report on the number of momentary interruption to supply complaints received, as shown in **Table 11**.

Table 11: Ergon Energy - number of reliability complaints

| | SEP 2007 | DEC 2007 | MAR 2008 | JUN 2008 | TOTAL |
|---|----------|----------|----------|----------|--------------|
| Number of reliability complaints ^a | 258 | 430 | 608 | 414 | 1,710 |
| Momentary interruption complaints | 112 | 200 | 336 | 142 | 790 |

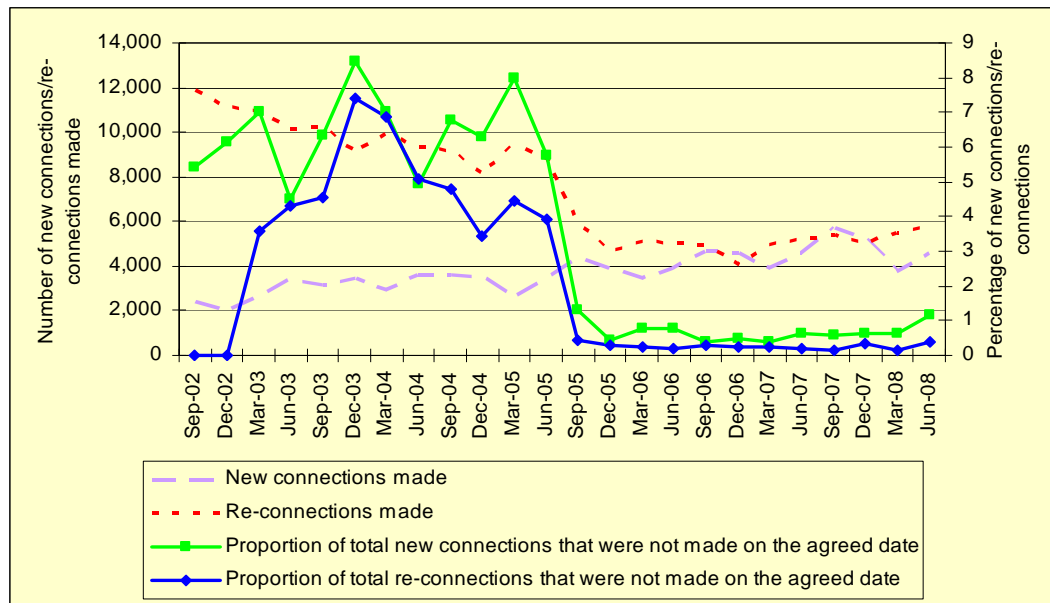
Source: Ergon Energy’s Quarterly Service Quality Reports

^a Reliability complaint figures reported include complaints relating to momentary interruptions to supply.

As shown in **Figure 8**, the proportion of total new supply connections that Ergon Energy failed to make by the agreed date increased marginally from 0.6% at the end of June quarter 2007 to 1.1% at the end of the June quarter 2008.

Similarly, there was also a marginal increase in the proportion of total re-connections that were not made on the agreed date from 0.2% at the end of the June quarter 2007 to 0.4% at the end of the June quarter 2008.

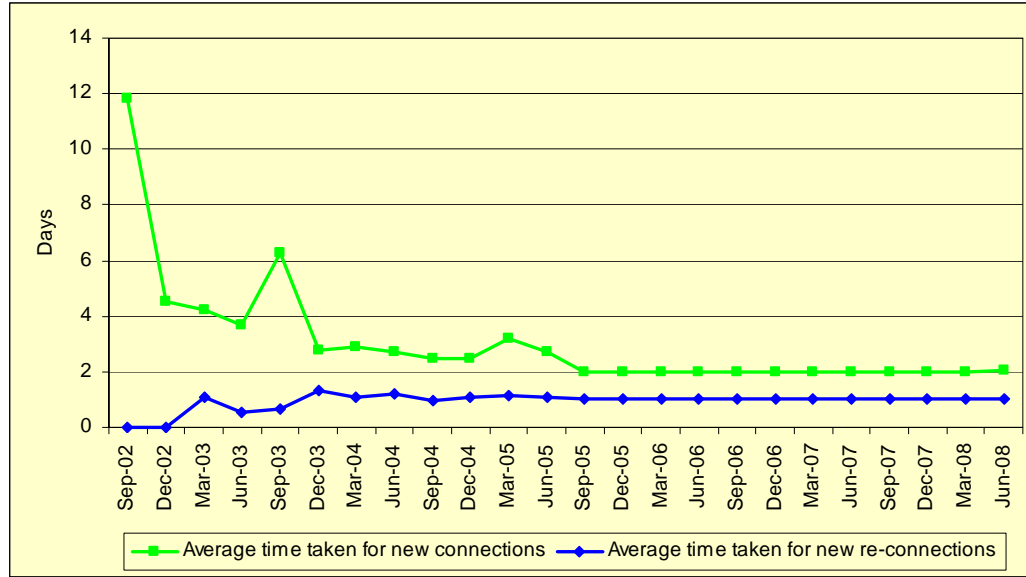
Figure 8: Ergon Energy - number of new and re-connections made proportion of new and re-connections not made on the agreed date



Source: Ergon Energy's Quarterly Service Quality Reports and QCA's Analysis.

As shown in **Figure 9**, the average length of time that customers had to wait for a new connection to the network remained at approximately two days during 2007-08. The result remained close to the trend experienced over the last three years. However, the result represents a significant improvement from that achieved at the commencement of reporting under the Guidelines.

The average length of time that customers had to wait for a re-connection to the network has varied little over the last five and a half years, at about one day.

Figure 9: Ergon Energy - average time taken for new connections and re-connections

Source: Ergon Energy's Quarterly Service Quality Reports and QCA's Analysis.

Ergon Energy was unable to provide data on street light performance for 2007-08. To date, Ergon Energy only managed to report data on this measure since reporting began under the Code to the September quarter 2006. This is due to a number of limitations arising from its transition to new reporting systems. Accordingly, no analysis was provided for street lighting performance for 2007-08.

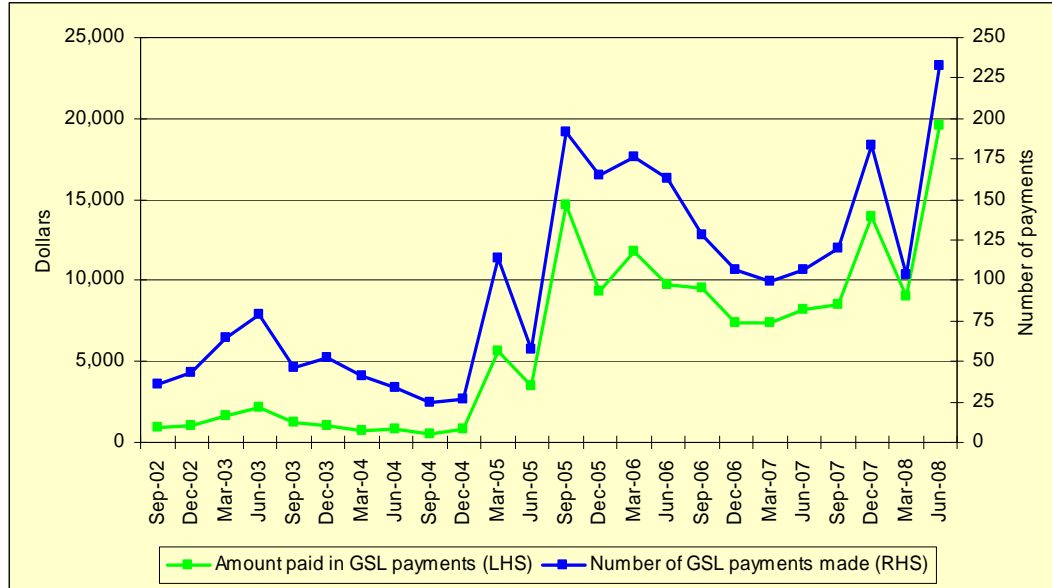
Figure 10 illustrates Ergon Energy's GSL payments over time. GSL relate to the quality of service received by individual customers. In certain circumstances, if distributors fail to comply with the GSL, the Electricity Industry Code provides that an affected customer is eligible for compensation in the form of a GSL payment. The rapid increase in quarterly GSL payments during 2005-06 was due to the introduction of a GSL scheme mandated by the Queensland Government from 1 January 2005. Prior to 1 January 2005, GSLs were voluntary payments made by the distributors to customers that reported instances where the distributors had not met their self-imposed service quality standards.

The number of GSL payments made and the amounts paid for GSLs have fluctuated during 2007-08. The rapid increase in both the total number of GSL claims and the total GSL payments made to customers in the last quarter of 2007-08 (June quarter 2008) can be attributed to the flow-on impacts arising from:

- (a) the occurrence of several outages on a high voltage feeder, which escalated the number of GSL claims made; and
- (b) the Enterprise Bargaining Award (EBA) industrial action that occurred during the quarter involving a number of stop workdays, affecting the customer service performance of Ergon Energy during the year. This has caused an increase in the number of claims made under some GSL categories (particularly GSL claims associated with connections).

The total number of GSL claims made increased from 441 payments in 2006-07 to 639 payments in 2007-08, while the total GSL payments made increased from \$32,590 in 2006-07 to \$50,960 in 2007-08.

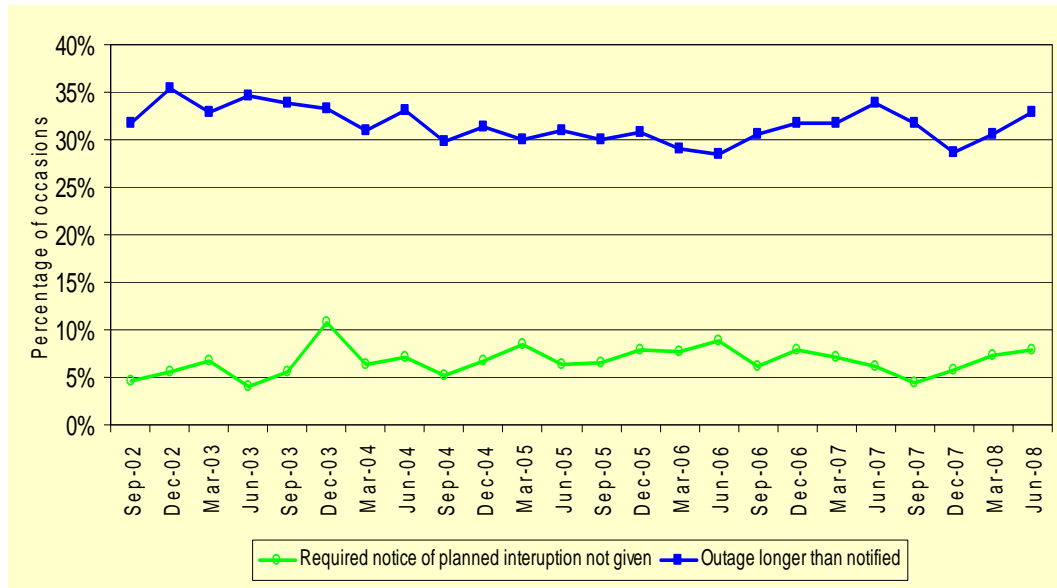
Figure 10: Ergon Energy - guaranteed service level payments



Source: Ergon Energy’s Quarterly Service Quality Reports and QCA’s Analysis.

The proportion of occasions on which the required notice of a planned interruption to supply was not given increased steadily from 4.4% and 8.0% in 2007-08 (refer to **Figure 11**). Nevertheless, this result remained close to the long-term trend level.

Over the same period, the proportion of occasions on which the duration of a planned interruption exceeded the time specified in the notification varied from 28.7% to 33.0%. This range means that on average, about one in every three planned interruptions exceeded the time specified to customers. This result is consistent with the pattern observed for the proportion of occasions on which the required notice of a planned interruption to supply was not given. This is an important measure of Ergon Energy’s customer service performance given the large number of planned interruptions occurring on its network during 2007-08 (refer to **Figure 5**).

Figure 11: Ergon Energy - notification of commencement and duration of planned interruptions

Source: Ergon Energy's Quarterly Service Quality Reports and QCA's Analysis.

The basis for reporting customer service complaints was changed in the Authority's revised Service Quality Reporting Guidelines (August 2005). As a result, it is inappropriate to compare results from the September quarter 2005 with earlier results.

As shown in **Table 12**, complaints about Ergon Energy's customer service were the main cause of complaints during 2007-08. This is consistent with the result recorded in 2006-07. Other significant causes of complaint were related to field activity, trees touching or close to power lines, and meter reading.

Table 12: Ergon Energy - complaint resolution (reasons for complaints)

| | SEP 2007 | DEC 2007 | MAR 2008 | JUN 2008 | TOTAL |
|--------------------------------------|----------|----------|----------|----------|--------------|
| Total number of complaints | 948 | 951 | 1,005 | 872 | 3,776 |
| Customer service | 288 | 269 | 217 | 215 | 989 |
| Trees | 190 | 170 | 173 | 196 | 729 |
| Field activity | 195 | 209 | 243 | 163 | 810 |
| Meter reading | 124 | 152 | 186 | 128 | 590 |
| Supply – new extensions | 48 | 51 | 48 | 46 | 193 |
| Other complaints | 48 | 42 | 59 | 44 | 193 |
| Streetlights | 15 | 10 | 16 | 24 | 65 |
| Infrastructure | 20 | 14 | 28 | 23 | 85 |
| Metering/Technical | 16 | 25 | 24 | 30 | 95 |
| Environmental issues | 3 | 6 | 7 | 3 | 19 |
| Line clearances | 1 | 2 | 3 | 0 | 6 |
| Suspected compliance failure | 0 | 1 | 0 | 0 | 1 |
| Disputes – National Electricity Code | 0 | 0 | 1 | 0 | 1 |

Source: Ergon Energy's Quarterly Service Quality Reports.

The percentage of complaints resolved within 20 days averaged 91.8% during 2007-08. The average time taken by Ergon Energy to resolve complaints increased from 5.1 days in the June quarter 2007 to 6.5 days in the June quarter 2008.

The number of repeat complaints has varied between 24 and 26 complaints during 2007-08. However, the total number of repeat complaints more than doubled for the June quarter 2008 (from 56 complaints in 2006-07 to 101 complaints in 2007-08).

The average time taken to resolve repeat complaints has varied between 4.8 days and 9.7 days in 2007-08

APPENDIX A

FINANCIAL DATA TABLES – 2001-02 to 2007-08

Table A1: Aggregate financial information – Ergon Energy (\$ million (nominal))

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
|---|---------|---------|---------|---------|---------|----------------------|----------------------|
| Revenue | | | | | | | |
| Forecast sales | 447.5 | 476.05 | 500.4 | 523.4 | 675.2 | 701.6 ^a | 749.4 ^a |
| Actual sales | 443.9 | 475.5 | 505.8 | 535.8 | 690.1 | 697.3 ^a | 733.4 ^a |
| Forecast revenue from outside use of regulated assets | | | | | 8.0 | 8.0 | 8.0 |
| Actual revenue from outside use of regulated assets | | | | | 4.5 | 1.3 | 2.9 |
| Expenditure | | | | | | | |
| Forecast operating and maintenance expenditure | 150.9 | 154.6 | 158.4 | 162.4 | 266.7 | 279.6 | 280.4 |
| Actual operating and maintenance expenditure | | | | | | | |
| Operating expenditure | 34.6 | 35.5 | 42.0 | 53.0 | 79.9 | 77.9 | 68.6 |
| Maintenance expenditure | 100.4 | 123.5 | 147.5 | 142.1 | 203.9 | 214.6 | 241.6 |
| Total | 135.0 | 159.0 | 189.5 | 195.1 | 283.7 | 292.5 | 310.3 |
| Forecast depreciation | 171.9 | 181.1 | 187.7 | 192.4 | 231.9 | 237.4 | 256.9 |
| Actual depreciation | 163.3 | 166.9 | 173.3 | 186.4 | 225.2 | 221.4 | 221.1 |
| Total expenditure (forecast) | 322.8 | 335.7 | 346.1 | 354.8 | 498.6 | 517.0 | 537.3 |
| Total expenditure (actual) | 298.3 | 325.9 | 362.8 | 381.5 | 508.9 | 513.9 | 531.4 |
| Customer contributions | | | | | | | |
| Forecast | 16.8 | 17.1 | 17.5 | 17.9 | 28.9 | 35.9 | 38.4 |
| Actual | 16.9 | 19.9 | 25.4 | 35.5 | 36.2 | 42.0 | 70.5 |
| Capital expenditure | | | | | | | |
| Forecast | 255.0 | 234.0 | 194.6 | 192.3 | 524.5 | 574.4 | 627.8 |
| Actual | 235.0 | 312.8 | 358.2 | 490.1 | 623.2 | 735.5 | 737.6 |
| Fixed assets | | | | | | | |
| Forecast | 2,720.7 | 2,831.0 | 2,896.8 | 2,956.8 | 4,650.9 | 5,118.8 | 5,606.0 ^b |
| Actual | 2,501.8 | 2,661.5 | 2,961.2 | 3,321.5 | 4,690.1 | 5,279.9 | 5,894.3 ^b |
| Energy Sales (million MWh) | | | | | | | |
| Actual | 12.3 | 12.5 | 12.8 | 12.9 | 13.5 | 13.6 | 13.8 |
| Number of customers | | | | | | | |
| Actual | 574,259 | 584,878 | 584,717 | 711,143 | 736,710 | 753,668 ^c | 766,453 |

^a Excludes revenue from non-DUOS services (later reclassified as excluded services).

^b Actual fixed assets include an estimated \$4.5 million of regulated assets used for the provision of excluded services.

^c Ergon Energy revised their method of recording street lighting customers from 2004-05 onwards.

Table A2: Revenue – Ergon Energy (\$ million (nominal))

| <i>Revenue source*</i> | <i>2001-02</i> | <i>2002-03</i> | <i>2003-04</i> | <i>2004-05</i> | <i>2005-06</i> | <i>2006-07</i> | <i>2007-08</i> |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Sales | | | | | | | |
| Network services (excl public lighting) | 443.9 | 475.5 | 495.3 | 525.5 | 670.7 | 678.5 | 718.5 |
| Public lighting | n/a | n/a | 10.5 | 10.3 | 13.4 | 14.3 | 14.9 |
| Total network services | 443.9 | 475.5 | 505.8 | 535.8 | 684.1 | 692.8 | 733.4 |
| TUOS pass-through | 139.0 | 154.4 | 150.5 | 143.9 | 154.1 | 166.5 | 183.3 |
| Excluded Services | 3.0 | 2.0 | 3.8 | 4.0 | 6.0 | 4.5 | 13.4 |
| Total services | 585.9 | 631.9 | 660.1 | 683.7 | 844.2 | 863.8 | 930.1 |
| Revenue from outside use of regulated assets | | | | | 4.5 | 1.3 | 2.9 |
| Capital contributions | 16.9 | 19.9 | 25.4 | 35.5 | 36.2 | 42.0 | 70.5 |
| Profit from sale of assets | (3.4) | 0.8 | (15.9) | 1.7 | (0.7) | 3.1 | 4.1 |
| Proceeds from sale of assets | 1.5 | 4.8 | 5.2 | 4.2 | 4.1 | 5.5 | 57.3 |
| Book value of assets sold | 4.9 | 4.0 | 4.3 | 2.5 | 4.8 | 2.4 | 53.2 |
| Other revenue | - | 15.0 | 17.7 | 32.8 | 6.9 | 32.6 | 40.9 |

* *May not sum due to rounding.*

Table A3: Operating and maintenance expenditure – Ergon Energy (\$ million (nominal))

| <i>Expenditure*</i> | <i>DUOS services</i> | <i>Excluded Services</i> |
|--|----------------------|--------------------------|
| Operating expenditure | | |
| Meter reading | 11.9 | |
| Customer service | 19.4 | |
| Full retail contestability | - | |
| Network operations | 30.3 | |
| Training | 7.0 | |
| Other | - | 16.5 |
| Total | 68.6 | |
| Public street lighting | - | |
| Total operating expenditure | 68.6 | 16.5 |
| Network maintenance expenditure | | |
| Inspection | 68.3 | |
| Maintenance and repair | 26.6 | |
| Vegetation management | 97.5 | |
| Emergency Response | 41.0 | |
| Other | - | |
| Total | 233.4 | |
| Public street lighting | 8.3 | |
| Total maintenance expenditure | 241.7 | |
| Total operating and maintenance expenditure | 310.3 | 16.5 |

* *May not sum due to rounding.*

Table A4: Depreciation - Ergon Energy (\$ million (nominal))

| <i>Asset*</i> | <i>\$ million</i> |
|------------------------------------|-------------------|
| System Assets: | |
| overhead sub-transmission lines | 21.8 |
| underground sub-transmission lines | 0.7 |
| overhead distribution lines | 46.0 |
| underground distribution lines | 8.5 |
| distribution equipment | 3.1 |
| substation bays | 13.3 |
| substation establishment | 6.1 |
| substation switchgear | 1.7 |
| zone transformers | 5.6 |
| distribution transformers | 23.3 |
| low voltage services | 7.3 |
| meters | 7.4 |
| communications | 2.9 |
| generation assets | 0.5 |
| street lighting | 4.8 |
| other equipment | 0 |
| control centre - SCADA | 2.1 |
| land and easements | - |
| Non-System Assets: | |
| communications | 1.8 |
| IT systems | 16.3 |
| office furniture and equipment | 4.3 |
| motor vehicles | 21.1 |
| plant and equipment | 12.8 |
| buildings | 9.7 |
| land and easements | - |
| land improvements | 0.3 |
| Total | 221.1 |

* May not sum due to rounding.

Table A5: Expected and remaining lives of network assets – Ergon Energy

| <i>Asset*</i> | <i>Expected weighted average economic life (weighted by ORC) (years)</i> | <i>Weighted average remaining economic life (weighted by ORC) (years)</i> |
|------------------------------------|--|---|
| System Assets: | | |
| overhead sub-transmission lines | 48.6 | 24.7 |
| underground sub-transmission lines | 44.6 | 31.8 |
| overhead distribution lines | 49.3 | 23.0 |
| underground distribution lines | 58.8 | 46.8 |
| distribution equipment | 35.0 | 32.0 |
| substation bays | 40.0 | 17.6 |
| substation establishment | 40.0 | 22.2 |
| substation switchgear | 35.0 | 31.2 |
| zone transformers | 40.0 | 18.3 |
| distribution transformers | 35.0 | 21.8 |
| low voltage services | 47.6 | 24.8 |
| meters | 25.0 | 6.3 |
| communications | 17.0 | 9.2 |
| generation assets | 20.0 | 4.2 |
| street lighting | 20.0 | 8.3 |
| other equipment | 40.0 | 39.6 |
| control centre -SCADA | 7.1 | 3.0 |
| land and easements | n/a | n/a |
| Non-System Assets: | | |
| communications | 7.0 | 2.8 |
| IT systems | 3.3 | 0.5 |
| office furniture and equipment | 6.9 | 3.7 |
| motor vehicles | 9.1 | 4.6 |
| plant and equipment | 8.3 | 4.8 |
| buildings | 35.2 | 16.3 |
| land and easements | n/a | n/a |
| land improvements | 40.0 | 36.1 |

* May not sum due to rounding.

Table A6: Asset values - Ergon Energy (\$ million (nominal))

| <i>Asset*</i> | <i>\$ million</i> |
|------------------------------------|-------------------|
| System Assets: | |
| overhead sub-transmission lines | 859.6 |
| underground sub-transmission lines | 23.8 |
| overhead distribution lines | 1542.5 |
| underground distribution lines | 451.7 |
| distribution equipment | 46.1 |
| substation bays | 446.9 |
| substation establishment | 192.9 |
| substation switchgear | 75.8 |
| zone transformers | 139.8 |
| distribution transformers | 568.0 |
| low voltage services | 117.3 |
| meters | 59.9 |
| communications | 40.2 |
| generation assets | 1.9 |
| street lighting | 60.4 |
| other equipment | 9.9 |
| control centre - SCADA | 18.5 |
| land and easements | 22.9 |
| Non-System Assets: | |
| communications | 11.9 |
| IT systems | 15.4 |
| office furniture and equipment | 30.5 |
| motor vehicles | 107.7 |
| plant and equipment | 71.4 |
| buildings | 97.0 |
| land and easements | 48.0 |
| land improvements | 7.7 |
| Total | 5,067.6 |

* May not sum due to rounding.

Table A7: Capital Expenditure and additions - Ergon Energy (\$ million (nominal))

| <i>Capital expenditure*</i> | <i>\$ million</i> |
|------------------------------------|-------------------|
| System Assets: | |
| overhead sub-transmission lines | 76.1 |
| underground sub-transmission lines | 18.9 |
| overhead distribution lines | 122.2 |
| underground distribution lines | 81.1 |
| distribution equipment | 0.7 |
| substation bays | 115.7 |
| substation establishment | 5.1 |
| substation switchgear | 12.8 |
| zone transformers | 54.5 |
| distribution transformers | 93.5 |
| low voltage services | 15.3 |
| meters | 8.6 |
| communications | 3.7 |
| generation assets | - |
| street lighting | 9.8 |
| other equipment | 4.4 |
| control centre - SCADA | 16.4 |
| land and easements | 1.5 |
| Non-System Assets: | |
| communications | 0.4 |
| IT systems | 12.1 |
| office furniture and equipment | 4.2 |
| motor vehicles | 21.3 |
| plant and equipment | 34.9 |
| buildings | 20.5 |
| land and easements | 0 |
| land improvements | 3.4 |
| Other | 0.2 |
| Total | 737.6 |

* *May not sum due to rounding.*

Table A8: Capital expenditure by purpose - Ergon Energy (\$ million (nominal))

| <i>Capital expenditure</i> | <i>\$ million</i> |
|--------------------------------------|-------------------|
| Asset replacement | 100.9 |
| Demand related | 504.3 |
| Reliability and quality improvements | 12.2 |
| Other | 120.2 |
| Total | 737.8 |

Table A9: Related party transactions - Ergon Energy (\$ million (nominal))

| <i>Transaction</i> | <i>\$ million</i> |
|---|-------------------|
| Total value of related party transactions | 43.6 |