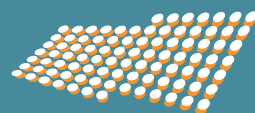


Committed to service



EnergyAustralia[™]

Annual Report 2000 – 2001



A key component of our success is customer service. Our Call Centre receives over 6,300 calls per day on average. **Ana** (left), a Team Leader in the Call Centre, is one of the many EnergyAustralia people who make customer service their priority.

2000-2001 was a year full of challenges and organisational change. Our people, our infrastructure and our systems were all put to the test in a year marked by the Olympic Games, an unprecedented increase in power demand and a growing economy. As we finalise our preparations for full retail competition, strengthening the relationship between our staff and customers has become more important than ever. It is crucial to achieving our vision to become Australia's leading multi-utility company.

The key communication challenge the company is preparing for, as a result of deregulation, is to maintain its well-accepted profile and market positioning in the face of aggressive approaches from competitors. Fortunately, the company holds an enviable position with both its existing and potential customers, providing an excellent platform to meet this challenge.

We intend to build on our strengths, our service standards and brand recognition and we will meet this challenge.

Connected to people



EnergyAustralia

our company

EnergyAustralia is one of the largest energy services companies in Australia.

The cornerstone of our business is Australia's largest electricity network which connects more than 1.4 million customers across a franchise area spanning some 22,000km² – from Waterfall in Sydney's south to the Upper Hunter Valley in the north.

Our diverse customer base ranges from residential and small rural customers through to large multi-national corporations. It covers industries such as mining, manufacturing, oil refining, shipping, engineering, tourism and agriculture.

EnergyAustralia's operations include providing and managing the electricity infrastructure for the Sydney, Central Coast and Hunter regions, purchasing and supplying energy, electrical contracting, customer connections, emergency restorations and local repairs and major capital works.

As full retail competition approaches, our 3,400 dedicated staff will ensure we maintain our position as a leading national utility.

EnergyAustralia operates as a holding company with four subsidiary businesses: Customer Service, Retail and Marketing, Enerserve and Network.

By pursuing a dual fuel strategy we are determined to extend our expertise in electricity and bring real competition into the gas market, working hard to ensure that customers will be the big winners from the newly competitive environment.

The challenges ahead are many and varied, but with the fundamentals already in place, EnergyAustralia is in a strong position to lead in the new marketplace.





570 George Street
Sydney NSW 2000
Australia

Hon Michael Egan MLC
Treasurer
Minister for State Development
Level 33, Governor Macquarie Tower
Sydney NSW 2000

Dear Treasurer,

Annual Report for EnergyAustralia for the year ended 30 June 2001.

We are pleased to submit the Annual Report covering the performance, operations and financial results for the year ended 30 June 2001.

The report has been prepared in accordance with Section 24A of the State Owned Corporations Act (1989) and the Annual Reports (Statutory Bodies) Act (1984).

Copies of the report are being sent to the Premier of NSW, the Auditor General, Members of Parliament, key customers and other interest groups.

John C. Conde AO
Chairman

Sydney 29 October 2001

Paul A. Broad
Managing Director

Contents

Please note: Simply click on the orange page numbers throughout this Annual Report to short-cut to those pages.

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Year in review

EnergyAustralia can look back on 2000-2001 with great pride. The past year has been one of challenges met, while remaining focussed on one goal – the provision of the highest level of customer service.

From EnergyAustralia's perspective, one of the key challenges has been to work within a regulated business framework that imposed the full risk and financial burden of high growth in connections and energy load growth on EnergyAustralia, eroding our profitability in the short term. Our capacity to meet demand and maintain adequate secure supply has been challenged by this regulatory framework. Simply, the regulator has not allowed any financial return on one third of the capital that had to be invested in the network to meet demand.

For 2000-2001 we have posted a profit some \$29 million above the shareholder agreed targets. The higher than forecast profit result was driven by better Retail margins and a strong contribution from our external businesses. We are meeting the challenge of wholesale and retail electricity contestability for large customers and continue to improve our market share and profitability from all the unregulated business activities.

It was a year for delivering. EnergyAustralia's staff completed all our infrastructure works for the Olympics and kept the lights on for "the best games ever". We started a major network capacity build program, including the City CBD upgrade project, and delivered a new customer care system in preparation for full retail competition. We also became a gas and electricity supplier for many of our larger business customers.

Regrettably the safety results did not improve on last year. This challenges EnergyAustralia's management

to deliver new ways of ensuring our work practices are geared to safety first.

We are extremely proud of the contribution EnergyAustralia made to the Sydney 2000 Olympic and Paralympic Games. We provided all the gas for the Olympic flame, and 60 EnergyAustralia employees were part of the volunteer workforce that made the Games so very special. We invested \$120m in new infrastructure, including undergrounding the transmission lines, and spent 100,000 hours on planning and construction to get ready. Our operations during the games were a huge success and achieved 100% reliability – there was not a single network outage at any Games venue.

That wasn't good luck. It was thanks to the effort of our Olympic Response Team who were at all key sites to ensure nothing went wrong.

EnergyAustralia owns the largest electricity distribution network in Australia.

Our number one priority is to deliver a safe and reliable electricity supply for our customers through the protection, maintenance and enhancement of our network assets. EnergyAustralia began a major network capacity augmentation program and will invest \$900m over the next 5 years. We will work closely with the regulator to ensure a fair rate of return on this investment. The program began in 2000-2001 with the start of the City CBD upgrade project and upgrades to 14 zone substations that supply 20% of our customers.

Our commitment to the safety of the public, our customers and our staff continued. There were two tragic incidents during the year resulting in the deaths of three people. These served to increase our resolve to improve public awareness of the dangers inherent



John C. Conde AO
Chairman



Paul A. Broad
Managing Director

in our electricity network through a community safety awareness program, using television commercials and school programs, to increase knowledge of the risks from live wires.

We also commenced a planted tree trimming program that ensures safe clearances around powerlines, working with communities and local councils for future management of planted trees that will not threaten safety.

Looking to the future, January 2002 will mark the implementation of full retail contestability – another chapter in nearly a decade of industry reform. We have supported the reform process and have, through the involvement of many of our staff in industry and regulatory development committees, dedicated significant effort to the evolving market framework.

In 2000-2001 the focus was on building our internal systems and working with the market design teams from Government. EnergyAustralia delivered the first stage of a major undertaking to have the right internal environment for full retail contestability. We replaced the customer billing system, upgraded the call centre and aligned our internal processes with the new regulations and market rules. The first stage was delivered on time and on budget, thanks to the enormous effort of our IT and customer service teams.

Since competition began, EnergyAustralia's management of the wholesale and retail market risks has been exemplary, keeping our focus on profitable market share and risk management in a very competitive market.

To date, the largest energy users in the market have enjoyed the benefits of the industry's competitive reform. Real electricity prices have fallen and many

customers have had the opportunity to make further savings through the implementation of energy efficiency initiatives.

In January all households become eligible to enter the competitive market from next year. There will be a level of expectation amongst the three million customers in NSW with the opportunity to choose their energy retailer. Our approach will be to provide both our existing and potential customers the best possible service at the lowest price, while at the same time maintaining the success of EnergyAustralia.

In doing this EnergyAustralia will stay focussed on our customers and our service standards.

We have a strong reputation and brand to build on.

Significantly, we have the right people in place who are prepared and able to deliver on the challenges which lie ahead.

On behalf of the Board we would like to extend our congratulations to all staff for a year of considerable achievement and to thank our customers and shareholders for their continued support.

John C. Conde AO
Chairman

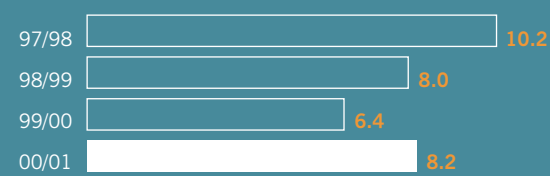
Paul A. Broad
Managing Director



The Call Centre received over 2.3 million calls during the year. One of those was from **Sharon** (right) who became an EnergyAustralia customer for the first time when she moved house. Also joining EnergyAustralia was **Johnathon** (left) an apprentice electrical mechanic who was one of 92 new apprentices working towards a career with EnergyAustralia.

Results at a glance

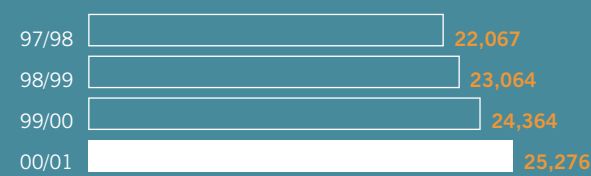
Lost Time Injuries Frequency



Lost Time Injuries per million hours worked

This year, our rate of injuries regrettably increased above last year and above target. EnergyAustralia's priority is to improve safety performance next year. For further information refer to [page 20](#).

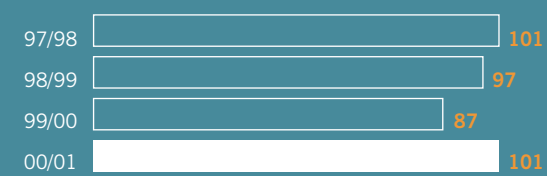
Supply of Electricity



GWh

Electricity through the network increased over the year. The sustained growth has brought forward many major capital works to increase network capacity. For further information refer to [page 19](#).

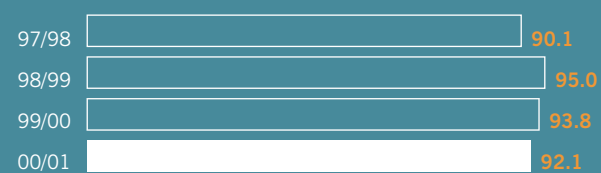
Customer Minutes Without Supply



Minutes

EnergyAustralia's reliability has been stable for a number of years. This year the major incident at Paddington pushed the result above target. This incident alone added 18.5 minutes to the result. For further information refer to [page 18](#).

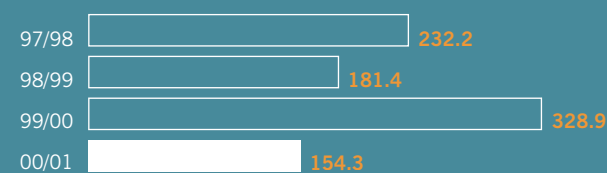
Total Customer Satisfaction



% Satisfied

Customer satisfaction has been stable with over 92% of residential and business customers satisfied or very satisfied with our services. For further information refer to [page 16](#).

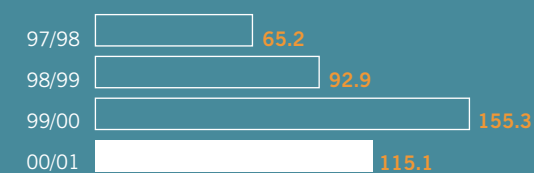
Net Profit After Tax



\$Millions

Last year a number of one-off adjustments to superannuation and tax drove the profit result higher than expected. This years' result was better than target due to a strong contribution from retail and external business. For further information refer to [page 40](#).

New Business Sales



\$Millions

The underlying businesses continue to grow and achieve a strong result compared to budget. Last years' revenue included Olympic projects. For further information refer to [page 30](#).



Records were set when a temporary substation was built at Rothbury in just three months instead of the usual two years. **Harry, Michael, John and Tony** (left) were part of the team that ensured that this famous wine-growing region had adequate energy supply for the crucial grape harvesting season. For winemaker **Trevor** (right) of Drayton Wines this meant a guaranteed harvest for the 2001 season.

Delivering on promises

EnergyAustralia is committed to providing a safe and reliable energy supply.

To deliver on this commitment, we began an intensive program of augmenting and upgrading our network during 2000-2001.

It was one of our busiest years ever, with more than \$254 million expended on capital works on network assets.

With more than 3,500 business customers in NSW now able to choose their gas supplier, we can look to expanding our reach as a dual fuel supplier.

All of our efforts were focussed on our vision of becoming Australia's leading multi-utility company.

Upgrading and Improving our Network

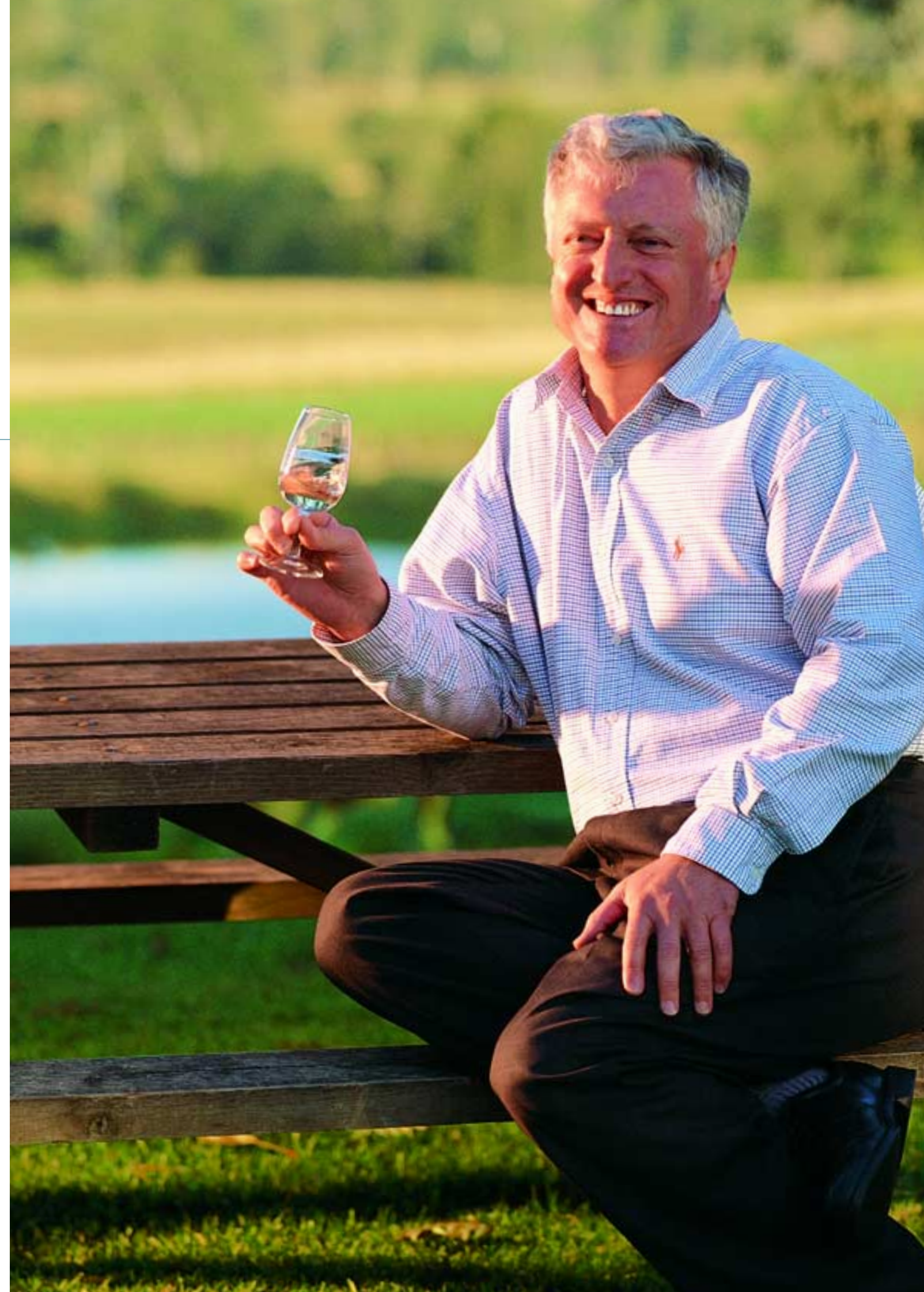
To satisfy demand, and ensure that our network remained safe and reliable, major parts of the network's infrastructure was and is continuing to be upgraded to increase capacity.

Electricity demand grew 4% across our operating area during 2000-2001, almost twice the annual average, mirroring significant growth in Sydney. In some areas of the network (Rothbury, Swansea, Rose Bay, Pyrmont and Hurstville), it grew as much as 20%. Across the network area there were 30,000 new customer connections.

This warranted the fast-tracking of a number of major projects, many completed in record time by our construction business – Enerserve.

Winemakers in the Hunter Valley reaped immediate benefits from the construction of a \$3 million temporary substation at Rothbury, which was built in just three months, instead of the usual two years required for a permanent facility. Power consumption in the area was up 67% in some locations, the result of a major increase in wine production in the area after the grape harvest and increased tourism-based activities.

Records were also broken in Sydney, with a new \$20 million substation designed and built at Macquarie Park in just 15 months (less than half the usual time). The substation was fast-tracked to meet the area's rapid growth as the technology hub of Sydney.





Pricing competitively is a key ingredient for success in the gas market. **Becky** (left) is one of a team of people in our Retail business who ensure that competitive energy offers are made to customers. **Goodman Fielder** company **Buttercup** (right) is one of our major gas clients.



Delivering on promises continued

Other projects undertaken by Enerserve included substation upgrades at Darling Harbour and Pennant Hills, and powerline replacement and substation upgrades in the Northern Beaches area of Sydney, aimed at improving the reliability of supply in more than 20 suburbs.

Major works were also undertaken in the Hunter, Newcastle and the Central Coast areas resulting in reliability improvements at sites including Mt Thorley, Wyong, Charmhaven, Morisset, Kooragang, Muswellbrook, Newcastle, Rothbury and Nelson Bay.

More than 150,000 customers have already benefited from our upgrade program which we are committed to continuing.

In addition to the \$254 million spent on new facilities and upgrades across Sydney, the Hunter region and the Central Coast, another \$900 million is earmarked for projects over the next five years.

Delivering Gas

Our continued participation in the NSW gas market was most spectacularly marked by the lighting of the Olympic Cauldron on 15 September, 2000.

As the official Energy Partner for the Sydney 2000 Olympic and Paralympic Games, we supplied all the gas consumed by the flame.

The lighting of the Cauldron followed the opening in August 2000 of the new Eastern Gas Pipeline, built by Duke Energy International (delivering gas along a 795km pipeline from Longford in Victoria to Horsley Park in Sydney).

The pipeline is the major source of gas for EnergyAustralia customers in NSW and breaks the previous monopoly supply arrangements, providing for healthy competition.

In October 2000, customers in NSW with an annual gas spend between approximately \$15,000 and \$100,000 entered the contestable market, boosting to more than 3,500 those business customers eligible to choose their gas supplier.

Port Kembla based Metal Manufactures Limited joined Coca Cola Amatil (Aust), Kellogg (Aust) Pty. Ltd. and Goodman Fielder as major gas clients, with a number of smaller enterprises also choosing EnergyAustralia.

As a foundation member of the Gas Market Company (the industry body which will run the deregulated gas market), we have taken a leadership role in the regulatory process and played a major role in forming the rules and market mechanisms by which the deregulated market will operate.

The market is due to become fully contestable from January 2002 when all customers will be able to choose their retailer of natural gas.

This will bring with it a better range of choices, price competitiveness and the ability for customers to buy electricity, gas and other products together with the one company.



More than 245km of underground cable was laid in the roads at Homebush Bay in preparation for the Sydney 2000 Olympic and Paralympic Games. Cable Jointing Supervisor **Keith** (left) and his team worked around the clock to make sure the massive cable laying program was completed on time. EnergyAustralia gave away over 2,000 tickets to the Games, to a number of charity partners and community groups including the Juvenile Diabetes Foundation which assists families like **Emma's** and **Brendan's** (right). **Leanne** (below) was part of the team that distributed the tickets and managed hospitality to the Charities and Community Groups.

Meeting the challenges

A major increase in the power load, the staging of the Sydney 2000 Olympic and Paralympic Games, and greater demands on staff, made it a year where EnergyAustralia met the challenge.

It was a year which tested our ability to deliver a major event to the world, to respond quickly to emergencies, keep a growing network running safely and efficiently and prepare for full retail contestability.

Our business divisions, staff, management and customers worked more closely together than ever before.

The result was a year of teamwork, shared vision and milestones.

Testing our Capabilities – the Olympic Games

On 15 September 2000, after six years, more than 100,000 hours of planning and construction, and \$120 million in capital works, our efforts were finally put to the test when the Sydney 2000 Olympic Games began.

We had completed one of Australia's largest electricity supply infrastructure construction projects and had a vital role in ensuring the success of the world's biggest sporting event.

As the Official Energy Management Partner to the Sydney 2000 Olympic and Paralympic Games, we provided both electricity and gas and were responsible for keeping all the venues powered and the Cauldron alight.

The operational period during the Games generated the highest energy demand of any single event in Australia's history and was the biggest test yet of our capabilities for a single event. It involved more than 140 staff working in Games venue response alone,





In a busy year for incidents for our emergency response teams, our work during the Paddington substation fire was outstanding. Customer Service Engineer **John** (left) arranged standby generation for a number of vital businesses during the outage. EnergyAustralia staff door knocked more than 2,000 homes over a three day period keeping residents like **Jaye** and her daughter **Arabella** informed of progress with supply restoration.

Meeting the challenges continued

as well as many others who monitored the network, were involved in customer programs and acted as volunteers during the Games period.

We are pleased to announce that our intensive pre-planning paid off, with the energy management of the Games running seamlessly and achieving 100% reliability for Games venues.

This was made possible by our integrated approach.

We worked closely with the Games organising committee to ensure electrical reliability was designed into Games venues, and with the electricity market operator (NEMMCO) and TransGrid to develop Incident Management Plans and test contingency plans prior to the event.

If a major system failure had occurred, power could have been restored quickly and with minimal interruption. The electricity infrastructure was developed so that key Olympic Park venues could have been supplied from either Homebush Bay or Flemington zone substations.

We increased security on critical network assets including Games venues and infrastructure, and worked with the NSW Police and the Defence Forces to formulate response procedures.

Trained venue response teams were on hand to attend to any emergencies.

After the final dismantling of Olympic-related energy facilities was completed in March 2001, we were proud to leave behind a legacy for the greater west of Sydney – providing the power needs of the area for the next 25 years.

Improving our level of service

Customer service continued to be our key focus during the year, prompting significant upgrades to our customer care systems and improvements in our capabilities in customer relationship management.

We measure how well we are managing the delivery of supply, our responsiveness, and general public satisfaction through customer surveys. During 2000-2001, 92% of residential and business customers indicated they were “satisfied” with our service.

Vital to our customer care approach was the Call Centre, which is the front line of service.

The Call Centre received 2,306,673 calls last year – an increase of 120,442 on the previous year. The majority were account inquiries, followed closely by customers moving house (averaging 50,000 per month). To manage the extra demand, Call Centre staff numbers were boosted by 15% to 300.

Paying bills became easier as we extended the choice of payment options for our customers. Bills can now be paid via direct debit, in person at our Customer Service Centres and any branch of Australia Post, through BPay (over the internet), or by post. Another new option available to our customers is our Planned Payment Scheme.

With this Scheme customers are billed by the month (instead of quarterly), with the invoice based on the equivalent quarter of the previous year. This eases the burden of quarterly bills for those who prefer a more regular payment method.





Storms, fallen trees and other environmental factors were the cause of 80% of network outages. EnergyAustralia Engineering Officer **Alan** (left) was one of the team kept busy during major storms, looking for powerlines that may have come down during high winds. This ensured a safer environment for customers, like **Jan** (right), who undertake clean-up operations around their homes following storms.



Meeting the challenges continued

Another scheme, Smooth Payment, was trialed in April 2001. It offers an easy payment option, with invoices based upon a full twelve-month period. This payment method will soon be available to all customers.

Responding to Incidents

EnergyAustralia's emergency response teams restore power to our customers, often in stressful situations, through co-ordination and strong teamwork.

It was a busy year for these teams, with network reliability affected by a number of incidents. The most significant of these was the failure of equipment and a fire at our Paddington substation in November 2000.

The average customer minutes without supply (SAIDI) for the year was up 14 minutes from the previous year to 101 minutes. Of this, 18.5 minutes was from the impact of the Paddington outage. With Paddington excluded, the average customer minutes without supply was around 83 minutes – an improvement of four and a half minutes compared with the previous year.

The Paddington fire damaged three transformers and other equipment, causing power disruptions to 20,000 people in Sydney's eastern suburbs. Despite the severity of the incident, we had power restored to 5,000 customers within eight hours and the remainder over the next two days.

The needs of vital businesses in the affected area (such as hotels, motels and medical centres) were addressed via 38 generators, which our staff sourced from throughout NSW. Our media team maintained regular contact with all media outlets to keep customers well informed.

Our response effort saw staff door-knocking in the area, rectifying dangerous situations and providing food and bottled water to some customers. Our Call Centre managed more than 17,000 emergency calls in three days and our claims hotline received 2,400 requests for claim forms.

Call Centre resources were further challenged on 15 January 2001 when Sydney experienced one of its worst windstorms in decades, affecting more than 65,000 customers. Winds up to 120km/hr were recorded.

The storm created safety concerns caused by flying debris, fallen power poles and trees falling on powerlines. EnergyAustralia staff members scoured affected areas looking for danger spots and advising customers. The majority of customers had their power restored in 24 hours.

Another significant incident, a bushfire on October 7 2000 in the National Park at Bantry Bay in Sydney, affected 6,000 customers. Damage was caused to power poles and customers were asked to restrict their electricity usage until the problem was fixed later that day.

Growing safety risks from untrimmed trees required the expansion of our tree trimming program during the year. Trees growing through powerlines represent a major danger to our customers and affect network reliability.

Tree management is a shared responsibility between EnergyAustralia and local government. Traditionally, we maintain clearances for naturally sown trees and the local councils are responsible for planted trees.

However, the emergence of additional risks during the year required us to carry out urgent trimming of planted trees in some areas at our own cost. At the same time we are negotiating with councils to address this important issue over the long term.

Storms, fallen trees and other environmental/unknown factors were the cause of 80% of network failures during 2000-2001.

Satisfying Increased Energy Demands

A boost in population, the increased use of reverse-cycle air-conditioning, and the growing energy requirements of business presented a number of challenges during 2000-2001.

Almost 30,000 new customers joined the network – up from 1.40 million to 1.43 million. Total energy through the network reached 25,276 gigawatt-hours – up approximately 4% on the previous year.

The peak demand in January 2001 was 9% above the previous summer peak and 12.5% higher than any January on record.

This was primarily due to an increase in the demand for air-conditioning, which rose 8% during the summer of 2000-2001. This accounted for as much as 20% of the demand for power during the peak periods.

This increased demand, however, did not translate into higher profits for EnergyAustralia. The amount of revenue we were able to recover from our network was fixed by the regulator and did not account for growth in demand or the actual throughput of energy.

High growth, therefore, is a cost to EnergyAustralia from a profitability perspective during the year. It required us to invest more to meet the growing energy demand and increased the costs of maintaining and operating the network to ensure that safety and reliability standards are met.

EnergyAustralia is working with industry bodies and the regulator to ensure that the regulatory framework does not place all growth related costs and risks on the network operator.

Providing Fast and Reliable Installations and Repairs

Our EnergyFix business celebrated its fourth birthday in 2001 with more than 44,600 customers taking advantage of our 24 hour, seven day a week electrical contracting service – an increase of 2,600 service calls on the previous year.

EnergyFix provides electricity and gas repair, as well as maintenance and installation services to homes and small to medium size businesses. It offers services such as electrical fault diagnosis, repairs, safety inspections, installation of telephone and data cabling and the maintenance and repair of hot water systems and appliances.

Our Enerserve business provides electricity infrastructure maintenance and construction for larger businesses.



Safety of our staff and customers has been a continued area of focus during the year. EnergyAustralia linesmen like **Mark** and **Glenn** (left) made sure the wires remained safe in suburbs, while customers like **Paul** (right) were able to obtain valuable information about safety around the home from our website.

Fulfilng our responsibilities

Our customers have an expectation that we will deliver a reliable network, with high standards of service.

Fulfilng this responsibility requires us not only to follow industry rules and regulations, but to appropriately forecast and manage issues and risks that may affect the safety of our staff and our customers. The communication of electrical safety via specific literature, on our website and via advertising is a priority in customer communications.

Safety, our duty of care and security continued as key areas of focus during 2000-2001.

Managing Risk

Each year the organisation conducts a Risk Management Review to determine how best to manage the key risks associated with running our business.

One of the most significant risks we manage on a day to day basis are those associated with energy trading. Our Energy Risk Management Division professionally manages the ongoing risk of buying energy in a dynamic wholesale market where price can vary from \$0 to \$5,000 per MWh every half hour and volume is subject to weather and customer movements. The Division uses sophisticated risk management tools and specially developed software and clearly defined policies to optimise the value of the electricity portfolio within clearly defined risk parameters.

A further example of how we managed risk was the establishment in 2000 of a comprehensive asset upgrade and refurbishment program.

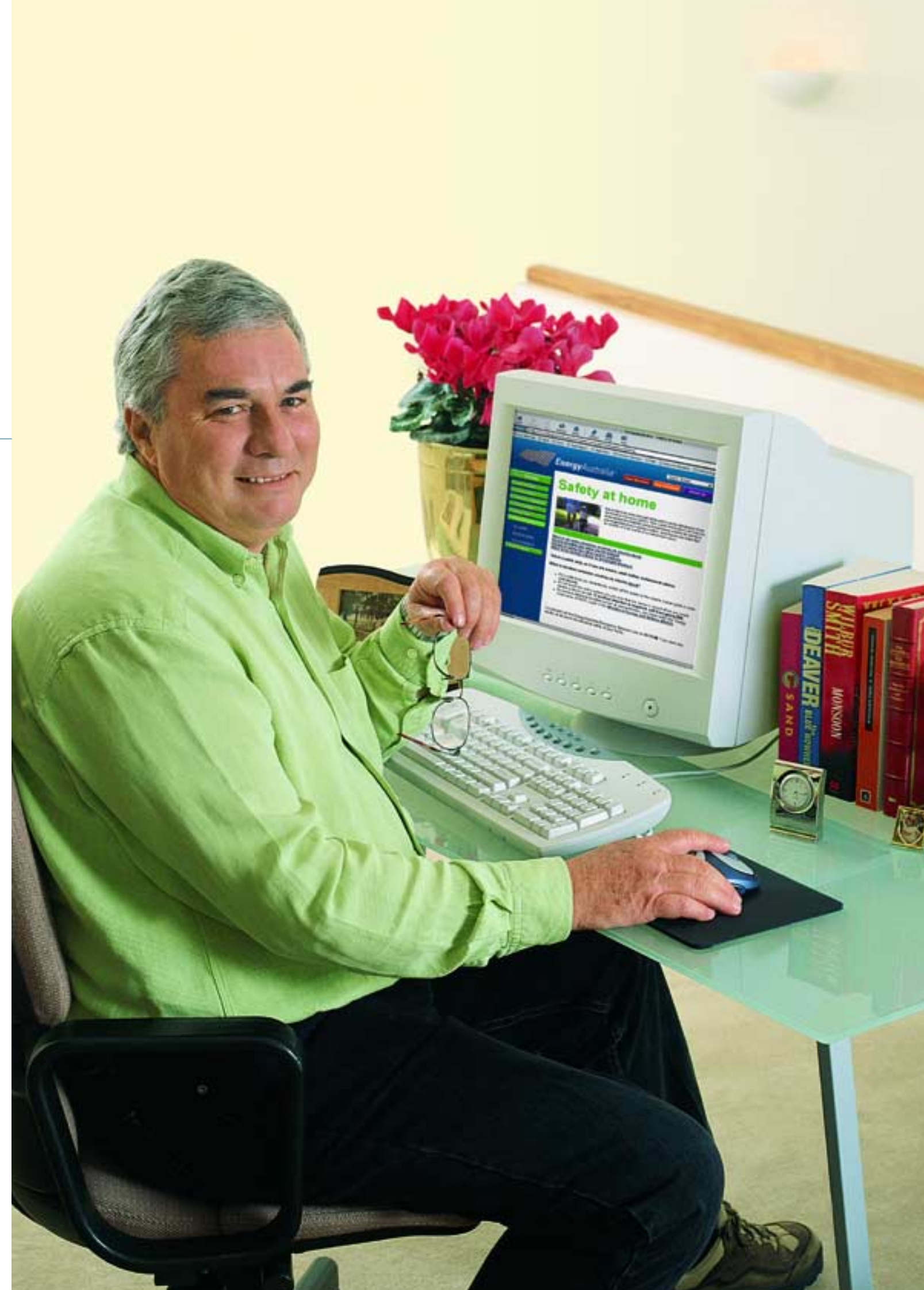
This program is designed to mitigate the risks of the loss of supply (through fire), security (through fencing, locking, signage, electronic security), safety (occupational health and safety related aspects of substation design) and the environment.

Drawing on our expertise and on information gained from diverse sources, we have developed specific guidelines that are being applied to all of our new substation installations, as well as being retrospectively applied to existing installations.

Operating Safely

Workplace health and safety continued to be a major priority.

While our Lost Time Injury Frequency Rate (LTIFR), increased 28% (from 6.4 to 8.2 injuries per million hours worked), the severity of injuries remained reasonably stable, with the Average Time Lost due to injury (ATL) up 0.1 days to 7.5 days.





Regular excavations in the network area can be undertaken without the fear of damage to assets with the assistance of the “Dial Before You Dig” service. Contractors working in the Sydney CBD, **Ciaron** and **Gary** (right) are particularly concerned that their construction work does not damage underground electricity cables. EnergyAustralia Civil Constructions Supervisor **John** (left) also has to ensure that our own major construction work is undertaken to remove the potential for damage to assets.

Fulfilling our responsibilities continued

It was a busy year as we prepared for the introduction of new health and safety legislation. The legislation requires employers to provide staff with more opportunities to contribute directly to decisions affecting their health, safety and welfare at work.

We assisted the NSW Government to formulate regulations in our industry and conducted a series of occupational health and safety workshops designed to identify appropriate strategies and processes to comply with it.

These activities also resulted in modifications to the proposed legislation to accommodate the needs of the electricity supply industry.

Our staff use a risk control program known as a Hazard Assessment Check (HAC) – a five-step safety check which allows them to better identify, assess, review and eliminate or control workplace risks.

Other significant safety programs undertaken during 2000-2001 included:

- revising our systems to comply with the new Australian Standard 4801-2000;
- piloting a new staff program aimed at improving and sustaining health and fitness levels; and
- changing the design of low voltage pillars to allow them to be worked on safely while still energised.

Our commitment to improving safety standards was acknowledged by the Ministry of Energy and Utilities (the Ministry), which is charged with ensuring industry members comply with work safety regulations.

The Ministry conducted two inspections of our facilities during 2000-2001 and reported a

“satisfactory or better” finding at 92% of our worksites (up from 85% the previous year).

Our new “Network Passport” (a booklet which records the safety training undertaken by our field staff) is an important safety initiative. Work cannot be undertaken on a site if the Passport is not produced.

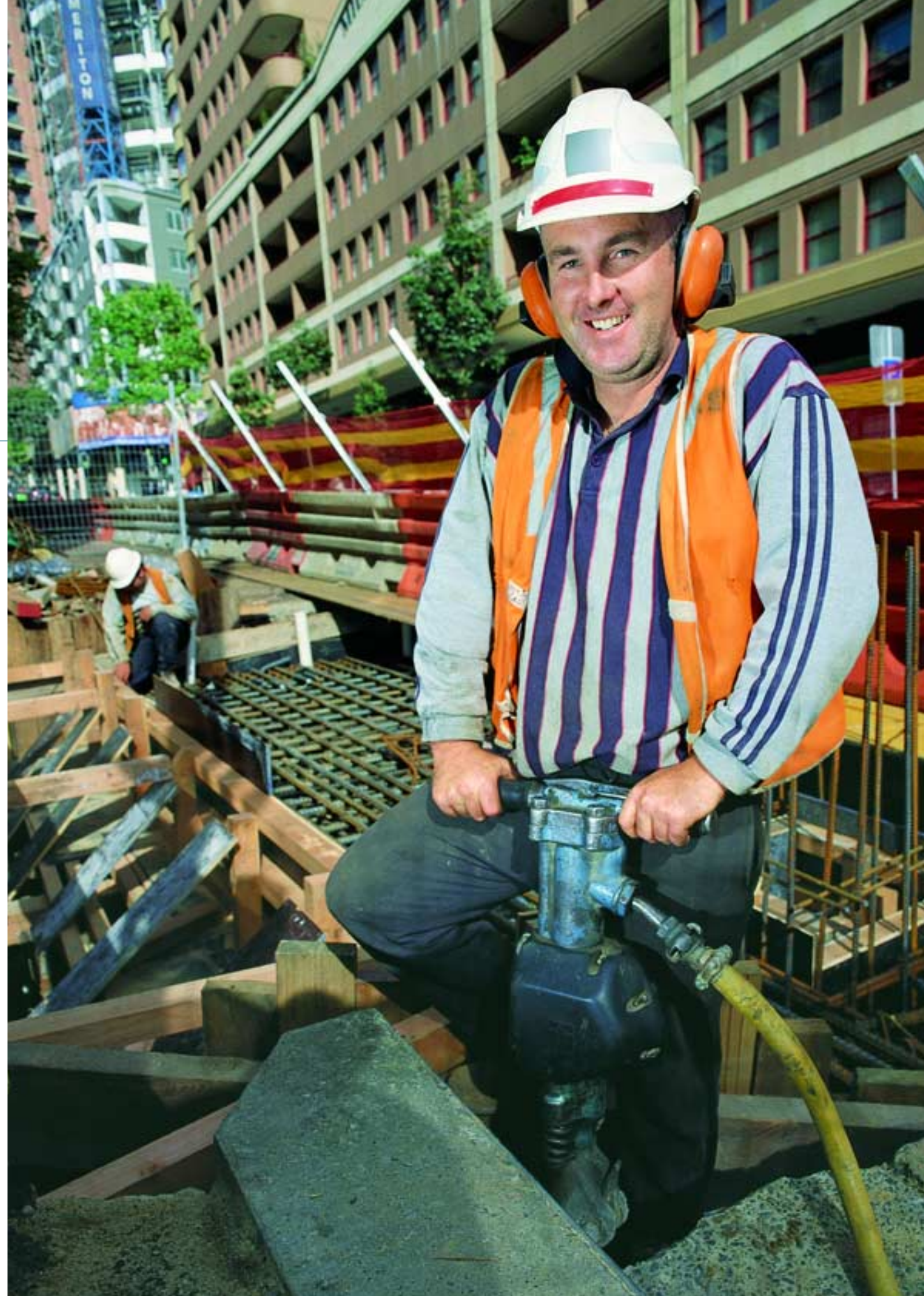
Our regular safety audits of staff and contractors continued during 2000-2001 with 298 independent random audits undertaken within our Network business and 212 in our Enerserve business.

Our Enerserve and Customer Service businesses were one of a small number of businesses in Australia to be certified to Australia Safety Standard AS4801.

Safety awareness among our customers was also an ongoing priority with safety tips included on our bills, our website, and a new television commercial was produced – featuring the popular tall man and short man – demonstrating how to be safe with energy around the home.

We also played a key role in the non-profit “Dial Before You Dig” service. This encourages underground cable location enquiries from parties intending to carry out excavations in our supply area. This helps us to safeguard the public and our employees from injury and avoid damage to our assets.

This easy-to-use service provides an electronic interface which automatically acknowledges requests by fax and generates and automatically prints plans covering the relevant UBD grid reference from our Geographic Information System.





Our commitment to engaging the community in key projects was best represented by the Gosford-Ourimbah overhead powerline upgrade project. EnergyAustralia Environmental Officer **Liz** (left) was part of the group which walked the proposed options for the new line. **Marlene, Ken, Frank, George** and **Joy** (right) were members of the community working group who looked over the proposed plans for the new powerline.



Making a difference

As part of our commitment to constantly improve service levels, we continued to develop systems aimed at making a difference – a difference to the way we do business and to how we interact with our customers and the environment.

We took a more active role in community consultation programs, continued to forge close partnerships with community organisations, sporting groups and other businesses, and implemented programs aimed at making our customers more environmentally aware.

Becoming more Accountable

We recognised our responsibility to become more accountable to the community by engaging them at a grassroots level on a number of key projects during 2000-2001.

These included the Tuggerah to Munmorah 132kV powerline, Macquarie Park Zone Substation, the new Surry Hills Zone Substation, Revesby to Milperra 132kV powerline, City CBD cable tunnel, and the Gosford to Ourimbah 132kV overhead powerline upgrading.

The Gosford – Ourimbah community consultation process became a benchmark for community involvement. We took an active role in the two year consultation and Environmental Impact Study process for the project – to determine a preferred route option – through conducting community workshops and walking the route with local residents.

Consultation on the Surry Hills Substation project resulted in the original (Goulburn Lane) site of the substation being changed (to Campbell Street).

Significant to these consultation programs was the appointment of full-time customer liaison officers – on call 24 hours a day – and the introduction of a “1800” number for all major projects.

We also re-established the Customer Council – a forum for consultation between EnergyAustralia and our customers. The Council provides customers and community groups with a means to have a direct input into policy, planning and service decisions which directly affect them.

Participants include the Australian Consumers' Association, Ethnic Community Council, Council of Social Service of NSW, Australian Business Limited, State Chamber of Commerce, the Country Women's Association of NSW, Council on the Ageing, The Smith Family and NSW Farmers.

Managing our Environmental Responsibilities

EnergyAustralia is committed to developing an infrastructure which meets high environmental and aesthetic standards.

During 2000-2001 we undertook a number of proactive measures aimed at maintaining our AS/NZS ISO 14000 certified environmental management system rating and delivering on customer expectations.

These measures included:

- developing and implementing an environmental management plan (for all construction and maintenance programs);

- completing 20 planned audits;
- partnering with the Environment Protection Authority (EPA) for the development of a Waste Reduction & Purchasing Plan (WRAPP); and
- re-signing the Greenhouse Challenge Agreement.

We also focussed on improving environmental awareness among our staff and customers. This included delivering our Demand Management program, which helps customers better understand and minimise their electricity usage.

Reducing peak demand is an alternative to adding capacity to the electricity network. Off-peak water heating is the most common form of Demand Management.

We consulted the community about Demand Management in Cessnock, Kuringai, Nelson Bay, Castle Cove, Chatswood, North Sydney and Crows Nest.

We introduced a web based “Clean Air Calculator”. This gives customers an idea of how much greenhouse gas they can prevent through buying energy from green sources such as our PureEnergy product.

PureEnergy is electricity generated from renewable sources (such as the sun, wind, water and landfill gas) that do not emit greenhouse gases.

Renewable energy sales were up 175% to 175.4GWh for the year, with our PureEnergy customers increasing to 15,643.

In keeping with our ongoing commitment to green energy, we continued to work with the Sustainable Energy Development Authority to identify more opportunities for renewable generation.

Our experience in renewable energy design and management saw us awarded a \$1.7 million contract

for a 160kW rooftop solar station on the Town Centre refurbishment planned for Kogarah in Sydney.

Made of panels similar to our successful Singleton Solar Farm project, it will be capable of providing more than twice the solar output of the Sydney SuperDome, currently the largest rooftop installation in Australia.

Testimony to our ongoing commitment to reducing greenhouse emissions, we became one of the first organisations to submit an independent verification of our Greenhouse Challenge Agreement – confirming we had reduced emissions by more than 600,000 tonnes.

Under a partnership with the Newcastle City Council, we also developed and implemented a number of greenhouse reduction projects. One of these included the monitoring of a group of homes specially fitted with energy saving technologies (such as solar water heating, low flow shower heads and insulation) to accurately assess the energy savings.

We continued to improve energy efficiency in our own operations, including the installation of a sophisticated building energy management system at our Oatley facility and power factor correction facility at Roden Cutler House in the CBD.

Supporting the Community

Throughout 2000-2001 we provided significant support to community groups, sporting organisations and businesses through a targeted sponsorship program.

It was the first full year of a three-year sponsorship deal with the Newcastle Knights NRL Club and saw team sponsorships continued with the Sydney Kings Basketball Team and the Australian Paralympic Committee Wheelchair Basketball Team.



Marketing Co-ordinator **Greg** (left) reviews an article in our staff magazine, “Inside Energy,” on Everyone’s Family Fair which raised money for The Smith Family. EnergyAustralia’s support for Surf Life Saving provides much needed assistance to life savers like **Stephen** (right) to keep the beaches safe.

Making a difference continued

In the Hunter we lent our support to the Hunter Valley Research Foundation, Starstruck (a junior talent program) and the Hunter Region Tourist Organisation. EnergyAustralia was also a naming rights sponsor of the world ranked surfing event, EnergyAustralia Surfest. This event brought together 14 world champion surfing legends from the past 25 years.

We continued our long-term support of the surf life saving movement with a major sponsorship commitment to Surf Life Saving Australia Sydney, Northern Beaches, Central Coast and Hunter – branches. This commitment extended to the funding of summer surf safety messages on Hunter and Central Coast radio. We were also a major contributor to the Westpac Rescue Helicopter Service.

In Sydney our key sponsorships included:

- the “Wild” Summertime promotion at Taronga Zoo;
- the National Heritage Trust Awards;
- the Common Good Program (promoting corporate responsibility amongst businesses);
- “Energy of Australia” – the spectacular lighting of the Opera House by artist Marc Newson; and
- ongoing support of the Handicapped Children’s Appeal (where our staff contributed \$18,000 and the company \$20,000).

We provided our charity partner, The Smith Family, with 2,000 tickets to the Olympic and Paralympic Games – to assist with their Learning for Life program – and contributed to the world’s largest Christmas stocking (9m high), full of presents for The Smith Family children.

EnergyAustralia staff raised an additional \$10,000 (through raffles and the purchase of Olympic merchandise) for The Smith Family at Everyone’s Family Fair – a fun day for staff and their families on November 25.

Investing in Our People

The role played by our staff in 2000-2001 was exceptional, in particular their efforts at the Sydney 2000 Olympic and Paralympic Games, and in the seamless introduction of new customer systems.

To keep all levels of the organisation connected with where we were going and what was important during the year, we used a number of key communication tools, including our monthly staff newsletter “Inside Energy”.

We provided staff with the opportunity to meet with and/or talk to the Managing Director and senior executives at regular staff briefings, roadshows and via the MD Hotline (a direct phone link to the Managing Director for an hour each month).

Awards and incentives during the Olympic and Paralympic Games were driven by our Performance Plus program, where more than 1,400 staff were rewarded for their performance with tickets to the Games.

Development began on a new intranet service which, when launched late in 2001, will provide staff with valuable and vital company information.

We completed a detailed review of our human resource capability requirements and a comprehensive strategy was put in place to prepare our staff for full retail competition. Our programs were aimed at building awareness and encouraging staff to further develop their commercial skills.

Our network renewal program, and the approach of full retail contestability, meant more staff were needed and our team grew by 102 full-time equivalent employees in 2000-2001 to 3,384.

Employee satisfaction – measured through our annual employee opinion survey – improved slightly, up 2.5%.





ACE team members **Paul, Premalal, Jennie,** and **Naomi** were part of a large project team that successfully achieved a number of milestones in preparation for full retail competition. Our successful “**tall man / short man**” (right) campaign has assisted in the building of our brand.

Preparing for competition

Full retail competition will commence in NSW in January 2002 when more than three million electricity customers and almost one million gas customers will be able to choose their energy supplier.

Both our Network and Retail businesses have been working to develop processes and systems to meet new market rules, enabling us to effectively interact with new national market systems developed by NEMMCO (the National Electricity Market Management Company), and transfer customers between retail suppliers.

As well as replacing our customer care systems, we have had to make other improvements to our IT capability to ensure we can interface with the new market systems and meet our obligations under full retail competition. We have also been hard at work building our brand and our external businesses.

Preparing for competition has been a major task since 1996 when wholesale contestability began and the first industrial customers were able to choose their supplier.

Since then, EnergyAustralia has developed strategies designed to sustain and grow profitability, delivered world-class energy risk management systems, and has been competitive in all the contestable customer segments.

Streamlining our Customer Relationships

Our focus on streamlining the way we interact with our customers intensified during 2000-2001 as the ACE (Achieving our Contestable Environment) program began in earnest.

ACE is a complete transformation of the way we manage relationships with our customers.

It will make it easier for our customers to do business with us, providing them with a number of choices – how they pay, when they pay and who they talk to.

ACE milestones during the year included the introduction of the new customer care systems and new customer relationship management processes.

Importantly, ACE was delivered on time and on budget.

Through the ACE program we will continue to introduce new capabilities in the lead up to full retail competition, in keeping with our ongoing strategy to make life easier for our customers.

Building our Brand

In a market heading toward a contestable environment, consumer acceptance of a brand is the key in driving customer preference. We feel that our brand is one of our biggest assets. In order to achieve results in the communication of branded messages, they must be consistent with the attributes inherent within the business itself.

During 2000-2001 we continued to build our “genuine” and “useful” brand values through press advertising, sponsorships and information columns which provided tips on energy safety and efficiency.

To mark our entry into gas we continued our successful tall man / short man television commercial series to highlight our gas capabilities. Throughout the year we continued to use our customer communication channels to provide our customers with information on safety, energy efficiency and market





A popular tool for keeping customers informed was the quarterly “Your Energy” brochure, aimed at high volume residential users and managed by Marketing Coordinator **Fiona** (left). The addition of gas to our product offering has enabled us to extend the scope of long-standing relationships with valued customers including the kitchen run at **West Leagues Club** (right) in Newcastle.



Preparing for competition continued

deregulation. Our primary aim is to assist our customers in making informed decisions.

In December 2000 we undertook a major mail-out informing our customers about our move into gas. With the introduction of a new Marketing Code of Conduct, introduced in January 2001, all relevant staff were provided with extensive training to ensure that marketing activity complied with the new guidelines.

With full retail competition looming, we focussed on building our brand not only through advertising, but through improved levels of customer service, billing procedures and general customer interaction.

Building our External Businesses

EnergyAustralia operates other businesses in fully competitive markets. During 2000-2001 they generated \$115.1m in revenue. Enerserve, our competitive construction and maintenance business, is a leader in its specialised field of electricity and telecommunications infrastructure.

Customer Service's metering business unit, Testing and Certification Australia (TCA), specialises in energy metering, data capture and metered energy reporting. It is firmly established as the market leader in electricity metering, with clients ranging from domestic users to some of Australia's largest corporations.

Enerserve, EnergyAustralia's engineering and contracting business, has a diverse customer base that includes mining, manufacturing, building, telecommunications and the electricity supply

industry. Its strong competitive position is derived from an unrivalled depth of expertise in design, construction and maintenance of electrical infrastructures and associated equipment from 415 volts to 220kV.

EnergyAustralia will continue to build the profitability of these growing businesses and explore new opportunities for growth through our competitive advantage in utility services.

EnergyAustralia is committed to success in a changing environment.

This will mean meeting the pressures of full retail market competition in a tightly regulated framework. This continues to be one of our biggest challenges.

Our customers will remain our primary focus.

When competition begins many smaller customers will choose not to opt for the offerings of our competitors and continue with EnergyAustralia as their preferred energy supplier.

We will be ready.

Making the connection

During 2000-2001 we worked hard to improve our electricity network, replace our customer care systems and enhance our product offerings in readiness for the introduction of full retail contestability.

Our success was reflected in our annual customer survey which showed that 92% of our residential and business customers were satisfied with our services.

In order to maintain good relationships with our current customers and attract new ones, we must provide superior products and services that will differentiate us from our competitors. Every customer interaction counts.

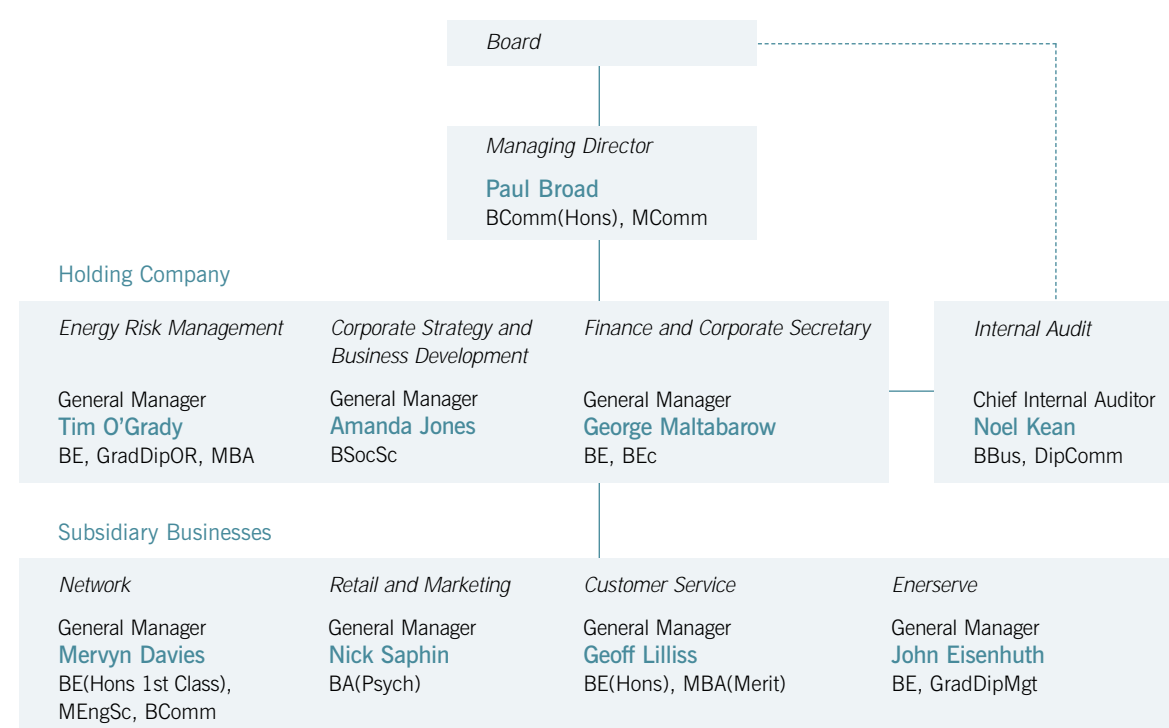
In the emerging new energy market, our goal is to protect our existing customer base while winning new customers outside our existing operating area.

In doing this we are committed to the ongoing delivery of high quality products and services, ensuring the solid connection we have established between our staff and our customers continues.



Back row from left: John Eisenhuth, Mervyn Davies, Amanda Jones,
George Maltabarow, Noel Kean, Geoff Lilliss
Front row from left: Nick Saphin, Paul Broad, Tim O'Grady

Executive team



To encourage the commercial drive required for EnergyAustralia to achieve its vision – to become the leading multi-utility company in the Asia-Pacific region – a Holding Company / Subsidiary Company Model has been implemented.

EnergyAustralia comprises:

A small holding company which holds the distribution network and retail licences, establishes strategic direction and financial parameters, sets performance measures and maintains responsibility for energy trading.

The four core subsidiary businesses are:

- Network which optimises the management of the network's assets;
- Customer Service which is the focus of all interactions with customers;
- Retail and Marketing which is the marketing and sales arm of EnergyAustralia; and
- Enerserve which is the electrical engineering, contracting and consulting business of EnergyAustralia.

Each of the four core businesses is focussed on performance assessed against key commercial targets.



Directors' report

The Board of Directors

In accordance with the *State Owned Corporations Act 1989*, seven Directors have been appointed to the Board of EnergyAustralia including a Director nominated by the NSW Labour Council and an Executive Director, the Managing Director.

Composition of the Board

The Directors holding office at the date of this report are:

John Craig Conde AO BSc, BE(Hons), MBA
Chairman

A Director of EnergyAustralia since November 1997. Member of the Board's Audit and Compliance Committee, a Director of DownTown Utilities, Chairman of MBF, Director of BHP, Member of the Commonwealth Remuneration Tribunal and Chairman of Australian Technology Park Advisory Committee.

Paul Anthony Broad BComm(Hons), MComm
Managing Director
Managing Director of EnergyAustralia since September 1997.

Member of the Board's Audit and Compliance Committee, Human Resources Committee, Market Risk Management Committee and Capital Investment and Utilisation Committee. A Director of DownTown Utilities, PowerTel, The Hunter Valley Research Foundation and The Electricity Supply Association of Australia.

Bruce Anthony Hogan AM BEc(Hons)
A Director of EnergyAustralia since November 1997. Chairman of the Board's Market Risk Management Committee and member of the Board's Human Resources Committee. A Director of NSW Treasury Corporation.

Belinda Jane Hutchinson BEc

A Director of EnergyAustralia since November 1997. Chairman of the Board's Audit and Compliance Committee, member of the Board's Market Risk Management Committee. A Director of TAB Ltd, Crane Group Ltd, QBE Insurance Group Ltd, St Vincents and Mater Health Sydney Limited a consultant to Macquarie Bank and a member of the State Library of NSW Council.

Michael Lambert BEc, MEc

A Director since November 1998. Chairman of the Board's Capital Investment and Utilisation Committee and member of the Board's Audit and Compliance Committee. Executive Director of ABN AMRO.

John Cameron Robertson

A Director of the Board of EnergyAustralia since March 1998. Chairman of the Board's Human Resources Committee and member of the Board's Capital Investment and Utilisation Committee. Assistant Secretary of the Labour Council of NSW, a Director of Labor Media, 2KY Marketing Ltd and Chifley Financial Services Ltd.

Paul Jeans BE

A Director of the Board of EnergyAustralia since March 2000. A member of the Board's Capital Investment and Utilisation Committee and member of the Board's Human Resources Committee.

Board Activities

The Board is responsible for the overall performance of the business to the Shareholders being the NSW Treasurer and the Special Minister of State. The remuneration of the non-executive Directors is determined by the voting Shareholders and paid for by EnergyAustralia.

Back row from left: John Robertson, Belinda Hutchinson, Paul Jeans, Michael Lambert
Front row from left: Paul Broad, John Conde AO, Bruce Hogan AM.



Directors’ report continued

The Board strives to achieve the highest standard of corporate governance. Committees of the Board are chaired by non-executive Directors. The non-executive Directors are subject to re-appointment by the Shareholders on a rolling three-year basis. The Board has an established policy for dealing with potential conflicts of interest.

The Board takes an active role in the setting of strategy and determining the overall strategic direction and plans. Regular Board meetings are held to monitor the performance of EnergyAustralia against its business plan and the targets set with Shareholders through the Statement of Corporate Intent process. The Board also receives regular briefings from management concerning matters of special interest. Additional Board meetings are held as necessary to consider key issues.

The Board has delegated responsibility for operational issues to the Managing Director who, along with other members of the executive team, is responsible for delivering performance outcomes in line with the business plan and performance agreements.

While significant matters are dealt with by the full Board, a number of committees have been established to assist and advise the Board in dealing with business affairs.

A brief description of the responsibilities of each Committee follows:

Audit and Compliance Committee

The key objectives and responsibilities of the Committee are to:

- assess the effectiveness of the internal and external audit functions;
- oversee compliance with statutory responsibilities relating to financial disclosure;

- review the adequacy of risk management systems and the internal control framework;
- review compliance with relevant government regulations;
- review and monitor the propriety of all related party transactions; and
- assess the performance of financial management.

Market Risk Management Committee

The key responsibilities of the Committee are to:

- review and approve risk management policies and procedures, review trading strategy and its impact on risk management;
- review and approve delegations relating to wholesale and retail operations;
- review the adequacy of the internal controls instituted; and
- monitor compliance with the suite of policies that govern wholesale and retail operations.

Capital Investment and Utilisation Committee

The key objectives of the Committee are to:

- review the process for the formulation of the capital expenditure program and its linkage to the overall corporate planning strategy;
- review the process for evaluation and prioritisation of major capital projects;
- review the process for implementing major capital projects and the adequacy of capital expenditure controls;
- consider post implementation reviews of completed major capital projects; and
- review the approach to the planned maintenance and utilisation of major assets.

Human Resources Committee

The primary objectives of the Committee are to:

- monitor and report relevant employee issues to the Board of Directors including safety and industrial relations;
- ensure that the strategic Human Resource direction aligns with the overall business direction and future needs of the organisation;
- review progress of implementation of the Human Resources Strategic Plan; and
- review recommendations regarding changes to remuneration in response to performance and market surveys.

Directors’ Attendance at Meetings

During the year the Board reviewed the composition of committees resulting in changes to the existing structure as follows:

- Mr Jeans replaced Mr Conde on the Human Resources and Capital Investment and Utilisation committees.

Internal Control Framework and Risk Management

EnergyAustralia places great emphasis on managing its risks and has implemented a strong framework for identifying and assessing risks and ensuring that potential exposures are appropriately managed. This framework relies on formal risk assessments of strategic and emerging risks and action plans to address any gaps.

Each business area also prepares specifically tailored risk management plans as part of the annual planning cycle. These plans are formally reviewed each year.

The effectiveness of the internal control framework is assessed by the Internal Audit Division. The Internal Audit Division completes a comprehensive program of audits and reviews which ensure that all high risk areas are audited annually with medium and low risk areas reviewed every two to three years respectively. The Board’s Audit and Compliance Committee reviews the significant audit findings at each meeting.

Director	Scheduled Board		Additional Board		Audit & Compliance		Market Risk Management		Human Resources		Capital Investment & Utilisation	
	A	B	A	B	A	B	A	B	A	B	A	B
J. Conde AO	9	9	7	7	6	4	–	–	–	–	1	1
P. Broad	9	9	7	7	6	6	8	7	2	2	5	4
B. Hogan* AM	9	7	7	7	1	1	8	8	2	1	–	–
B. Hutchinson	9	9	7	7	6	6	8	8	–	–	–	–
P. Jeans	9	9	7	7	–	–	–	–	2	2	5	5
M. Lambert	9	5	7	3	6	3	–	–	–	–	5	5
J. Robertson	9	5	7	7	–	–	–	–	2	2	5	3

A – Indicates number of meetings held during the period the Director was a member of the Board / Committee
B – Indicates the number of meetings attended by the Director during the period
* – Mr Hogan is an alternate member of the Audit and Compliance Committee

Performance report

Financial Overview

The Board of Directors is pleased to report that EnergyAustralia delivered a net profit after tax of \$154.3m, 23% or \$28.8m higher than budget. Analysis of EnergyAustralia’s results demonstrates how much the regulated and competitive energy businesses have changed in recent years. Throughout these changes EnergyAustralia has achieved stable and strong results that have exceeded the targets agreed with our Shareholders in the annual Statement of Corporate Intent. This year the Directors recommend a total dividend of \$92.5m. During 2000-2001, EnergyAustralia also made a capital repayment to our Shareholders of \$1,130.0m.

During 2000-2001 EnergyAustralia achieved many of its operating and financial targets:

- Revenue increased by \$67.7m, 3% over 1999-2000.
- Electricity retail gross margin improved by 10% over 1999-2000, and contributed a gross margin that was \$12.3m above budget.
- Competitive construction and maintenance activity margin improved by 60% over 1999-2000, and contributed a gross margin that was \$10.9m above budget.

While these underlying business results were strong, EnergyAustralia’s net profit after tax for 2000-2001 was lower than 1999-2000 mainly due to the following factors:

- (i) Actuarial adjustments to employee costs increased by \$34.5m.
- (ii) Depreciation increased by \$33.5m after EnergyAustralia recorded the revaluation of

- network assets by \$1.3bn in accordance with IPART’s Determination.
- (iii) Interest increased by \$75.3m. EnergyAustralia raised additional debt of \$1,121m and returned \$1,130m to our Shareholders from contributed equity.

On the basis of the new capital structure and the reduced regulated rate of return, EnergyAustralia’s forecast for the six year period 1999 to 2004 has been for net profit after tax to decline.

EnergyAustralia has delivered better than budget results in both 1999-2000 and 2000-2001. Most importantly, EnergyAustralia has focussed on the business fundamentals, building retail revenue and continuing to deliver a safe and reliable electricity supply to our community.

EnergyAustralia’s Interest in PowerTel

During 2000-2001 EnergyAustralia increased its investment in PowerTel through an additional capital contribution of \$37.6m. EnergyAustralia’s total shareholding is 21.6%, at an average share price of 32.8c and total investment cost of \$72.6m.

As at 30 June 2001 the listed value of EnergyAustralia’s shareholding in PowerTel was 31.4c / share (\$69.5m), and since balance date the listed value has declined further.

EnergyAustralia has subsequently sought independent advice as to the most appropriate carrying value of the investment in PowerTel. EnergyAustralia’s relationship with PowerTel is as a strategic partner, rather than market investor, and EnergyAustralia has concluded that benefits of shared infrastructure use and asset convergence are still available in the long term.

Operating Revenue

Operating revenue achieved a 3% growth over 1999-2000 in three key areas:

- Contestable retail electricity sales grew by 10% in volume and 11% in revenue;
- Average consumption per customer increased by 4%. High consumption growth indicates that consumers’ lifestyle choices, particularly air-conditioning, are a strong driver of growth, along with the cyclical effects of economic activity; and
- The competitive construction and maintenance activities continued to add value. Revenue declined by 33% in 2000-2001, following the completion of large Olympic projects. However, the margin was 60% higher than the previous year.

Operating Expenditure

EnergyAustralia’s operating costs increased by 1.9% in 2000-2001, mainly attributable to increased duty of care related expenses.

Capital Expenditure

Capital expenditure grew significantly in 2000-2001 to \$359m, as EnergyAustralia has been required to invest in upstream infrastructure (medium and high voltage substations and cabling) because of higher than expected growth. Some of the major items in the capital program were:

- Inner Sydney and CBD related projects \$91m. This program is to upgrade the high voltage feeders and substations to secure city supply and will take three more years to complete;
- Ourimbah to Gosford sub-transmission upgrade \$13m and a new substation at West Gosford \$15m;
- New substations at Rothbury (Hunter Valley), Macquarie Park and Green Square;
- IT investment of \$69m included installing the first stage of our new billing and customer care system.

	2000-01 Actual Result	2001-01 SCI	Actual vs SCI Change	Actual 1999-2000
FINANCIAL OVERVIEW \$Millions				
Operating Revenue	2,203.2	2,091.5	+ 5.3%	2,135.5
EBIT	321.3	304.8	+ 5.4%	391.0
EBITDA	532.2	510.6	+ 4.2%	568.4
Net Profit After Tax	154.3	125.5	+ 22.9%	328.9
Dividend Proposed	92.8	96.4	- 3.7%	184.3
Total Distributions to Government	136.1	136.1	Equal	249.1
Return on Equity	8.4%	7.0%	+ 20.0%	18.6%
Capital Expenditure	358.6	259.1	+ 38.4%	311.6

Profitability

EnergyAustralia achieved a net profit after tax of \$154.3m, 23% above the budget levels. Higher sales margin in both retail and competitive construction and other external activities, and an increase in capital contributions resulted in the improved profitability over the SCI targets.

Returns to the Shareholder

The dividend proposed for 2000-2001 is \$92.8m. The return on equity achieved was 8.4%, 20% above the target set in the SCI.

Capital Return

EnergyAustralia financed the return of capital to the Shareholders through new loans arranged by T-Corp, bringing the total debt at the end of the year to \$2,166.9m. See Financing Costs table below.

Cash Flow

EnergyAustralia's net cash inflow from operations was \$444m, an increase of \$43.3m over 1999-2000. The cash used for investments including new system assets was \$345.3m, an increase of \$51.9m over 1999-2000. EnergyAustralia raised \$1,121.4m of debt, which was applied to a capital return to shareholders, of \$1,130m and payment of dividends of \$184.3m.

During 2000-2001 EnergyAustralia sold a fixed interest investment, previously held to support EnergyAustralia's supplementary superannuation.

EnergyAustralia now maintains only a single cash portfolio provided by T-Corp for funding for working capital requirements. EnergyAustralia uses an overdraft facility of up to \$300m to support the fund requirements, which was at \$48.7m at the end of the year.

During 2000-2001 EnergyAustralia's stand-alone credit rating was assessed by Standard and Poors at AA-.

Outlook for 2001-2002

EnergyAustralia's profit is primarily derived from the operation of the Network Service Provider business, and the strategic tasks for the next financial year are to manage the enhanced capital investment program to deliver reliable supply for our customers and value for our Shareholders.

In January 2002, all customers will be able to choose their electricity supplier. Regrettably, in some markets, such as California, the introduction of contestability in poor regulatory frameworks has caused significant price increases, large public expenditure to support the industry and has threatened the survival of previously sound corporations. The framework for NSW competition is vastly different and that is not a possible outcome. EnergyAustralia is expecting to be able to meet the challenges of rapid change, and has retail risk management systems in place to ensure that the Retail business will not be fully exposed to wholesale volatility should it occur.

The electricity and gas markets overseas that have become fully contestable have tended to change quite rapidly, and EnergyAustralia expects to have to meet the challenges and be flexible to deliver high value multi-products for our customers.

	2000-01 Actual Result	2000-01 SCI	Actual vs SCI Change	Actual 1999-2000
FINANCING COSTS \$Millions	160.5	151.7	+5.8%	85.2
Interest Cover	3.9	2.0	+93.3%	8.5
Gearing	52.5%	56.0%	-6.2%	37.3%

