



**Energex's
Financial and Service Quality
Performance 2004-05**

March 2006

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1. INTRODUCTION AND SUMMARY

As part of the Authority's 2001 Determination on the Regulation of Electricity Distribution¹, the Authority required the Queensland Distribution Network Service Providers (DNSPs) to provide annual information on their financial and service quality performance. The Authority decided in its Final Determination (April 2005) to continue these requirements for the 2005-10 regulatory period, albeit with a number of refinements to the processes.

The financial information for 2004-05 was submitted in accordance with the Authority's *Electricity Distribution: Regulatory Reporting Guidelines (Version 4.1)* and the DNSPs' approved Cost Allocation Guidelines.

This Report provides an assessment of the financial performance of Energex for 2004-05, including a comparison with the financial forecasts that were included in the Authority's 2001 Determination and comparisons with the past financial performance of Energex.

The service quality information is required to be submitted in accordance with the Authority's *Electricity Distribution: Service Quality Reporting Guidelines*. The data presented in this report is in accordance with Version 1.1 of these Guidelines. The Authority released a revised set of Service Quality Reporting Guidelines in August 2005 in order to address some weaknesses in the reporting arrangements identified in the Authority's 2005 Final Determination. These revised Guidelines (Version 2.0) will apply to service quality information requirements from 1 July 2005.

The Guidelines require DNSPs to provide data on specific service quality measures on a quarterly and annual basis. While the DNSPs commenced reporting with the December quarter 2001 reports, the Authority did not commence publicly releasing the reports until the issue of the September quarter 2002 reports due to concerns about the robustness of the data.

As a result, 2002-03 was the first year for which the Authority had annual service quality data.

This report draws on data from both the annual and quarterly service quality reports, primarily for 2004-05, but also from the two preceding financial years.

The structure and content of this Report will evolve as financial and service quality information is accumulated and, over time, the Authority will be able to provide more in-depth commentary and analysis of the information presented.

1.1 General Operating Background

There are two DNSPs operating in Queensland, Energex and Ergon Energy². Both distribution entities are owned by the Queensland Government and have legally separate but wholly owned subsidiary retailing operations.

Network Characteristics

The 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.

¹ The cost of electricity distribution represents approximately 40 per cent of an average residential customer's final bill, with the remainder consisting of costs associated with generation, high-voltage transmission and retailing of electricity.

² Country Energy (NSW) operates a franchise network on the Queensland/New South Wales border extending into Queensland.

Table 1 identifies the key characteristics of each network which illustrates the differences in the networks. A key difference is customer density; specifically, while there are 25.2 customers per kilometre of line in Energex's network, Ergon Energy has just 4.4 customers per kilometre of line in its network.

These differences in network characteristics are an important determinant of the service quality performance of each distributor, particularly the reliability of their respective networks.

As a result, the service quality measures collected by the Authority are not intended to provide a comparison of the two DNSPs one with the other. Additionally it is to be expected that the distributors' performances will vary significantly on a number of service quality measures.

It is for these reasons that this Report deals separately with Energex.

Table 1: Network characteristics - 2004-05

| Characteristics | Energex | Ergon Energy |
|-------------------------------------|-----------|----------------------|
| Network service area (sq km) | 25,264 | 1,698,100 |
| Number of customers ¹ | 1,190,237 | 604,345 |
| Energy delivered (GWh) ¹ | 19,665 | 12,954 |
| Energy delivered per customer (MWh) | 16.5 | 21.4 |
| Kilometres of line | 47,290 | 138,330 ² |
| Customers per km of line | 25.2 | 4.4 |
| Maximum demand of network (MVA) | 4,205 | 2,297 |
| Number of distribution transformers | 39,572 | 76,939 |
| Asset utilisation (%) ³ | 34.2 | 23.8 |
| Distribution losses (%) | 5.8 | 6.4 |

¹ These values are reported in the distributors' regulatory accounts 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.

² For the year ending 30 June 2002. Ergon Energy was unable to provide updated data for 2004-05.

³ Sub-transmission transformer utilisation factor. Electricity throughput (MWh) expressed as a percentage of sub-transformer capacity (MVA) multiplied by the number of hours per year.

1.2 Energex Customer Profile

All customers with an average consumption of more than 100MWh a year, approximately 12,400 customers, were eligible to become contestable. The contestable customer groups of Energex consist of:

- *individually calculated customers* - customers whose electricity consumption is sufficiently large to warrant individually calculated prices;
- *connection asset customers* - customers whose electricity consumption is sufficient to warrant individually calculated connection charges but with their remaining charges averaged; and
- *standard asset customers* - customers who pay averaged charges.

The non-contestable customer group incorporates all franchise customers (customers who access a franchise retail price set by the Queensland Government). The number of customers in each category and the corresponding units of electricity sold to each in 2004-05 are presented in Table 2.

Table 2: Energex customer numbers and units sold - 2004-05

| Customer type | Customers | | Units sold | | Units sold per customer | |
|-----------------------------------|-----------|--------------------------------------|------------|--------------------------------------|-------------------------|--------------------------------------|
| | Number | Percentage change from previous year | MWh | Percentage change from previous year | MWh/customer | Percentage change from previous year |
| Contestable customers | | | | | | |
| Individually calculated customers | 24 | 9.1 | 1,496,287 | 9.2 | 63,345.3 | 0.1 |
| Connection asset customers | 344 | 3.0 | 3,388,169 | 0.8 | 9,849.3 | 2.1 |
| Standard asset customers | 4,175 | 11.2 | 3,058,316 | 15.0 | 732.5 | 3.4 |
| Non-contestable customers | | | | | | |
| Franchise customers ¹ | 1,185,505 | 2.6 | 11,580,630 | 0.9 | 9.8 | 1.6 |
| Public street lighting | 187 | - | 126,746 | 2.5 | 677.8 | 2.5 |
| Embedded generators | 2 | 0 | 14,937 | 609.6 | 7,468.5 | 609.6 |
| Total | 1,190,237 | 2.6 | 19,665,085 | 3.6 | 16.5 | 3.6 |

¹ This category includes some potentially contestable customers which have not elected to enter the market.

Table 2 indicates that the number of customers increased 2.6 per cent during 2004-05, the same growth as occurred during 2003-04, driven by franchise customer growth (these customers account for over 99 per cent of Energex's total customer base).

Energy sales increased 3.6 per cent during the year following a 6.5 per cent increase in 2002-03. This compares with forecast average growth in energy sales of 4.2 per cent per annum over the regulatory period.

The Standard Asset Customer category experienced the strongest growth in 2004-05, for the third consecutive year, with an increase in customers of 11.2 per cent and an increase in energy sales of 15.0 per cent, which translated into an increase of 3.4 per cent in units sold per SAC. The majority of this customer group consume between 100 and 4,000MWh per annum.

1.3 Summary of Energex Financial Performance

Energex over-recovered revenue, including capital contributions, in 2004-05 by \$21.1 million. The over-recovery will be returned to customers in 2006-07 as the 2004-05 data was not available in time for adjustments to be made to 2005-06 allowable revenue. As forecast, Energex's revenue in 2004-05 was higher than for the previous year.

Table 3: Energex financial performance - 2004-05

| | Actual 2003-04 (\$ mill) | Actual 2004-05 (\$ mill) | Forecast 2004-05 (\$ mill) | Variance from forecast 2004-05 | |
|---------------------------------------|--------------------------------|--------------------------------|----------------------------------|-----------------------------------|-------|
| | | | | (\$ mill) | (%) |
| Allowable revenue | | | | | |
| Distribution use of system charges | 535.9 | 551.1 | 545.7 | 5.4 | 1.0 |
| Capital contributions | 45.8 | 40.8 | 25.1 | 15.7 | 62.5 |
| Operating and maintenance expenditure | 135.4 | 170.1 | 187.2 | (17.1) | (9.1) |
| Capital expenditure | 302.9 | 526.5 | 256.0 | 270.5 | 105.7 |

As part of the 2001 Final Determination, the Authority estimated the level of operating costs and capital expenditure required to deliver prescribed distribution services for each year of the regulatory period for each DNSP. While estimates were provided for each year of the regulatory period, actual annual 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 are made.

During 2004-05, Energex recorded operating expenditure of \$170.1 million, \$17.1 million below the \$187.2 million forecast in the 2001 Final Determination. Energex attributed this under-spend to a number of factors including the capitalisation of \$13.3 million of previously expensed costs, being pole replacements and wild-life proofing services.

Capital expenditure was \$223.6 million (73.8 per cent) higher than in 2003-04 and \$270.5 million (105.7 per cent) higher than originally forecast. This was driven by significantly higher than forecast demand-related capital expenditure which reflected the implementation of an accelerated capital works program to address strong customer number growth and rapid growth in network peak demand over recent years. The higher-than-forecast aggregate capital expenditure also reflected a number of accounting adjustments, including capitalisation of both previously expensed costs and non-system assets depreciation during the year.

1.4 Summary of Energex Service Quality Performance

During 2004-05, Energex began to phase in the reporting of reliability numbers based on the actual number of customers affected by interruptions rather than using an estimated number of customers affected. The full effect of using actual customer numbers was revealed in the June quarter 2005. Under the new method, average minutes off supply per customer per year for distribution-related interruptions were around 23 per cent higher.

As shown in Table 4, Energex customers, on average, experienced 1.77 distribution-related interruptions during 2004-05. With each interruption lasting an average of 98.6 minutes, customers, on average, were left without power for a total of 174.6 minutes during the year.

These figures compare to the 2.40 interruptions and 362.6 minutes of time without power during 2003-04. After allowing for the different basis of determining customer numbers, reliability performance in 2004-05 still showed a significant improvement on 2003-04. This improvement reflects the relatively mild storm season compared to 2003-04.

The Authority's Service Quality Reporting Guidelines allow the impact of weather-related events that affect more than 5 per cent of a DNSP's customer base to be removed from the

reliability data to facilitate an assessment of underlying performance. Only one weather-related event met this test during 2004-05, whereas six weather-related events met this test during 2003-04.

On this adjusted basis, Energex data suggests customers, on average, experienced 1.72 distribution-related interruptions during 2004-05. With each interruption lasting an average of 94.6 minutes, customers were left without power, on average, for a total of 162.4 minutes during the year. On the same adjusted basis, these figures can be compared to the 1.79 interruptions recorded during 2003-04, with each interruption lasting an average of 89.9 minutes, resulting in 160.6 minutes of time without power, on average, during 2003-04.

This adjusted data suggest the underlying reliability performance for 2004-05 was mixed compared to 2003 04, with fewer interruptions but each interruption, on average, lasting longer resulting in a slightly higher total time without power.

Table 4: Summary of Energex’s reliability of supply performance - 2004-05*

| | JUN 2004 | SEP 2004 | DEC 2004 | MAR 2005 | JUN 2005 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Average number of interruptions per customer per year – distribution-related (SAIFI) before excluded events removed | 2.40 | 2.51 | 2.51 | 1.74 | 1.77 |
| Average number of interruptions per customer per year – distribution-related (SAIFI) after excluded events removed | 1.79 | 1.88 | 1.83 | 1.69 | 1.72 |
| Average duration of each interruption per year – distribution-related (CAIDI) before excluded events removed - minutes | 151.2 | 153.7 | 157.2 | 96.5 | 98.6 |
| Average duration of each interruption per year – distribution-related (CAIDI) after excluded events removed - minutes | 89.9 | 93.3 | 95.8 | 92.3 | 94.6 |
| Duration of all interruptions per customer per year – distribution-related (SAIDI) before excluded events removed – minutes | 362.6 | 386.3 | 394.7 | 167.7 | 174.6 |
| Duration of all interruptions per customer per year – distribution-related (SAIDI) after excluded events removed – minutes | 160.6 | 174.9 | 175.6 | 155.6 | 162.4 |

* All estimates are 12 month rolling averages.

The total number of reported quality of supply complaints received by Energex decreased from 2,336 in 2003-04 to 1,773 in 2004-05. As shown in Table 5, the highest number of complaints received was in the September quarter 2004 (489), while the lowest number of complaints received was in the December quarter 2004 (387).

Energex’s performance against a range of customer service measures was mixed over the course of 2004-05:

- the length of time customers had to wait to speak to an operator when calling the call centre finished 2004-05 better than the previous year (31 seconds in the June quarter 2005 compared to 50 seconds in the June quarter 2004). Energex’s performance in the March quarter 2005 (23 seconds) was its best performance recorded since reporting began under the Authority’s Guidelines;

- the percentage of calls abandoned by callers was 2.6³ per cent in the June quarter 2005, a significant improvement on the corresponding quarter in 2004 (7.1 per cent). The March quarter 2005 recorded the lowest percentage of calls abandoned by customers (1.9 per cent) since reporting began under the Authority's Guidelines;
- the length of time customers had to wait for a new connection to the network varied little over 2004-05, at just over 4 days; and
- the proportion of total new supply connections Energex failed to make by the agreed date varied over 2004-05, reaching a low of 2.1 per cent in the September quarter 2004 and a high of 6.5 per cent in the March quarter 2005.

Table 5: Summary of Energex's other service quality measures - 2004-05

| | JUN 2004 | SEP 2004 | DEC 2004 | MAR 2005 | JUN 2005 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total number of quality of supply complaints | 547 | 489 | 387 | 484 | 413 |
| Average waiting time to speak to an operator - seconds | 50 | 34 | 30 | 23 | 31 |
| Percentage of calls abandoned by customers | 7.1 | 8.2 | 3.6 | 1.9 | 2.6 |
| Average time taken for new connections - days | 4.06 | 4.03 | 4.06 | 4.10 | 4.05 |
| Percentage of new connections not made by the agreed date | 4.4 | 2.1 | 4.4 | 6.5 | 3.3 |

³ Only includes calls abandoned while waiting for an operator, does not include calls abandoned while waiting for a response from the Interactive Voice Response system.

2. FINANCIAL PERFORMANCE

This section summarises the financial performance of the revenue cap regulated business segment of Energex. The information is for the year ended 30 June 2005. The data used in the analysis has been drawn mainly from Energex's audited Regulatory Accounting Statements. These accounts were submitted in accordance with the Authority's *Electricity Distribution: Regulatory Reporting Guidelines*.

Areas of particular interest concerning Energex's overall financial performance are revenue, operating and maintenance expenditure, and capital expenditure. Energex's reported results on these components compared with the corresponding forecasts that were included in the 2001 Final Determination and the previous year's actual data are presented below. Detailed financial data for Energex is provided at Appendix A.

2.1 Revenue

Under/Over Recovery of Distribution Revenue

In the 2001 Final Determination, the Authority set a maximum revenue cap for each of the four years of the initial regulatory period for Energex. The maximum revenue cap allows Energex to earn a return on assets, plus an allowance for depreciation and operating and maintenance expenditure incurred in the delivery of prescribed distribution services.

The 2001 Final Determination also acknowledged the possibility of within-period adjustment to revenue caps to allow for agreed cost pass-throughs or corrections to the underlying revenue cap calculations. A cost pass-through allows the distributor to increase/decrease its revenue cap in response to an increase/decrease in a cost that was unforeseen at the time of the 2001 Final Determination, is typically beyond its control and is readily observable.

During 2004-05, cost pass-through was permitted for costs associated with the Electrical Safety Office and QCA levies. Under legislation introduced by the Queensland Government, a number of functions previously undertaken by Energex were transferred to the Electrical Safety Office within the Department of Industrial Relations. The Electrical Safety Office is funded via a levy on both distributors.

The Authority reviewed Energex's application for pass-through of costs associated with the Electrical Safety Office and approved that an additional \$2.44 million be raised by Energex in 2004-05.

Similarly, the *Queensland Competition Authority Regulation 1997* was amended by Subordinate Legislation No. 3 of 2003 to provide for the charging of fees by the Authority. The Authority approved the pass-through of \$0.6 million in recognition of the QCA levy in 2004-05.

In the 2001 Final Determination, the Authority stated its intention to use an "unders and overs" account for each DNSP to ensure compliance with the annual revenue caps. The unders and overs process compares actual revenue earned in the year against the annual revenue cap for that year as determined by the Authority.

Table 6: Energex DUOS revenue – 2004-05

| | \$ million (nominal) |
|--|----------------------|
| Revenue earned during 2004-05 | |
| Revenue from distribution tariffs | 551.1 |
| Revenue from capital contributions | 40.8 |
| Total revenue earned | 591.9 |
| <i>less</i> Allowable annual revenue (updated where necessary) | 570.8 |
| <i>equals</i> Over/(under) recovery for 2004-05 | 21.1 |

Table 6 shows that Energex over-recovered its allowed revenue by \$21.1 million (3.7 per cent). The 2001 Determination requires that where there is a revenue under or over-recovery of between 2 per cent and 5 per cent, the DNSP must submit a plan to the Authority to clear the unders and overs balance during the subsequent two pricing periods. Accordingly, the revenue over-recovery by Energex during 2004-05 will be rolled-forward and reflected in its allowable revenue for 2006-07 to be returned to all customers through distribution prices.

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

TUOS charges are calculated by DNSPs each year to pass-through to distribution customers the cost levied by Powerlink for the use of the transmission system. Electricity transmission charges are regulated by the Australian Competition and Consumer Commission (ACCC) and paid to Powerlink by DNSPs on behalf of customers. The Authority approves TUOS charges, to be levied by the distributors, that are intended to allow them to recover the TUOS charges they have paid to Powerlink. In approving the DNSP's TUOS charges, the Authority's main aim is to ensure the charges reflect, as closely as possible, the structure of Powerlink's charges. Any difference between TUOS revenue recovered by DNSPs from customers and the charges they pay to Powerlink is recouped from/returned to customers through future charges.

Table 7: Energex TUOS unders and overs account – 2004-05

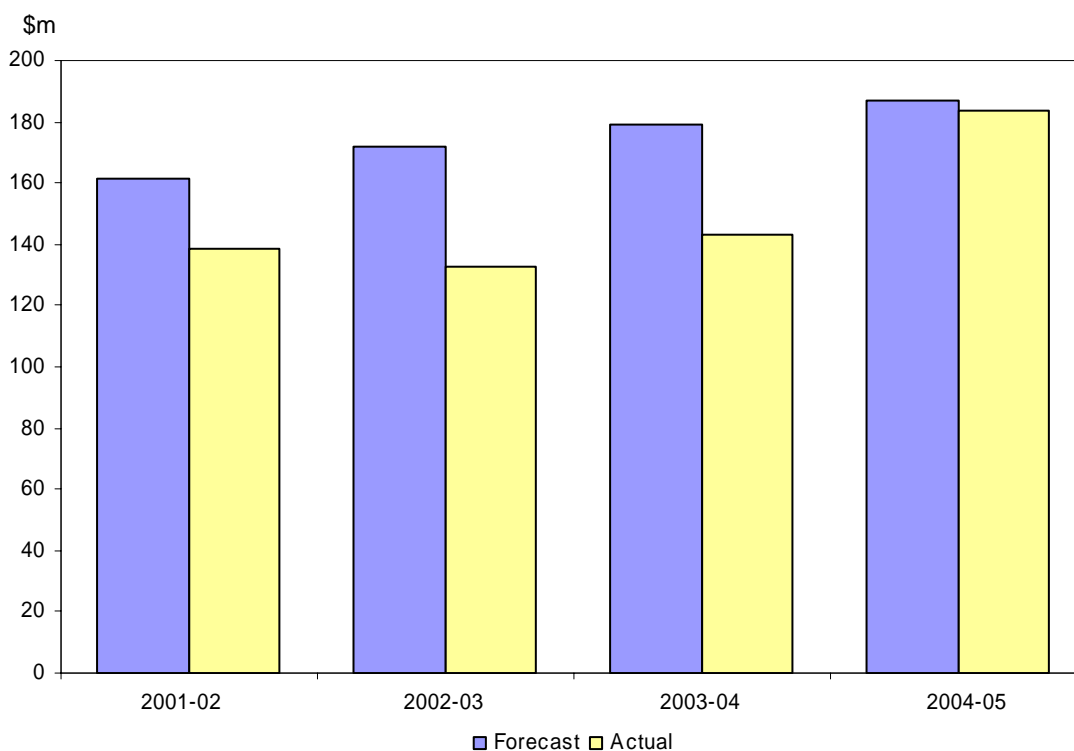
| | \$ million (nominal) |
|--|----------------------|
| TUOS charged by Powerlink | 175.4 |
| <i>less</i> actual TUOS revenue raised during 2004-05 | 175.0 |
| <i>equals</i> Over/(under) recovery for 2004-05 | (0.4) |

Table 7 indicates that TUOS charges to customers were less than TUOS payments to Powerlink by \$0.4 million during 2004-05. Accordingly, Energex will be allowed to recoup this under-recovery as part of its 2006-07 TUOS charges.

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 1 shows network operating and maintenance expenditure reported by Energex for 2001-02 to 2004-05, compared with that forecast at the time of the 2001 Final Determination.

Figure 1: Energex operating and maintenance expenditure – 2001-02 to 2004-05

Energex’s operating and maintenance expenditure increased by \$34.8 million (25.7 per cent) during 2004-05 to be \$14.0 million (7.6 per cent) lower than forecast. The main drivers of the annual increase were increased vegetation management expenditure (up by \$13.9 million or 65.6 per cent) and maintenance and repair expenditure (up by \$8.8 million or 41.1 per cent). Operating costs increased by \$6.1 million (47.0 per cent). The higher expenditure in these areas reflects Energex’s response to the Government’s Electricity Distribution and Service Delivery (EDSD) Review, which reported in July 2004.

Energex’s operating and maintenance expenditure was consistently below forecast during the regulatory period under review. This was partially due to the re-classification of costs previously attributed to operating activities to maintenance activities especially shared/common costs. However, changes made by Energex over the period to the individual cost categories make comparisons between the forecast and actual data difficult.

Energex indicated that changes to its organisational structure and accounting systems mean that costing information presented for regulatory purposes prior to July 2001 “is not directly comparable on a detailed line by line basis with information presented subsequent to July 2001” and reflected in the 2004-05 accounts. However, Energex identified two accounting adjustments to explain part of the variance between forecast and actual operating and maintenance expenditure:

- capitalisation of pole replacements, previously expensed - \$13.0 million;
- capitalisation of wild-life proofing - \$0.3 million.

The capitalisation of pole replacements and wild-life proofing, whilst lowering reported operating expenditure, will result in a commensurate increase in reported capital expenditure.

After adjustments for approved cost pass-throughs, as well as for expenditures classified as opex that were subsequently capitalised, the under-spend on operating and maintenance costs in

2004-05 of \$3.7 million follows under-spends in 2001-02 (\$23.3 million), 2002-03 (\$39.1 million) and 2003-04 (\$34.5 million), making a total of \$100.6 million under-spent on operating and maintenance over the regulatory period relative to the forecasts at the time of the 2001 Final Determination.

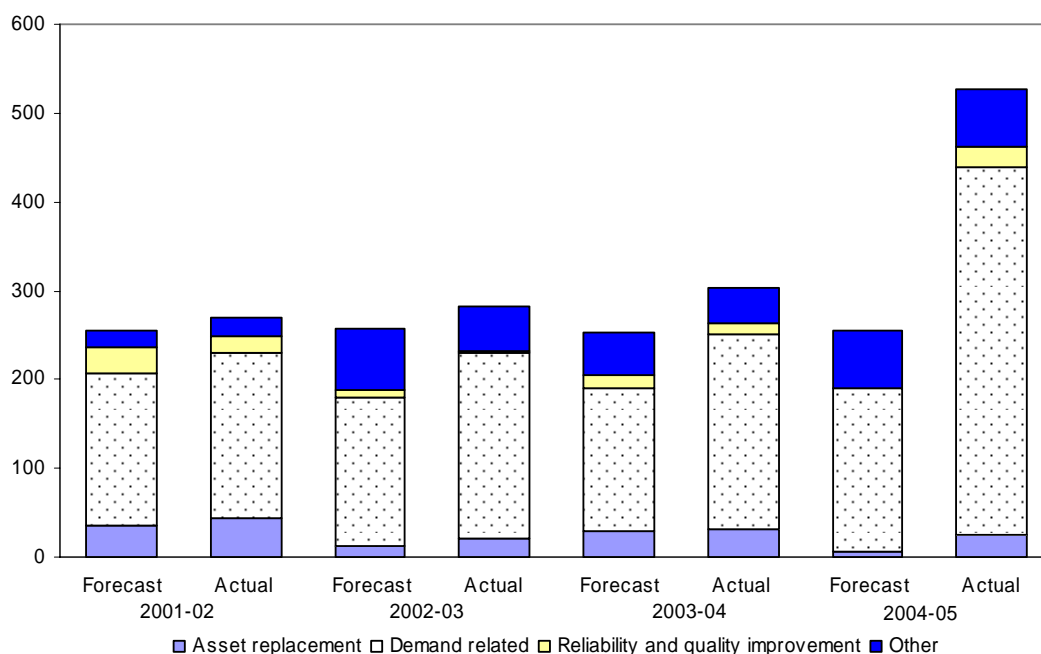
In its 2005 Final Determination, the Authority accepted that Energex had probably made some real efficiency gains during the period, although these were difficult to identify or value due to Energex's approach to preparing its regulatory accounts.

2.3 Capital Expenditure

Figure 2 shows network capital expenditure in aggregate and by purpose reported by Energex for 2001-02 to 2004-05, compared with the forecast capital expenditure included in the 2001 Final Determination.

Figure 2: Energex capital expenditure – 2001-02 to 2004-05

\$m



Capital expenditure was \$223.6 million (73.8 per cent) higher than in 2003-04 and \$270.5 million (105.7 per cent) higher than forecast in 2001.

Demand-related capex increased by 88.0 per cent during the year to be \$229.5 million (24.9 per cent) higher than forecast. Energex indicated this significant increase in expenditure reflected the adoption of an accelerated capital works program to address strong customer growth and the rapid growth in network peak demand, which has averaged 8.8 per cent over the last three years. This expenditure included:

- the installation of additional power transformers at zone and bulk supply substations;
- feeder upgrades; and
- distribution transformer upgrades.

Energex indicated that the major cause of the higher-than-forecast non-system assets expenditure (67.9 per cent) was a large increase in spending on motor vehicles due to the replacement of an ageing fleet as well as to meet the needs of an ESD Review-related increase in Energex field staff.

The higher-than-forecast aggregate capital expenditure also reflected a number of accounting adjustments, including the capitalisation of \$13.0 million of previously expensed costs and the capitalisation of \$18.6 million worth of non-system asset depreciation which Energex argued support both capital and operating activities.

The capitalisation of non-system/shared asset depreciation did not form part of Energex's capital expenditure forecasts provided as part of the 2001 Final Determination. This practice will increase the apparent size of the asset base and reported profits for statutory accounting purposes but has not been incorporated in the asset valuation prepared as part of the Authority's 2005 Final Determination. Adjusted for these accounting changes, total capital expenditure was still 93.3 per cent higher than forecast.

3. SERVICE QUALITY PERFORMANCE

This section summarises the service quality performance of the revenue cap regulated business segment of Energex. The information is for the year ended 30 June 2005 and is drawn from Energex's quarterly and annual service quality reports for 2004-05. These reports were submitted in accordance with the Authority's *Electricity Distribution: Service Quality Reporting Guidelines (Version 1.1)*. The Authority commenced posting service quality reports provided by the DNSPs on its website with the September quarter 2002 reports (released February 2003).

Historical information for 2002-03 and 2003-04 has been included in this section as a guide to annual movements in the service quality measures. As data accumulates over time, Energex's service quality performance will be able to be better assessed.

The service quality measures 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, and 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 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 customers' problems, enquiries and requests for services are handled.

3.1 Reliability Measures

During 2004-05, Energex began to phase in the reporting of reliability numbers based on the actual number of customers affected by interruptions rather than using an estimated number of customers affected. The full effect of using actual customer numbers was revealed in the June quarter 2005. Under the new method, average minutes off supply per customer per year for distribution-related interruptions were around 23 per cent higher.

Table 8 shows that, during 2004-05, Energex customers, on average, experienced 1.95 interruptions as a result of interruptions arising from all segments of the electricity supply chain, including generation, transmission and distribution. With each interruption lasting an average of 95.4 minutes, customers were left without power, on average, for a total of 186.1 minutes during the year.

These figures compare to the 2.53 interruptions experienced on average during 2003-04. With each of those interruptions lasting an average of 144.4 minutes, customers were left without power for an average 365 minutes during 2003-04. After adjustment for the different basis of determining customer numbers, the reliability performance in 2004-05 was still a significant

improvement on 2003-04. This significant improvement during 2004-05 is likely to be due to a relatively mild storm season compared to 2003-04.

Interruptions resulted in an estimated 5,693 MWh of energy not being supplied to customers during the year, which was equivalent to 0.029 per cent of total energy delivered to customers. These figures compare to 13,988 MWh of energy not supplied to customers in 2003-04, which was equivalent to 0.074 per cent of total energy delivered to customers over that period.

Table 8: Energex – average number and duration of total* interruptions per customer

| | JUN 2004 | SEP 2004 | DEC 2004 | MAR 2005 | JUN 2005 |
|--|----------|----------|----------|----------|----------|
| Average number of interruptions per customer (SAIFI) | 2.53 | 2.78 | 2.68 | 1.91 | 1.95 |
| Average duration of each interruption (CAIDI) – minutes | 144.4 | 143.5 | 151.6 | 93.9 | 95.4 |
| Duration of all interruptions per customer (SAIDI) – minutes | 365.0 | 399.0 | 405.9 | 179.0 | 186.1 |

* Includes generation, transmission and distribution interruptions.

As shown in Table 8, the number and duration of interruptions decreased significantly in the March quarter 2005 which was the main contributing factor to the improved reliability performance during 2004-05⁴. The March quarter 2005 was characterised by favourable weather conditions which resulted in a relatively low level of distribution-related interruptions compared to the severe storms experienced in the March quarter 2004, the effect of which is shown in Table 9.

Reliability data can be affected by good and bad weather conditions. Under the Authority's old Guidelines, interruptions within a distributor's network which affect at least five per cent of customers and are due to widespread storms or flooding, or other natural disasters, were able to be excluded from the data. This was because such outages, which are beyond the control of the DNSPs, would otherwise distort the measurement of underlying reliability performance.⁵ Table 9 shows the distribution-related interruptions per customer during 2003-04, both before and after adjustment for severe weather-related events.

⁴ As quarterly reliability measures are based on 12 month rolling averages, comparison of reliability data for the December quarter 2004 and March quarter 2005 is effectively a comparison of reliability performance between the March 2004 and 2005 quarters.

⁵ In August 2005, the Authority released revised Guidelines which introduced a statistically-based method for excluding the impact of severe weather-related events from reliability data. This will apply from 1 July 2005.

Table 9: Energex – average number and duration of distribution-related interruptions per customer

| | JUN 2004 | SEP 2004 | DEC 2004 | MAR 2005 | JUN 2005 |
|--|----------|----------|----------|----------|----------|
| Average number of interruptions per customer (SAIFI) before excluded events | 2.40 | 2.51 | 2.51 | 1.74 | 1.77 |
| Average number of interruptions per customer (SAIFI) after excluded events | 1.79 | 1.88 | 1.83 | 1.69 | 1.72 |
| Average duration of each interruption (CAIDI) before excluded events - minutes | 151.2 | 153.7 | 157.2 | 96.5 | 98.6 |
| Average duration of each interruption (CAIDI) after excluded events - minutes | 89.9 | 93.3 | 95.8 | 92.3 | 94.6 |
| Duration of all interruptions per customer (SAIDI) before excluded events – minutes | 362.6 | 386.3 | 394.7 | 167.7 | 174.6 |
| Duration of all interruptions per customer (SAIDI) after excluded events – minutes | 160.6 | 174.9 | 175.6 | 155.6 | 162.4 |

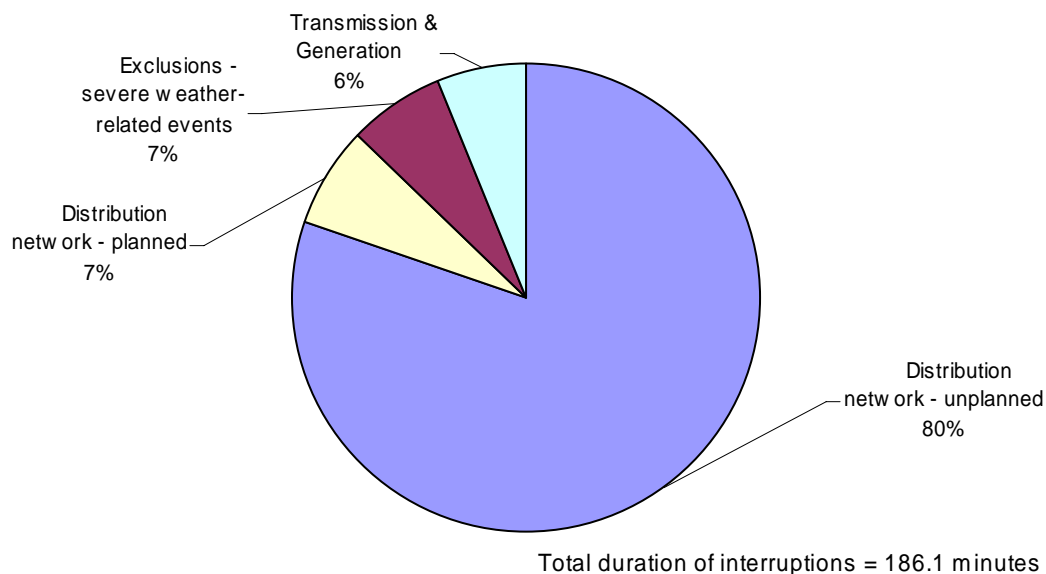
As shown in Table 9, Energex customers, on average, experienced 1.77 distribution-related interruptions during 2004-05. With each interruption lasting an average of 98.6 minutes, customers were left without power, on average, for a total of 174.6 minutes during the year. These figures compare to the 2.40 interruptions reported for 2003-04. With each interruption lasting an average of 151.2 minutes, customers were left without power for an average of 362.6 minutes during 2003-04. On this unadjusted basis, the data indicates that the reliability of electricity supply for 2004-05 improved compared to 2003-04. This improvement was primarily due to the mild weather conditions during 2004-05 compared to the severe storms experienced during 2003-04.

Only one weather-related event met the test for exclusion during 2004-05 compared to six events during 2003-04. After adjusting the data to exclude these events, Energex customers, on average, experienced 1.72 distribution-related interruptions during 2004-05. With each interruption lasting an average of 94.6 minutes, customers were left without power, on average, for a total of 162.4 minutes during the year. These figures compare to the 1.79 interruptions reported for 2003-04. With each interruption lasting an average of 89.9 minutes, customers were left without power for an average 160.6 minutes during 2003-04.

In summary, the underlying reliability performance for 2004-05 was mixed compared to 2003-04, with fewer interruptions but each interruption, on average, lasting longer resulting in a slightly higher time without power. However, if using the old method for calculating customer numbers, the underlying reliability performance would have improved compared to 2003-04.

Unplanned interruptions arising in the distribution network (of which excluded weather-related events are a sub-component) accounted for most (87 per cent) of the total 186.1 minutes that Energex customers were, on average, without electricity supply during 2004-05, as shown in Figure 3. Planned interruptions in the distribution network accounted for 7 per cent of outages while transmission and generation interruptions together made up the 6 per cent balance.

In contrast, in 2003-04, unplanned interruptions accounted for 98 per cent of the total 365 minutes that Energex customers were, on average, without electricity supply. Transmission and generation interruptions together accounted for only one per cent of outages, as did planned interruptions on the distribution network. Over half of the total time customers were without power during 2003-04 was as a result of the impact of severe storm events (exclusions) in the March quarter 2004. In 2004-05, exclusions only contributed 7 per cent of the outages.

Figure 3: Energex – duration of interruptions by source

Interruptions arising in the distribution network after the removal of excluded events can be disaggregated according to geographic categories – that is, Central Business District (CBD), Urban and Short Rural.⁶ As shown in Table 10, there were significant differences in the level of reliability across Energex’s network over the course of 2004-05. Customers in short rural and CBD areas experienced increases in the duration of interruptions of 24 minutes and 1.6 minutes respectively from the June quarter 2004 to the June quarter 2005, while the period of time that customers in the urban areas were without supply decreased by 5 minutes.

Table 10: Energex – duration of distribution-related interruptions by network type (minutes) after removal of exclusion events

| | JUN 2004 | SEP 2004 | DEC 2004 | MAR 2005 | JUN 2005 |
|---------------------------|----------|----------|----------|----------|----------|
| Total distribution system | 160.6 | 174.9 | 175.6 | 155.6 | 162.4 |
| CBD | 0.6 | 0.6 | 2.1 | 2.4 | 2.2 |
| Urban | 128.6 | 135.1 | 146.3 | 125.7 | 123.8 |
| Short Rural | 217.1 | 234.7 | 231.6 | 214.4 | 241.2 |

Reliability of Worst Performing Feeders

The reliability of Energex’s worst performing feeders generally improved in 2004-05 compared to 2003-04. It is likely that the improvement reflects the relatively mild storm season in 2004-05 compared with the severe storms which occurred during 2003-04. Energex’s reliability performance in 2004-05 also represented an improvement from its performance in 2002-03.

During 2004-05, Energex’s 10 worst performing urban feeders supplied electricity to 15,125 customers (equivalent to 2 per cent of Energex’s urban customer base). On average, these customers experienced between 1.3 and 6.6 distribution-related interruptions (without adjusting the data for exclusions), leaving them without power for between 8.7 hours and 14.6 hours

⁶ Energex does not have any feeders that meet the definition of Long Rural.

In comparison, in 2003-04, Energex's 10 worst performing urban feeders supplied electricity to 18,216 customers (equivalent to 2.42 percent of Energex's urban customer base at June 2004). On average, these customers experienced between 1.6 and 9.0 distribution-related interruptions (without adjusting the data for exclusions), leaving them without power for between 31.0 hours and 49.3 hours.

None of the worst performing urban feeders in 2003-04 were still amongst the 10 worst performing feeders in 2004-05.

During 2004-05, Energex's 10 worst performing short rural feeders supplied electricity to 6,366 customers equivalent to 1.69 per cent of Energex's short rural customer base. On average, these customers experienced between 4.1 and 10.7 distribution-related interruptions without adjusting the data for exclusions, leaving them without power for between 16.3 hours and 25.8 hours.

In comparison, in 2003-04, Energex's 10 worst performing short rural feeders supplied electricity to 11,586 customers (equivalent to 2.68 per cent of Energex's short rural customer base at June 2004). On average, these customers experienced between 3.7 and 13.6 distribution-related interruptions without adjusting the data for exclusions, leaving them without power for between 36.3 hours and 48.2 hours.

Only two of the worst performing short rural feeders in 2003-04 were still amongst the 10 worst performing feeders in 2004-05.

3.2 Quality of Supply Measures

The total number of technical quality of supply complaints received by Energex decreased from 2,336 in 2003-04 to 1,773 in 2004-05. The largest decreases in complaints in 2004-05 were recorded for low supply voltage which can cause light dimming and motor starting problems and waveform distortion or unbalance which may cause erratic performance of electrical equipment.

Table 11: Energex – quality of supply complaints – categorised according to symptoms

| | SEP 2004 | DEC 2004 | MAR 2005 | JUN 2005 | TOTAL |
|------------------------------------|----------|----------|----------|----------|-------|
| Total quality of supply complaints | 489 | 387 | 484 | 413 | 1,773 |
| Voltage dips –minor | 123 | 128 | 206 | 177 | 634 |
| Low supply voltage | 167 | 131 | 171 | 109 | 578 |
| Voltage swell | 81 | 54 | 54 | 67 | 256 |
| TV or radio interference | 32 | 46 | 35 | 49 | 162 |
| Other complaints | 38 | 1 | 3 | 0 | 42 |
| Voltage spike | 15 | 15 | 3 | 5 | 38 |
| Voltage dips – severe | 25 | 4 | 6 | 0 | 35 |
| Noises from appliances or lights | 4 | 6 | 6 | 5 | 21 |
| Waveform distortion or unbalance | 4 | 2 | 0 | 1 | 7 |

Apart from the March quarter 2005, the average time taken to investigate and resolve a technical quality of supply complaint remained above 40 days (Table 12). Further historical comparisons of this measure cannot be made due to a change in the reporting of this measure in the September quarter 2004.

Table 12: Energex – average time taken to fix a technical supply fault

| | SEP 2004 | DEC 2004 | MAR 2005 | JUN 2005 |
|---|----------|----------|----------|----------|
| Average time taken to fix a technical supply fault (days) | 44 | 46 | 36 | 42 |

As shown in Table 13, a majority of the technical quality of supply complaints in 2004-05 were caused by network restrictions or events as in previous years.

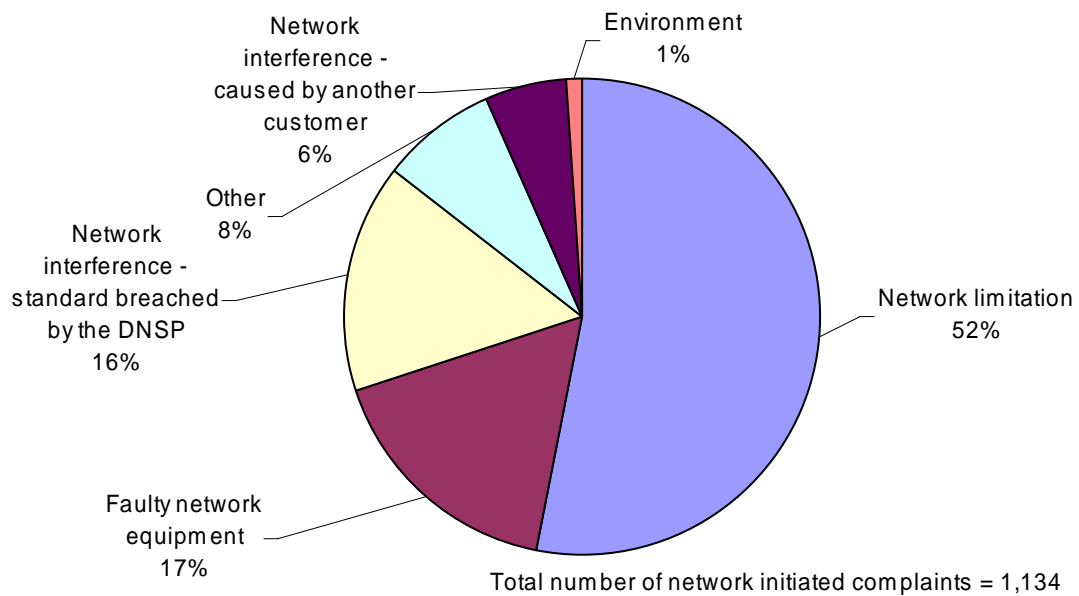
Table 13: Energex – quality of supply complaints – possible causes

| | 2002-03 | 2003-04 | 2004-05 |
|--|---------|---------|---------|
| Network initiated quality of supply complaints | 1,692 | 1,479 | 1,134 |
| Quality of supply complaints initiated on the customer side of the meter | 264 | 243 | 294 |
| Quality of supply complaints for which no cause was found | 712 | 572 | 206 |

Note – the summation of the above categories of possible causes for quality of supply complaints do not equal the total of the four quarterly quality of supply complaints as listed in Table 11 and accompanying discussion, for the three years listed. This is due to the removal of possible double entries and misclassified complaints.

As shown in Figure 4, network-initiated complaints can be further broken down into sub-categories, of which limitations in the distribution network accounted for 52 per cent of the total. These are defined as problems which required Energex to invest in its network to resolve. For example, by increasing network capacity, upgrading plant or altering control settings.

Faulty network equipment and interference to the network arising from the operation of equipment by Energex explained most of the remaining network-related quality of supply complaints. There were no major changes in the composition of the network-initiated complaints in 2004-05.

Figure 4: Energex – causes of network initiated quality of supply complaints

3.3 Customer Service Measures

Energex's performance against a range of customer service measures was mixed over the course of 2004-05.

Energex's call centre performance was better in 2004-05 than in 2003-04. As shown in Figure 5, the length of time that customers have had to wait to speak to an operator when calling the call centre has continually improved over the past three years, excepting a 'blip' in the March quarter 2004 related to the severe storms and outages that placed significant pressure on the call centre at that time. The 23 seconds in the March quarter 2005 was the shortest waiting time recorded by Energex since reporting of this measure began under the Authority's Guidelines. Energex's customers, on average, waited 31 seconds to speak to an operator in the June quarter 2005 compared to the 50 seconds that customers waited in the June quarter 2004. As a result, 79.2 per cent of calls were answered within 30 seconds during the June quarter 2005 compared to 70.3 per cent of calls in the June quarter 2004.

Figure 5: Energex – average time waiting to speak to an operator



As shown in Figure 6, the percentage of calls abandoned improved from 7.1 per cent in the June quarter 2004 to 2.6 per cent in the June quarter 2005. The March quarter 2005 figure of 1.9 per cent was the best result since reporting of service quality data began under the Authority’s Guidelines and represents a significant improvement from the peak of 17 per cent of calls that were abandoned in the September quarter 2002. The improvement in this measure since the June quarter 2004 no doubt reflects measures taken by Energex to increase the capacity of its call centre following the severe storms in the March quarter 2004.

Figure 6: Energex – percentage of calls to the call centre that were abandoned by customers



As shown in Table 14, the number of complaints that Energex received regarding the reliability of supply in 2004-05 spiked in the March quarter 2005. However, because Energex changed the

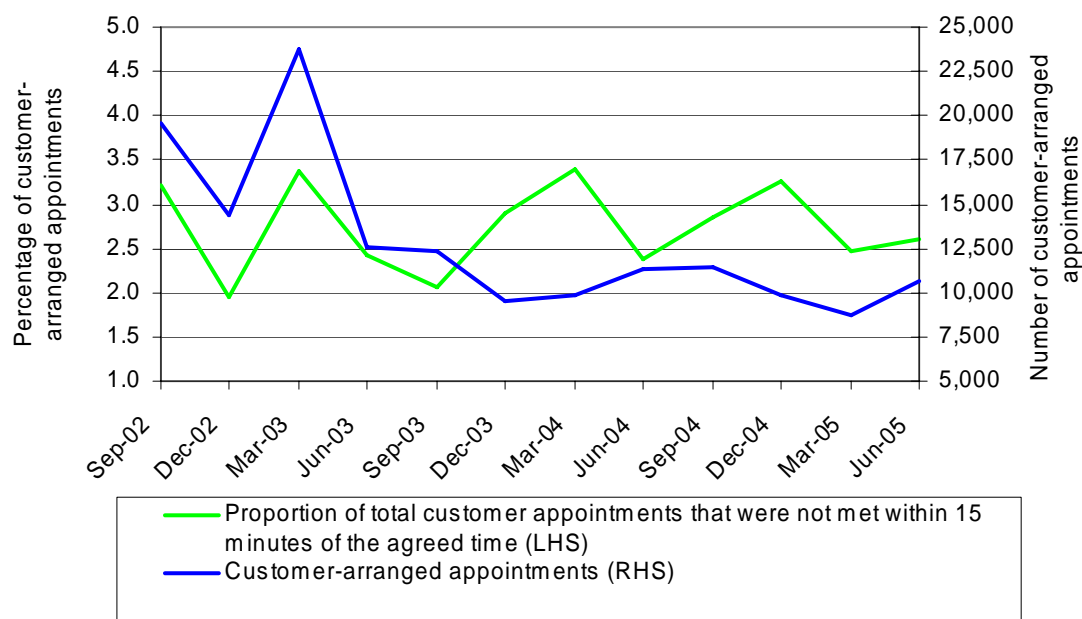
reporting of this measure in the March quarter 2005, historical comparisons are no longer reliable. The way Energex had previously been reporting complaints resulted in complaints being under-reported.

Table 14: Energex – number of reliability complaints

| | SEP 2004 | DEC 2004 | MAR 2005 | JUN 2005 | TOTAL |
|----------------------------------|----------|----------|----------|----------|-------|
| Number of reliability complaints | 51 | 104 | 258 | 91 | 504 |

The proportion of customer appointments that were not met by Energex within 15 minutes of the agreed time was 2.6 per cent in the June quarter 2005 compared to 2.4 per cent in the June quarter 2004 (Figure 7). The total number of customer-arranged appointments in 2004-05 (40,602) was somewhat less than the total number of appointments in 2003-04 (42,990), with the proportion of customer appointments that were not met within 15 minutes of the agreed time showing no discernible improvement over the same period. It appears from Figure 7, that the proportion of customer appointments not met within 15 minutes of the agreed time peaks during the December and March quarters each year which possibly reflects a diversion of labour resources to ensure supply is maintained during the storm months.

Figure 7: Energex – appointment punctuality



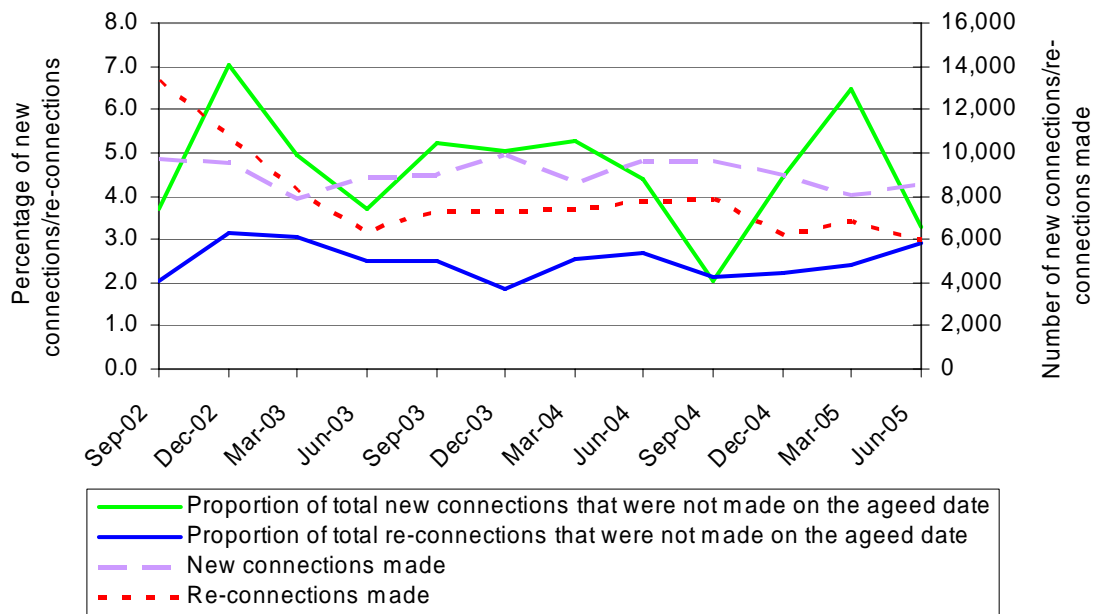
As shown in Figure 8, the proportion of total new supply connections that Energex failed to make by the agreed date varied between 2.1 per cent and 6.5 per cent during 2004-05. In contrast, in 2003-04, the proportion of total new supply connections that Energex failed to make by the agreed date was relatively steady, albeit at a generally higher level.

It may have been expected that the quarters recording a high proportion of new connections not made on the agreed date would correspond with quarters which had a higher than normal number of new connections required to be made. However, the historical information to date does not show this, suggesting other variables are contributing to changes in the proportion of new connections not made on the agreed date.

Figure 8 shows that, in general, the proportion of total re-connections of supply that were not made on the agreed date has remained between 2 per cent and 3 per cent over the last three

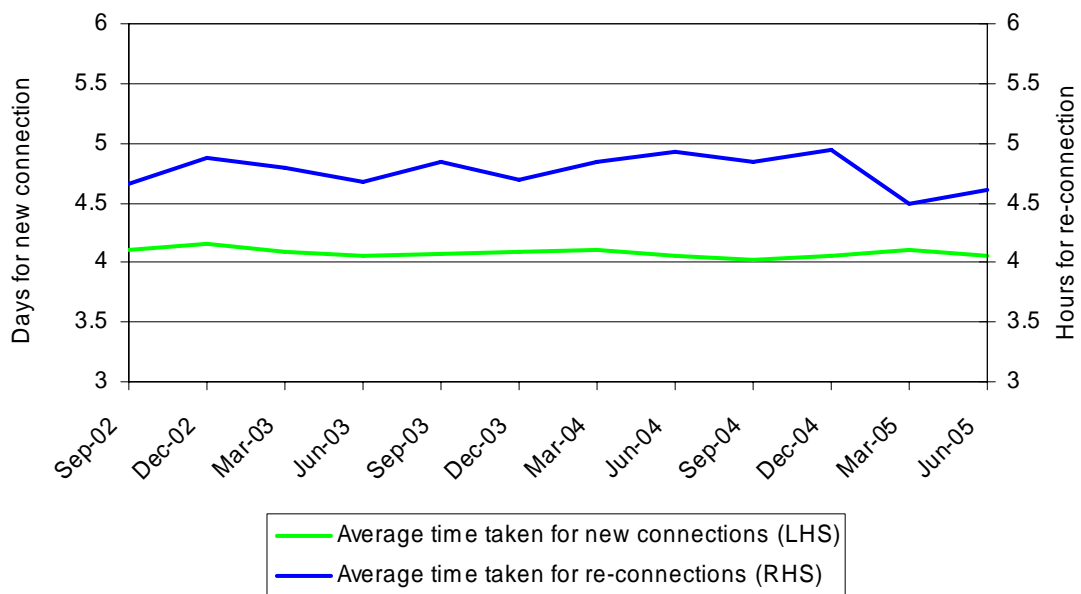
years. The number of re-connections made decreased to around 6,000 in the June quarter 2005, the lowest result since reporting began under the Guidelines.

Figure 8: Energex – number of new and re-connections made, proportion of new connections and re-connections not made on the agreed date



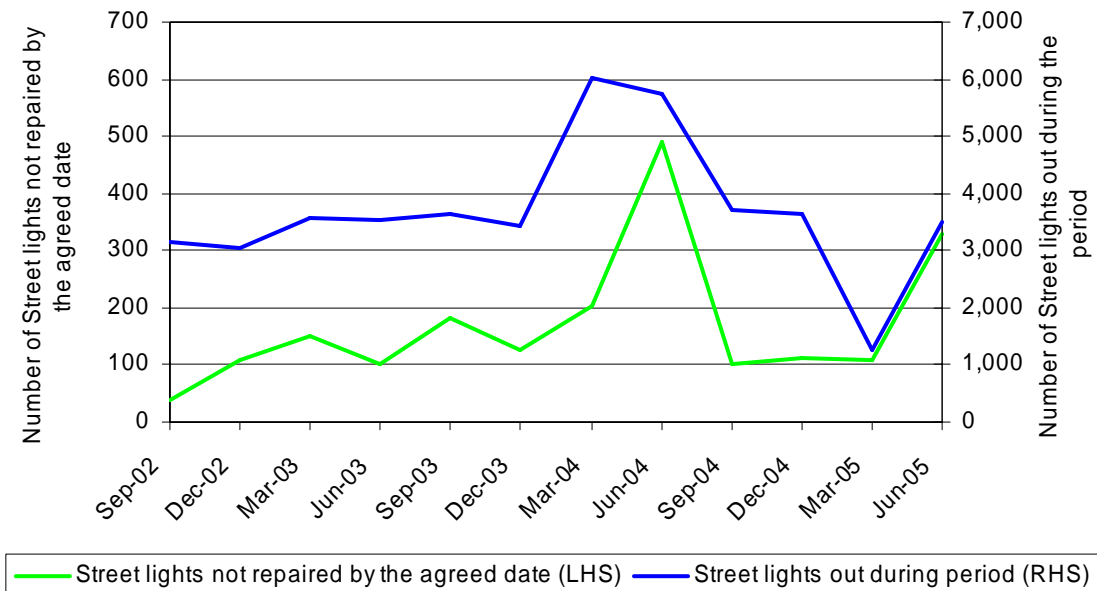
As indicated in Figure 9, the average length of time that customers had to wait for a new connection to the network has varied little over the last three years, at just over 4 days. However, the number of new connections made varied markedly over the same period reaching a high of 9,904 in the December quarter 2003 and a low of 7,830 in the March quarter 2003 (see Figure 8). Figure 9 shows that the average time that customers had to wait to be re-connected varied little over the last two years at between 4.5 and 5 hours, although the number of re-connections made varied significantly over the same period reaching a high of 13,349 in the September quarter 2002 and a low of 6,377 in the June quarter 2003 (see Figure 8).

Figure 9: Energex – average time taken for new connections and re-connections



The number of street lights reported as being out was generally much lower in 2004-05 than 2003-04, reaching a low of 1,247 in the March quarter 2005. The fewer number of street lights reported as being out in 2004-05 may have partly been due to the improved reliability performance of the network compared to 2003-04. As shown in Figure 10, the number of street lights not repaired by the agreed date was also generally much lower in 2004-05 than 2003-04 reflecting the fewer number of street lights requiring repair.

Figure 10: Energex – street light maintenance



The average time taken to repair faulty street lights was 4 days in the June quarter 2005 compared to 3.7 days in the June quarter 2004. This measure has varied between 3 days and 5 days since reporting began under the Guidelines.

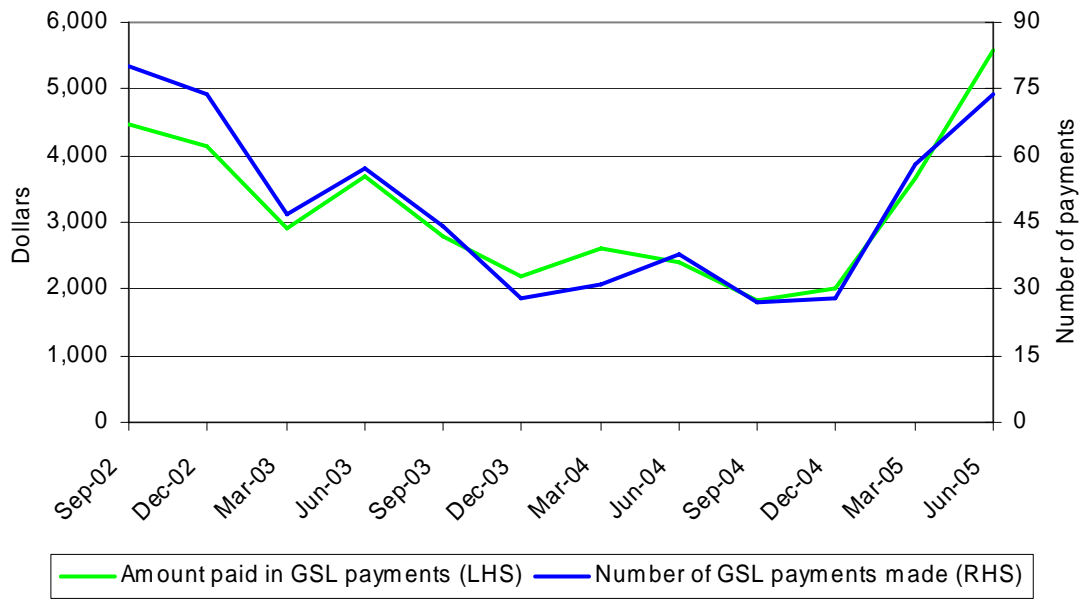
Table 15: Energex – average time taken to repair faulty street lights

| | SEP 2004 | DEC 2004 | MAR 2005 | JUN 2005 |
|--|----------|----------|----------|----------|
| Average number of days taken to repair street lights | 3.5 | 3.4 | 3.0 | 4.0 |

The number of Guaranteed Service Level (GSL) payments and the amounts paid for GSLs both remained relatively stable in the first half of 2004-05 compared to 2003-04 (Figure 11). In contrast, in the second half of 2004-05, the number and amount of GSL payments significantly increased, due to the introduction of a GSL scheme mandated by the Queensland Government.⁷

⁷ Prior to 1 January 2005, GSLs were voluntary payments made by the distributors to customers that reported instances where the distributors had not met self-imposed service quality standards. In December 2004, the Queensland Government announced a mandatory GSL scheme that would apply to the distributors from 1 January 2005. Prior to 30 June 2005, customers had to make a claim to the relevant distributor for all GSL payments. From 1 July 2005, the distributors must use their best endeavours to automatically make most GSL payments to customers, although a few GSLs will still require the customer to make a claim. Information on the Government’s GSL scheme is available at www.energy.qld.gov.au

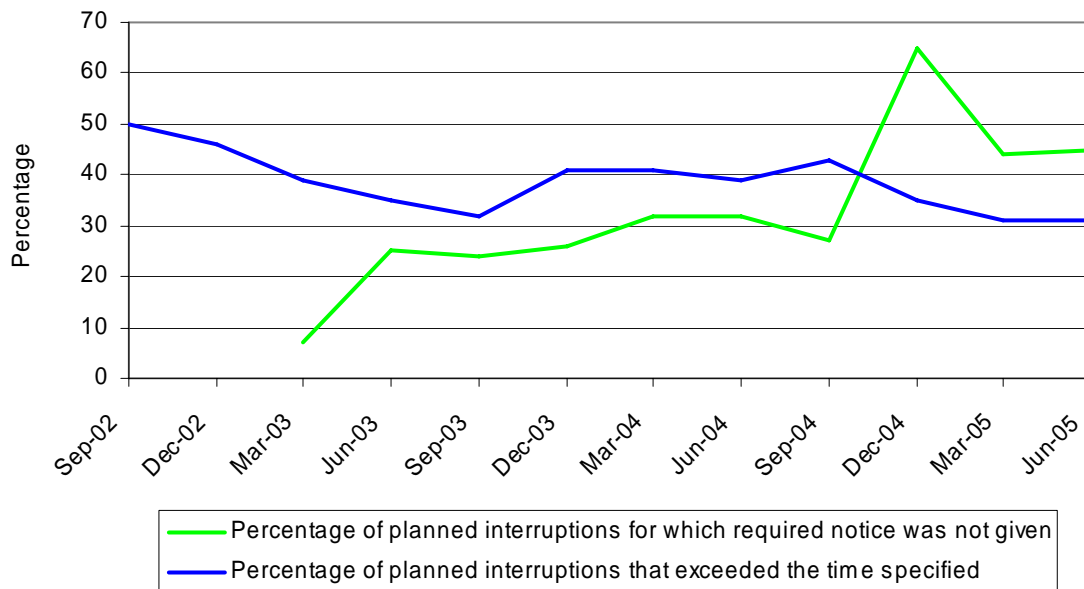
Figure 11: Energex – guaranteed service level payments



The proportion of occasions on which the required notice of a planned interruption to supply was not given (see Figure 12) was 45 per cent in the June quarter 2005 compared to 32 per cent in the June quarter 2004. Energex stated that the large increase in this measure for the December quarter 2004 was due to problems it encountered after changing the process for recording planned interruptions. The volatility in 2004-05 has cast doubt on the robustness of this measure which needs to be addressed by Energex. This measure was generally much higher in 2004-05 than 2003-04, and has generally deteriorated since its reporting began in the March quarter 2003.

However, the proportion of occasions on which the duration of a planned interruption exceeded the time specified in the notification decreased from a high 43 per cent in the September quarter 2004 to finish 2004-05 at 31 per cent (Figure 12).

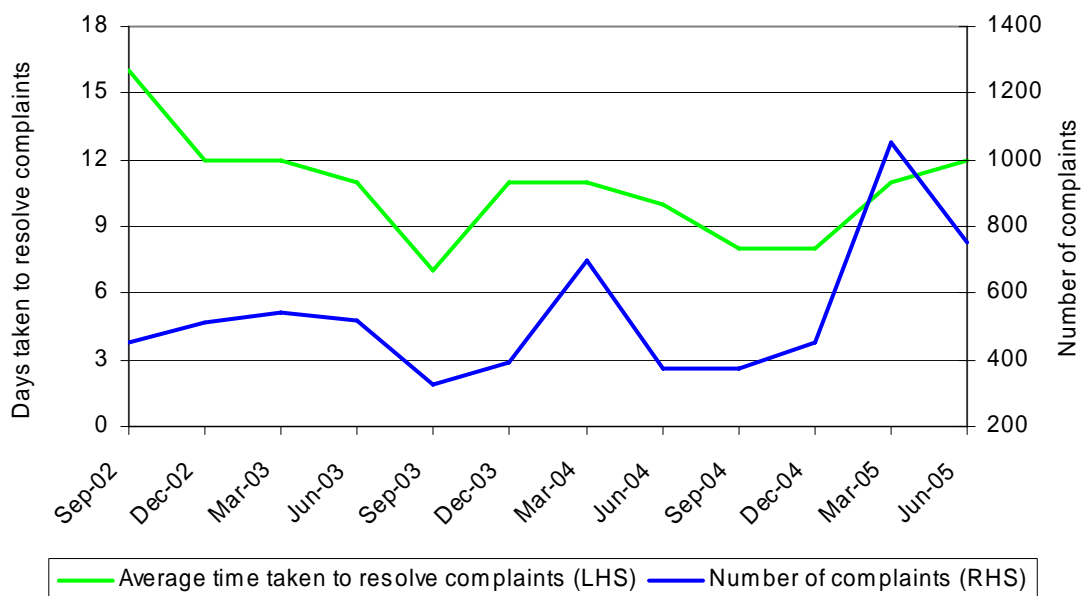
Figure 12: Energex – notification of commencement and duration of planned interruptions



The total number of complaints received by Energex peaked in the March quarter 2005 at 1,051 (Figure 13). However, as previously discussed, Energex changed the reporting of this measure in the March quarter 2005 which means that historical comparisons are now meaningless. The way Energex had previously been reporting complaints resulted in complaints being under-reported.

The average time taken to resolve complaints varied between 8 days and 12 days during 2004-05 which was not dissimilar to the previous year.

Figure 13: Energex – complaint resolution



As shown in Table 16, general complaints were the single most important cause of complaints during 2004-05, which suggests that greater disaggregation of this complaint category is

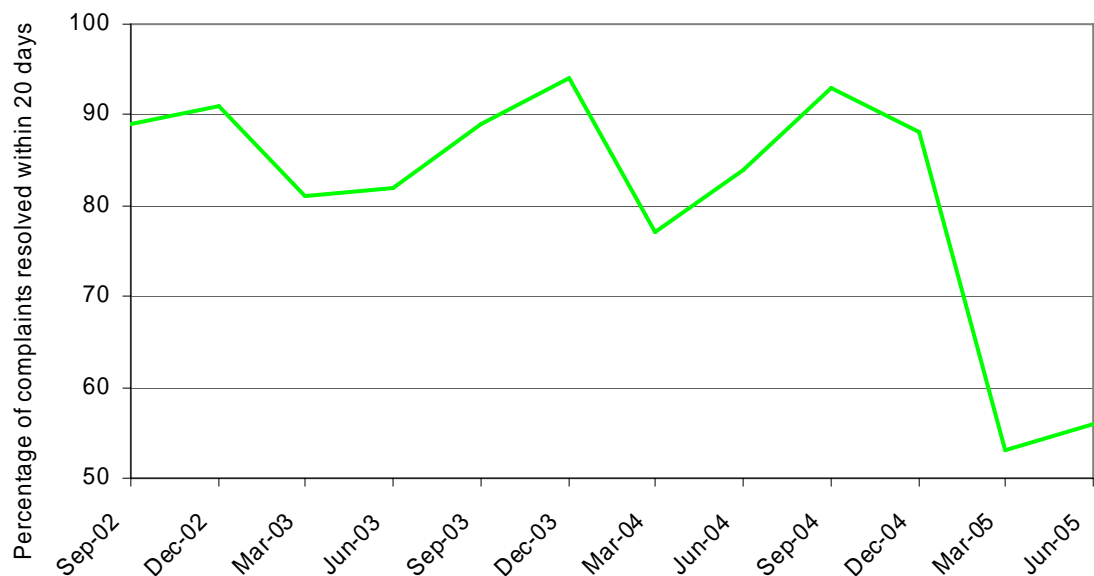
warranted. Complaints regarding outages (discussed earlier in this report) and timeliness of service delivery were other important causes of complaints during the year. As discussed previously, historical comparisons of this measure are meaningless due to a change in reporting for the March quarter 2005.

Table 16: Energex – complaint resolution – reasons for complaints

| | SEP 2004 | DEC 2004 | MAR 2005 | JUN 2005 | TOTAL |
|--------------------------------|----------|----------|----------|----------|-------|
| Total number of complaints | 372 | 454 | 1,051 | 751 | 2,628 |
| General complaints | 137 | 158 | 174 | 111 | 580 |
| Outages | 51 | 104 | 258 | 91 | 504 |
| Timeliness of service delivery | 48 | 50 | 228 | 163 | 489 |
| Trees | 74 | 41 | 126 | 120 | 361 |
| Damage to property | 11 | 31 | 83 | 85 | 210 |
| Staff behaviour | 28 | 22 | 65 | 43 | 158 |
| Condition of worksite | 6 | 18 | 50 | 63 | 137 |
| Streetlights | 1 | 3 | 25 | 37 | 66 |
| Driving | 13 | 9 | 21 | 14 | 57 |
| Vehicles | 3 | 18 | 7 | 9 | 37 |
| Poles | 0 | 0 | 8 | 10 | 18 |
| Transformer | 0 | 0 | 6 | 5 | 11 |

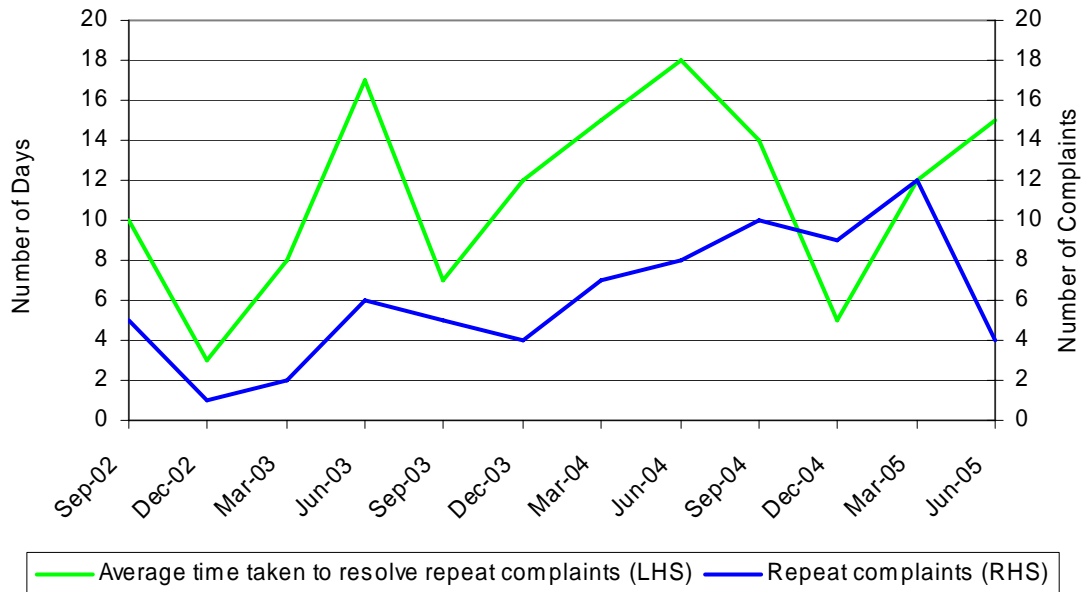
Energex's resolution of total complaints within 20 days was around 90 per cent during the first half of 2004-05 before deteriorating significantly in the second half of 2004-05 to around 55 per cent. As shown in Figure 14, this is a significant departure from the results in the previous two years. Energex has advised that the results reported for the March and June quarters in 2005 were affected by its changes to the reporting of complaint measures in the March quarter 2005, discussed above.

Figure 14: Energex – complaint resolution within 20 days



There were 4 repeat complaints recorded in the June quarter 2005 compared to 8 in the June quarter 2004 (Figure 15). Prior to the fall in the June quarter 2005, Energex’s performance under this measure has generally worsened since reporting of service quality data began under the Authority’s Guidelines. The average time taken to resolve repeat complaints was 15 days in the June quarter 2005 compared to 18 days in the June quarter 2004. The number of repeat complaints does not appear to be a significant determinant of the length of time taken to resolve these complaints, which is a highly variable series. This is not surprising as the nature of a complaint is likely to be the main determinant of the time taken to resolve it and with such a small number of repeat complaints, high variability could be expected.

Figure 15: Energex – repeat complaint resolution



APPENDIX A

FINANCIAL DATA TABLES – 2001-02 to 2004-05

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

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|--|-----------|-----------|-----------|-----------|
| Revenue | | | | |
| Forecast sales | 467.3 | 497.0 | 523.6 | 545.7 |
| Actual sales | 468.4 | 505.1 | 535.9 | 551.1 |
| Expenditure | | | | |
| Forecast operating and maintenance expenditure | 161.7 | 168.9 | 176.4 | 184.2 |
| Actual operating and maintenance expenditure | | | | |
| Operating expenditure | 49.7 | 15.1 | 13.0 | 19.2 |
| Maintenance expenditure | 80.5 | 105.9 | 122.4 | 151.0 |
| Total | 130.2 | 121.0 | 135.4 | 170.2 |
| Forecast depreciation | 157.0 | 165.3 | 173.1 | 179.9 |
| Actual depreciation | 130.6 | 156.7 | 163.7 | 167.6 |
| Total expenditure (forecast) | 318.7 | 334.2 | 349.5 | 364.1 |
| Total expenditure (actual) | 260.8 | 277.7 | 299.1 | 337.8 |
| Customer contributions | | | | |
| Forecast | 23.3 | 24.0 | 24.6 | 25.1 |
| Actual | 23.9 | 24.8 | 45.8 | 40.8 |
| Capital expenditure | | | | |
| Forecast | 254.3 | 257.9 | 253.3 | 256.0 |
| Actual | 270.6 | 281.7 | 302.9 | 526.5 |
| Fixed assets | | | | |
| Forecast | 3,020.4 | 3,176.7 | 3,323.8 | 3,469.7 |
| Actual | 2,977.6 | 3,169.9 | 3,313.3 | 4,371.9 |
| Energy Sales (million MWh) | | | | |
| Actual | 17.2 | 17.8 | 19.0 | 19.7 |
| Number of customers | | | | |
| Actual | 1,105,100 | 1,129,940 | 1,160,112 | 1,190,237 |

Table A2: Revenue – Energex (\$ million (nominal))

| Revenue source | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|---|---------|---------|---------|---------|
| Sales | | | | |
| Network services (excl public lighting) | 468.4 | 505.1 | 515.0 | 531.6 |
| Public lighting | n/a | n/a | 20.9 | 19.5 |
| Total network services | 468.4 | 505.1 | 535.9 | 551.1 |
| TUOS pass-through | 126.0 | 160.0 | 166.0 | 175.0 |
| Non Network Services | 9.4 | 14.2 | 11.7 | 7.7 |
| Total services | 603.8 | 679.3 | 713.6 | 733.8 |
| Capital contributions | 23.9 | 24.8 | 45.8 | 40.8 |
| Profit from sale of assets | 1.1 | 1.2 | 0.4 | (0.6) |
| Proceeds from sale of assets | 6.3 | 12.9 | 6.5 | 3.7 |
| Book value of assets sold | 5.2 | 11.7 | 6.1 | 4.3 |
| Other revenue | 2.3 | 2.4 | 2.1 | 1.7 |

FINANCIAL DATA – 2004-05**Table A3: Operating and maintenance expenditure - Energex (\$ million (nominal))**

| Expenditure | |
|--|--------------|
| Operating expenditure | |
| Meter reading | 13.7 |
| Customer service | 12.0 |
| Advertising and marketing | 0.8 |
| Full retail contestability | 0.0 |
| Other – Network Operations | 17.8 |
| Total | 44.3 |
| Public street lighting | 0.0 |
| Total operating expenditure* | 44.3 |
| Network maintenance expenditure | |
| Inspection | 13.3 |
| Maintenance and repair | 47.0 |
| Vegetation management | 54.4 |
| Emergency Response | 3.6 |
| Other | 0.0 |
| Total | 118.4 |
| Public street lighting | 7.4 |
| Total maintenance expenditure* | 125.8 |
| Total operating and maintenance expenditure | 170.1 |
| Total corporate overheads included in O and M | 5.3 |

* Differs to the total presented in the body of this document (\$19.2 million for operating and \$151.0 million for maintenance) since this table is provided to comply with National Regulatory Reporting Requirements (NRRR). Energex allocate a portion of meter reading and customer service expenditure to both the operating and maintenance function, whereas the NRRR classifies these items as operating cost alone.

Table A4: Depreciation – Energex (\$ million (nominal))

| Asset | |
|-------------------------------|--------------|
| System Assets: | |
| sub-transmission lines | 13.9 |
| distribution lines | 31.1 |
| substations | 26.6 |
| distribution transformers | 25.1 |
| low voltage supply | 16.1 |
| meters | 10.6 |
| communications | 1.0 |
| land & easements | 0 |
| buildings | 0 |
| other (balance) | 2.0 |
| Non-System Assets: | |
| commercial land and buildings | 0.8 |
| ICT equipment | 16.8 |
| motor vehicles | 7.5 |
| other – non-system assets | 5.2 |
| Public Street Lighting | 10.8 |
| Total | 167.6 |

Note - the depreciation reported in the table above is as per Energex's asset register and as such is gross of capitalisation and includes depreciation attributed to Non DUOS Services. The amount attributable to the distribution network and net of capitalised items was \$147.0 million.

Table A5: Expected and remaining lives of assets - Energex

| Asset | Expected weighted average economic life (weighted by optimised replacement cost (ORC)) (years) | Weighted average remaining economic life (weighted by ORC) (years) |
|-------------------------------|---|---|
| System Assets: | | |
| sub-transmission lines | 47 | 30 |
| distribution lines | 55 | 44 |
| substations | 47 | 37 |
| distribution transformers | 40 | 30 |
| low voltage supply | 42 | 31 |
| meters | 25 | 17 |
| communications | 35 | 27 |
| land & easements | 0 | 0 |
| buildings | 60 | 49 |
| other (balance) | 17 | 10 |
| Non-System Assets | | |
| commercial land and buildings | 40 | 32 |
| ICT equipment | 5 | 4 |
| motor vehicles | 9 | 7 |
| other | 7 | 4 |
| Public Street Lighting | 20 | 14 |
| Other | - | - |

Table A6: Asset values – Energex (\$ million (nominal))

| Asset | |
|--|----------------|
| System Assets: | |
| sub-transmission lines | 418.4 |
| distribution lines | 1,160.8 |
| substations | 815.6 |
| distribution transformers | 638.0 |
| low voltage supply | 362.4 |
| meters | 141.7 |
| communications | 6.2 |
| land & easements | 202.2 |
| buildings | 4.0 |
| other (balance) | 36.9 |
| work in progress | 201.5 |
| Non-System Assets: | |
| by items >10% of total non-system assets | |
| commercial land and buildings | 47.7 |
| ICT equipment | 44.0 |
| motor vehicles | 48.3 |
| other non-system assets | 19.3 |
| Public Street Lighting | 235.0 |
| Other: | |
| by items >10% of total other | |
| Total | 4,371.9 |

Table A7: Capital Expenditure and additions – Energex (\$ million (nominal))

| Capital expenditure | |
|-------------------------------|--------------|
| System Assets: | |
| sub-transmission lines | 55.8 |
| distribution lines | 132.4 |
| substations | 146.5 |
| distribution transformers | 60.6 |
| low voltage supply | 48.1 |
| meters | 4.0 |
| communications | 0 |
| land & easements | 4.9 |
| buildings | 0 |
| other (balance) | 3.6 |
| Non-System Assets: | |
| commercial land and buildings | 4.5 |
| ICT equipment | 13.9 |
| motor vehicles | 28.1 |
| other | 13.0 |
| Public Street Lighting | 10.9 |
| Other | 0 |
| Total | 526.5 |

Table A8: Capital expenditure by purpose – Energex (\$ million (nominal))

| Capital expenditure | |
|--------------------------------------|--------------|
| Asset replacement | 25.2 |
| Demand related | 413.2 |
| Reliability and quality improvements | 22.7 |
| Other | 65.4 |
| Total | 526.5 |

Table A9: Related party transactions – Energex (\$ million (nominal))

| Transaction | |
|---|------|
| Total value of related party transactions | 31.6 |