



Powerlink Queensland

Annual Report and Financial Statements 2012/13

Powerlink Queensland

Mission

We responsibly deliver electricity transmission services that are valued by our shareholders, consumers, customers and the market.

Vision

Powerlink is a safe, commercial and performance focused organisation that creates and delivers valued outcomes.

Values

- Safe
- Respectful
- Proactive
- Ethical
- Cooperative

Queensland electricity transmission network



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Reporting

This Annual Report has been prepared in accordance with the provisions of the *Government Owned Corporations Act 1993* (incorporating aspects of the *Financial Accountability Act 2009*) and the *Corporations Act 2001* and is presented to the Legislative Assembly of Queensland. It contains Powerlink's Financial Report for 2012/13.

Highlights

- We developed new safety strategies to build on our safety culture and promote continued learning and safety improvement.
- In response to the economic imperative to reduce network costs, Powerlink gained the ability to seek a variation of its reliability of supply standards on a case-by-case basis, to better balance network costs and reliability outcomes.
- We reported a reduction in the forecast growth in electricity demand, which means a deferral of some network augmentation projects. However, Powerlink's capital investment program remains relatively stable due to increased non-regulated customer connection works.
- As we progress transmission projects in the Surat Basin we are implementing efficiencies and improvements in our processes for securing customer connection and access agreements, and enhancing our landowner engagement practices.
- A change program has been implemented to support a new change to organisational structure which will ensure Powerlink remains an efficient and performance focused business.
- Powerlink performed positively against the network performance targets set by the Australian Energy Regulator (AER).

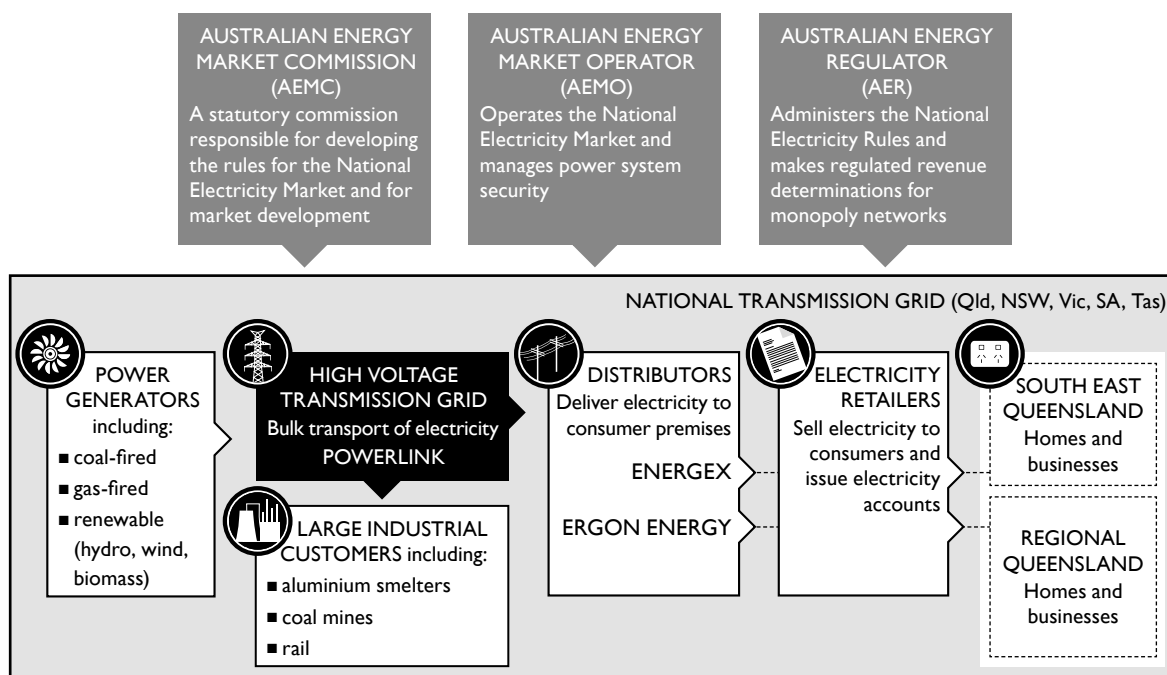
Powerlink profile

Powerlink is a State Government Owned Corporation that owns, develops, operates and maintains the high voltage transmission network in Queensland. Powerlink's network extends 1,700 kilometres from north of Cairns to the New South Wales (NSW) border, and comprises 14,700 circuit kilometres of transmission lines and 126 substations.

Our primary role is to provide a safe, cost effective and reliable transmission network to transport high voltage electricity from power stations where electricity is generated, to the electricity distribution networks owned by Energex, Ergon Energy and Essential Energy (Northern NSW). We also transport electricity to some large industrial customers such as aluminium smelters, mines and rail companies that are directly connected to our high voltage electricity network, and to NSW via the Queensland/NSW Interconnector (QNI) transmission line. Powerlink does not buy or sell electricity.

Powerlink is a Transmission Network Service Provider (TNSP) in the National Electricity Market (NEM). The majority of Powerlink's network is regulated under the National Electricity Law (NEL) and the National Electricity Rules (NER) by the Australian Energy Regulator (AER). A small number of transmission services are provided on a non-regulated basis, when large industrial customers (such as mines and generators) need to connect to the high voltage network. All costs associated with acquiring easements, constructing and operating the non-regulated network are paid for by the customer via commercial charges over the life of the agreement with the customer.

Powerlink's role in the Queensland power supply industry



Financial overview

The 2012/13 financial year was the first year of Powerlink's operations under the Australian Energy Regulator's (AER) regulatory determination for the five years from 1 July 2012 to 30 June 2017 (delivered in April 2012).

Powerlink derives approximately 90 per cent of its revenue from the provision of prescribed (regulated) transmission services. The regulatory process provides the sufficient costs required to meet Powerlink's obligations, including both operating and capital expenditure. As a Government Owned Corporation, Powerlink will continue to focus on reducing controllable expenses and pursue operational efficiencies within the AER's regulatory allowance.

Powerlink's weighted average cost of capital (WACC) is set by the AER for each regulatory period. The current determination provided for a slightly lower rate of return than previously, reducing WACC from 8.76 per cent to 8.61 per cent.

Divestment of ElectraNet

The Powerlink Board, having considered future business requirements, decided it was an appropriate time to divest non-core investments, specifically its 41 per cent share interest in South Australia's transmission business, ElectraNet.

While it had been a successful investment, the divestment allows Powerlink to fully focus its resources on its Queensland transmission business, both regulated and non-regulated transmission network augmentation requirements.

The net financial benefits from the divestment were returned to the State Government through an interim dividend of \$339.2 million (approved by the Board) and paid on 30 April 2013.

Powerlink business performance

In 2012/13, Powerlink delivered an Earnings Before Interest and Tax (EBIT) result of \$533.9 million, with a total revenue of \$972.1 million.

The continuing focus on cost management was one of the key business strategies adopted in Powerlink's 2012/13 Statement of Corporate Intent (SCI). The 2012/13 financial and non-financial targets set for the organisation and agreed with shareholding Ministers incorporated targeted operational efficiencies and cost reductions (both operating and capital expenditure), while maintaining Powerlink's mandated reliability and security standards.

A key measure of cost performance used by Powerlink is 'controllable operating cost' as a percentage of depreciated asset value. The 2.8 per cent result for 2012/13 slightly outperformed the stretch target in the SCI.

Powerlink's Net Profit After Tax (NPAT) for 2012/13 was \$457.0 million. The increase in NPAT since the last financial year was primarily attributable to Powerlink's divestment of ElectraNet.

Capital investment

Capital expenditure in 2012/13 was \$558.3 million (below the SCI target of \$613.5 million), with assets of approximately \$625.0 million capitalised in the financial year.

Powerlink's capital expenditure decisions take into account the most recent demand forecasts and assessments of the network's capability and performance. The lower than SCI forecast of capital expenditure in 2012/13 was due to a range of circumstances including lower demand forecast, effective contracting outcomes and wet weather delays.

Operating expenditure

Controllable operating expenditure in 2012/13 was \$171.4 million compared to the SCI target of \$179.2 million. The lower expenditure is attributable to efficiencies in the delivery of maintenance and operating activities, and fewer loss events resulting from natural disasters such as flooding and cyclones.

Borrowings

Powerlink's business gearing (defined as Debt to Fixed Assets) remains strong and stable at 58.1 per cent, below the regulatory benchmark of 60 per cent.

Powerlink will continue to focus on financing arrangements to support our regulated and non-regulated investment that recognise the State Government's objective of reducing existing Powerlink debt.

Powerlink's debt portfolio has been proactively managed according to the market conditions and the funding requirements of the capital works program for the year, with interest cover ratio achieved on target at 3.2 times.

Dividends

The Powerlink Board approved a dividend payout ratio of 90 per cent for 2012/13. The higher payout ratio (80 per cent in 2011/12) recognises Powerlink's strong financial outlook and future funding requirements. The final dividend for 2012/13, excluding the interim dividend gained from ElectraNet, is \$177.4 million.

Summary of SCI 2012/13

Our SCI for 2012/13, as agreed with our shareholding Ministers, details Powerlink's performance targets, priorities and strategies. The following table summarises the key financial and non-financial indicators, as incorporated in Powerlink's SCI, as well as our performance against these indicators.

Summary of SCI 2012/13

Objectives	Performance measures/targets	Performance outcomes
Meet financial targets		
<i>Achieve specified financial performance</i>		
Earnings Before Interest and Tax (EBIT)	\$502.0 million	\$533.9 million
Net Profit After Tax (NPAT)	\$182.9 million	\$197.1 million ¹
Controllable operating expenses	\$179.2 million	\$171.4 million
Return on Assets	6.9%	7.4%
Return on Equity	7.5%	8.4% ¹
Debt/Fixed Assets Ratio	58.3%	58.1%
Debt/Debt and Equity Ratio	62.6%	63.5%
Interest Cover Ratio (EBITDA)	3.2	3.2
Deliver shareholder value		
<i>To deliver dividends to shareholders, while maintaining at least an 'investment grade' business rating</i>		
Dividend Payout Ratio	80.0%	90.0%
Dividend provided	\$146.3 million	\$177.4 million ¹
Deliver our capital works program		
<i>Develop the Queensland transmission grid to meet customer electricity demands, and safety and reliability standards</i>		
Total capital forecast works expenditure	\$613.5 million	\$558.3 million
Meet non-financial targets		
<i>Compliant with relevant environmental legislation</i>		
Environment	To be compliant with relevant legislation	Compliant
<i>Achieve safety performance targets</i>		
Lost Time Calculation (LTC)	3	0.04
LTIFR (Frequency Rate)	5	3.9
LTIDR (Duration Rate)	5	3.8
<i>Achieve cost efficiency performance targets</i>		
– Total network maintenance cost/depreciated asset	1.7%	1.7%
– Total controllable operating cost/depreciated asset value	2.9%	2.8%
<i>Achieve network performance targets</i>		
Transmission Circuit Parameters (6mths 1 July – 31 December 2012)		
– Peak transmission availability	>98.76%	98.71%
– Transmission line availability	>98.76%	98.47%
– Transformer availability	>98.76%	98.77%
– Reactive plant availability	>97.15%	98.01%
– Average outage duration	859 minutes	900 minutes
System Reliability (6mths 1 July – 31 December 2012)		
Events in excess of 0.1 system minutes	No more than 2	1
Events in excess of 0.75 system minutes	No more than 1	0

¹ Excludes ElectraNet divestment

Chairman's review



Powerlink has performed strongly during 2012/13, while maintaining its focus on achieving its goals and business strategy.

Cost management was a key strategy adopted in Powerlink's 2012/13 Statement of Corporate Intent (SCI), and operational efficiencies were incorporated in

the financial and non-financial targets. Powerlink achieved the stretch financial targets for its operating performance by delivering efficiencies in its business operations.

Powerlink has also refocused its approach to health and safety with a program of activities to improve safety culture and performance.

Having considered Powerlink's future business requirements and having achieved fair market value, the Board decided to divest Powerlink's 41 per cent share interest in South Australia's transmission business, ElectraNet. This divestment allows Powerlink to fully focus its capital resources on its Queensland transmission business, both regulated and non-regulated.

Ultimately the strong financial performance for the year and proceeds from the ElectraNet divestment enabled Powerlink to deliver higher dividends to the State Government.

The electricity sector has received significant attention during the past 12 months, with the Queensland Government reaching key milestones in its electricity sector reform process. During this period, Powerlink monitored and engaged with the State Government appointed Commission of Audit, the Independent Review Panel on Network Costs, and the Interdepartmental Committee on Energy Sector Reform.

The reform process has reinforced the importance of Powerlink's ongoing focus on delivering transmission services safely with the appropriate balance between reliability of supply and cost to consumers. This focus is central to Powerlink's business strategy, and is shared by the Board, management and Powerlink's people.

As Chairman, I acknowledge the contribution from members of the Board, the Executive Team and Powerlink's employees in meeting the challenges during a period of change and continuing to pursue our shared direction.

Stephen Rochester
Chairman of the Board

Chief Executive's review



It has been a year of substantial change and reform for Queensland's electricity sector, throughout which Powerlink has delivered significant developments in its internal operations. At the same time, we have maintained our focus on achieving our business strategy and goals.

The Board and Executive Team reviewed Powerlink's vision, mission and values, which are reflected in the 2013 update of Powerlink's business strategy and its planned initiatives. The focus of this strategy is on delivering Powerlink's transmission services safely with an appropriate balance between reliability of supply and cost to consumers.

To ensure Powerlink is efficiently delivering its services, we reviewed and implemented significant changes to our organisational structure and our business operations. We are well advanced in implementing these changes, and additional improvements are planned to further refine our focus on performance and accountability throughout the business.

Powerlink's corporate strategy includes a commitment to improvements in the organisation's safety culture and performance as safety is an essential part of our business. Initiatives to achieve improvements and changes to our safety measurement and reporting methods are also being implemented.

During the year we undertook initial research to clearly understand how consumers value and perceive the transmission services we provide, so we can better take that into account in addressing consumer needs into the future.

A reduction in the electricity demand growth forecast, as we reported to the electricity market in January 2013, has resulted in the deferral of several projects. This revision of timing for planned network augmentation projects has ensured we are investing in infrastructure only when required, based on the most up-to-date information, and supports the right balance between reliability of supply and cost to consumers. We also continue our significant program of work to replace, refurbish and maintain transmission assets.

Powerlink is undertaking several projects to provide transmission services to the Surat Basin, a major natural mineral and energy resource zone in South West Queensland. A number of these projects are non-regulated customer connection projects, the cost of which is fully paid for by the customer via commercial charges.

I am grateful to Powerlink's people for their commitment and diligence during this period. I look forward to continuing to work together as we move through the changes and continue to deliver transmission services that meet our shareholder, customer, community, and electricity market expectations.

Merryn York
Chief Executive

Safety

Safety and risk management strategies

The safety of our people, our contractors and the community is essential.

Through a period of review and renewal, we have identified opportunities to improve our safety culture and performance including using leadership roles to demonstrate safety behaviours in all of our activities. We have developed new strategies that build on our existing safety culture to promote continued learning and improvement, and have engaged with our employees in preparation for the implementation of a new *Safe for Life* program in late 2013.

A priority is improving our approach to risk management which includes enhancing our hazard management system and developing a consolidated health and safety risk register to support consistent management of health and safety risks across the business. To inform this, employees across the organisation participated in a series of hazard and risk workshops that helped consolidate the organisation's risk profile and examined the effectiveness of risk management controls. Strategies are being implemented to monitor these risks and provide consistent controls to enhance outcomes across Powerlink.

Our Electrical Safety Management System retained certification under the *Electrical Safety Act 2002* following the annual compliance audit undertaken by an external auditor in August 2012. Improvement opportunities identified by the audit are being implemented.

Safety performance

Powerlink continues to strive to be an incident free workplace and has enhanced our safety performance reporting to support this goal. Our commitment to improving the safety performance of the organisation for the benefit of employees, contractors and the wider community is the key objective of the new *Safe for Life* program.

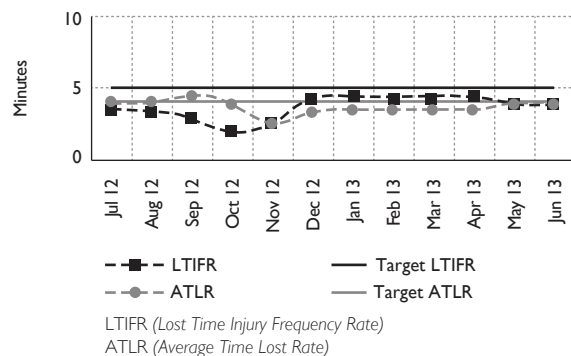
Powerlink's safety reporting continues to evolve through lead and lag indicators. Lead measures include key performance indicators in the areas of leadership, training, health and wellbeing, culture and engagement in relation to Workplace Health and Safety, consultation and communication, risk management and safety in design.

Safety performance is monitored by the Safety Steering Committee and reported across the organisation.

The increase in Powerlink's Lost Time Injury Frequency Rate (LTIFR) when compared to previous years indicates an increase in the overall number of lost time injuries per million hours worked. Improved clarity in reporting and changes in how measures are applied have contributed to the LTIFR measure changes. Despite the rise in the LTIFR, the Average Time Lost Rate (ATLR) has remained stable, indicating that lost time injuries were not of long duration or high severity.

Year	Lost Time Injury Frequency Rate (LTIFR)
2008/09	2.27
2009/10	1.07
2010/11	2.02
2011/12	3.41
2012/13	3.89

Accident Frequency and Lost Time Rates



Contractor safety

Powerlink facilitates safety forums involving our construction contractors to address safety challenges and improve safety culture. During 2012/13, additional bimonthly forums improved safety performance by enhancing collaboration and information sharing. The forums facilitated improvements in training and sharing of design and work processes to promote safety.

Public safety

Public safety and the secure operation of Powerlink's network determine the terms and conditions of electricity transmission line easements. We provide information and advice to landowners about activities which may be allowed or prohibited on our easements.

Flooding experienced in South East Queensland (SEQ) during January 2013 was the first significant test that proved the effectiveness of new flood monitoring processes on potentially affected locations on our network. Using these processes, we were able to confirm that all of our transmission assets were secure and able to remain in service during the flood. The processes were developed using our learnings from SEQ's major flood event in January 2011. Remote monitoring of rising water levels near transmission assets can identify locations with the potential for safety clearances to be compromised, so that transmission assets can be removed from service to protect public safety.

Operating in the NEM

Revenue and transmission pricing

Powerlink's maximum allowable revenue for the provision of regulated transmission services is determined by the Australian Energy Regulator (AER) in accordance with the National Electricity Rules (NER) and published in the AER's final revenue determination applicable to the five year period from 2012/13. Powerlink's maximum allowable revenue in 2012/13 was \$835 million.

Powerlink calculates transmission charges in accordance with the NER, and using the revenue approved by the AER. The resulting transmission prices for 2013/14 were published in May 2013. Based on electricity demand forecasts in Powerlink's 2013 Annual Planning Report (APR), on average, the transmission component of electricity costs (which comprises Transmission Use of System (TUOS) charges) is expected to increase at about the Consumer Price Index (CPI) over the next few years. While this change is a small impact on household electricity bills, we are mindful of our responsibility to minimise cost impacts wherever possible.

Large customers connecting to the network also pay TUOS charges for use of the regulated (shared) transmission network. Non-regulated services are provided on a contractual basis through direct negotiation with the relevant customer. All costs associated with acquiring, constructing and operating non-regulated transmission assets are paid for by the customer making the connection request over the life of the asset.

Regulatory issues

Much of Powerlink's engagement in National Electricity Market (NEM) development occurs through Grid Australia, the association that represents the owners of Australia's electricity transmission networks in the NEM and Western Australia. Powerlink participated in a number of processes affecting the NEM and service providers, including:

- The Australian Energy Market Commission's (AEMC) Transmission Frameworks Review, which concluded in April 2013, made recommendations to improve the transparency of the connection process, increase coordination in transmission planning across the NEM and further work on optional firm access.
- The AEMC's consideration of proposals to change the NER for the economic regulation of network service providers was finalised in late 2012.
- The Productivity Commission's Review of Electricity Network Regulatory Frameworks final report was released on 26 June 2013.
- The Senate Select Committee on Electricity Prices concluded in late 2012.

Network planning

Powerlink's network is planned and operated to meet reliability standards set out in the NER, Queensland's *Electricity Act 1994* and Powerlink's Transmission Authority. Powerlink annually assesses the capability of the network to meet forecast load growth, a process that involves collaboration with transmission bodies in other states, Queensland Distribution Network Service Providers (DNSPs), the New South Wales DNSP connected to our network and the Australian Energy Market Operator (AEMO).

The economic imperative to reduce network costs and consumer response to rising electricity costs has generated discussion on whether the current standards for network services are appropriately balanced in terms of reliability, cost efficiency and consumer value.

In January 2013, the Regulator amended Powerlink's Transmission Authority to allow the transmission reliability of supply standards to be varied on a case-by-case basis with the agreement of the Regulator. This allows Powerlink to seek a variation of the reliability of supply standard as required. Each variation of the standard must be assessed on its individual merits by the Regulator.

Any proposal to vary the reliability of supply standard will occur only after a rigorous assessment by Powerlink of the circumstances and options to address relevant emerging network limitations, based on all reasonable information available at the time.

The purpose of seeking a variation of the reliability of supply standard is to achieve the appropriate balance between reliability of supply and cost to consumers. This balance is achieved through reducing the impact of network charges on electricity prices by reducing or deferring augmentation of the network, with consequential but not unreasonable changes to underlying reliability of supply to electricity consumers.

The first step towards the application of a varied reliability of supply standard has been Powerlink's Regulatory Investment Test for Transmission (RIT-T) for supply to the Bowen Basin coal mining area. As part of this process a Project Assessment Conclusions Report was released in early July 2013 which outlined the results of the planning investigations and recommended solutions to address future supply requirements. Registered Participants, AEMO and Interested Parties were given the opportunity to provide feedback and advice on the options outlined in the Report.

Network performance in 2012

The AER sets calendar-year network performance targets for Powerlink for the duration of each five year regulatory period. With the commencement of a new regulatory period for Powerlink on 1 July 2012, minor parameter changes and tighter targets have been applied.

The AER service target performance incentive scheme for Powerlink comprises two components:

- The network service component focuses on lead indicators of network reliability. Powerlink's positive performance against these targets for the six months from 1 July 2012 is reported in the Summary of the Statement of Corporate Intent (SCI) (refer to page 3).
- The Market Impacts of Transmission Congestion (MITC) component focuses on outages that could potentially have an adverse impact on NEM participants. Performance is measured in terms of dispatch intervals, which is the five minute period at which AEMO recalculates the generation dispatch and pricing across the NEM. Powerlink's performance for the six months from 1 July 2012 of zero dispatch intervals was better than the target of 710 dispatch intervals set by the AER, which means we are delivering better outcomes for the NEM by minimising impacts of network outages.

Network strategy and operations

Electricity demand

Powerlink published its Annual Planning Report (APR) to National Electricity Market (NEM) participants in June 2013, consistent with the National Electricity Rule's (NER) requirements. The APR provides information about forecast electricity demand, the transmission network's capability and potential network developments required in future years to ensure an efficient, safe and reliable network.

To inform the market before publishing the APR, Powerlink published an Energy and Demand Forecast Update in January 2013, which presented a reduction in the forecast energy and demand when compared with the June 2012 APR. Since the Update there has been little change in the economic forecasts that underpin the energy and demand forecasts presented in the June 2013 APR.

There has been no growth in energy consumption or maximum electricity demand over 2012/13 due to factors including slower than anticipated growth in the Queensland economy, mild weather, the uptake of household solar initiatives, and the consumer response to rising electricity prices.

Economic forecasts predict a return to sustained long-term economic growth, which will spur growth in energy and demand in Queensland over the next 10 years. The APR forecasts modest growth over the 10 year forecast period, at an average of 3 per cent per annum for maximum demand and 3.3 per cent per annum for energy. The liquefied natural gas (LNG) industry remains a strong contributor to the 10 year growth forecast.

Capital works program

Powerlink's capital works program ensures our transmission network continues to meet required reliability standards and electricity demand for more than two million consumers. It also provides non-regulated connection transmission services to direct customers of Powerlink.

Powerlink invested \$558.3 million in capital works projects throughout Queensland in 2012/13, of which 20 per cent comprised non-regulated customer connection works, the costs of which are paid for by the customer making the connection request. Of the capital investment in regulated projects, 41 per cent was directed to transmission network replacement projects.

The reduction in forecast electricity demand reported in Powerlink's January 2013 Energy and Demand Forecast Update resulted in the deferral of several transmission network augmentation projects. While Powerlink's revised regulated capital expenditure program has been substantially reduced, the overall capital investment program remains relatively stable, due primarily to an increase in non-regulated transmission network connections. During the five years to 2017/18, Powerlink expects to invest \$2.7 billion in capital works projects, of which 18 per cent will comprise non-regulated customer connection works.

During that five year period, almost 60 per cent of our regulated capital works projects will be replacement projects.

These projects are located within existing substation sites or transmission line easements and require a high level of planning and oversight to ensure reliability of electricity supply is maintained while the work is carried out.

Extending the network into South West Queensland

Powerlink is currently undertaking several projects (regulated and non-regulated) in the Surat Basin to provide electricity transmission services to major natural mineral and energy resource zones.

In response to the large scale of the required development in the Surat Basin, Powerlink developed an innovative Shared Services Connection and Access Agreement which allows multiple customers with interests in the same geographic area to share non-regulated transmission assets. This new approach enabled Powerlink and large industrial customers to jointly plan efficient transmission solutions, reduce community and environmental impacts, and costs.

We have established site offices in Dalby and Chinchilla, and a local presence in Roma to efficiently manage the consultation, planning and construction of the transmission developments. We are engaging with landowners and stakeholders in the area and have enhanced some of our processes to ensure we keep pace with landowner and stakeholder expectations.

In addition to meeting the needs of customers in the Surat Basin, non-regulated developments put downward pressure on the transmission component of electricity prices. Electricity loads connected through non-regulated developments help lower the transmission component of the overall cost of electricity for consumers, due to the greater amount of electricity moving across the transmission network as a whole.

Maintenance

Powerlink tracks its critical and corrective network maintenance programs and monitors progress against targets. In 2012/13, we successfully delivered 99 per cent of planned maintenance of our transmission lines, substations and communication sites to ensure their ongoing reliability. During the period, Powerlink invested \$102.5 million in maintaining the network to efficiently and reliably deliver transmission services to the standards expected by electricity consumers, our customers and the electricity market.

Contingency planning and corporate emergency response

Powerlink participated in internal exercises and an annual exercise with the Australian Energy Market Operator (AEMO) to refine and ensure familiarity with our suite of corporate emergency management response plans. There were no major incidents on the transmission network during 2012/13. Flooding experienced in South East Queensland during January 2013 did not impact the transmission network.

Network development

Drivers for network development

The main drivers that trigger the need for Powerlink to develop the transmission network include:

- Replacement of aged infrastructure to maintain security of electricity supply. Where equipment has reached the end of its useful life, we consider the most appropriate and economic options, including complete replacement or life extension.
- Construction to directly connect a major industrial customer into the transmission network (a non-regulated connection). In this instance, the cost of acquiring easements, constructing and operating the transmission line or substation are paid for by the customer making the connection request over the life of the agreement.
- The need to build new infrastructure or implement non-network solutions to meet electricity demand. Powerlink is required to meet reliability of supply standards, at the lowest long-run cost to electricity consumers.

Regulated network developments

Prior to building a new transmission line or substation, Powerlink undertakes a thorough assessment of alternatives (including non-network) and options to ensure the solution selected is the lowest long-run cost to electricity consumers, while also meeting a balance of reliability, safety, environmental and social factors.

When identifying network augmentation solutions, Powerlink must apply the Regulatory Investment Test for Transmission (RIT-T), an economic cost benefit test developed by the Australian Energy Regulator (AER). The RIT-T includes a consultation process which calls for interested parties and National Electricity Market (NEM) participants to provide feedback on Powerlink's potential network development augmentation solution and put forward any credible alternative solutions for evaluation.

- Consultations on regulated network investments under way during 2012/13 were:
 - Supply to the Bowen Basin coal mining area
 - Supply to the southern Brisbane area (jointly with Energex)
 - Queensland/New South Wales interconnector transmission line upgrade study.

Major network projects (regulated)

Major transmission developments and replacements: Completed 2012/13

Project	Delivered on or under budget	Delivered within approved schedule
Region: North Queensland		
Kareeya 132kV Substation replacement	✓	✓
Tully to Cardwell 132kV transmission line replacement	Final costing is still under progression	✓
Region: Central Queensland		
Bouldercombe 275/132kV transformer	✓	✓
Region: South Queensland		
Columboola to Wandoan South 275kV transmission line and Wandoan South 275kV Substation	✓	✓

Major transmission developments and replacements: Under construction 2012/13

Project	Currently within budget	Currently within approved program
Region: North Queensland		
Cardwell to Ingham 132kV transmission line replacement	✓	✓
Collinsville 132kV Substation replacement	✓	✓
Moranbah 132kV Substation secondary systems replacement	✓	✓
Nebo Substation 275/132kV transformer replacements	✓	✓
Region: Central Queensland		
Bouldercombe 275/132kV Substation secondary systems replacement	✓	✓
Calvale to Stanwell 275kV transmission line	✓	✓
Gladstone 275/132kV Substation replacement (including construction of Calliope River 275/132kV Substation which is now commissioned)	✓	✓

Major transmission developments and replacements: Under construction 2012/13

Project	Currently within budget	Currently within approved program
Region: South Queensland		
Bulli Creek 330kV Substation secondary systems replacement	✓	✓
Columboola to Western Downs 275kV transmission line and Columboola 275kV Substation	✓	✓
Loganlea 110kV Substation replacement	✓	✓
Palmwoods 132kV Substation replacement	✓	✓
Richlands 110kV Substation replacement	✓	✓
Swanbank B 275kV Substation replacement	✓	✓
Western Downs to Halys 275kV transmission line and Western Downs and Halys Substations	✓	✓

Major transmission developments and replacements committed but not yet under construction

Region	Project
North Queensland	Garbutt to Alan Sherriff 132kV transmission line replacement
	Moranbah Substation 132/66kV transformer replacement
	Moranbah area 132kV capacitor banks
	Proserpine 132kV Substation replacement
South Queensland	Blackwall 275kV Substation secondary systems replacement
	Braemar 330/275kV Substation secondary systems replacement

Customer connection works (non-regulated)

Customer connection works: Commissioned in 2012/13

Region	Project	Customer
North Queensland	Eagle Downs Mine 132kV connection	Eagle Downs Coal Management – a joint venture between Vale and Aquila Resources
Central Queensland	Duaringa, Bluff and Wycarbah 132kV connection traction substations	Aurizon
South Queensland	Kumbarilla Park 275/132kV connection	Queensland Gas Company (QGC)
	Woleebee Creek 132kV connection	Queensland Gas Company (QGC)

Customer connection works under construction in 2012/13

Region	Project	Customer
Central Queensland	Wotonga 132kV connection traction Substation	Aurizon
South Queensland	Condabri 132kV connections to Columboola	APLNG (Asia Pacific Liquefied Natural Gas) – a joint venture between Origin Energy, ConocoPhillips and Sinopec
	North West Surat connections to Wandoan South (includes both 275/132kV sites as well as 132kV sites)	APLNG (Asia Pacific Liquefied Natural Gas) – a joint venture between Origin Energy, ConocoPhillips and Sinopec
		GLNG (Gladstone LNG) – a joint venture between Santos, Petronas, Total and Kogas
	Orana 275kV connection	APLNG (Asia Pacific Liquefied Natural Gas) – a joint venture between Origin Energy, ConocoPhillips and Sinopec

People

Workforce profile

Powerlink employs just over 1,000 people with the skills required to meet our business objectives in professional, technical, trade, specialist and administrative roles.

Our human resources strategies aim to ensure our people have the right skills, commitment and positive behaviours to enable Powerlink to provide transmission services that are valued by our shareholders, consumers, customers and the market.

Powerlink's total workforce Full Time Equivalent (FTE) staffing as at June 2013 was 1,069 which includes 72 people in development roles (see table below). Our employee turnover rate was 5 per cent (excluding retirement), which is consistent with Powerlink's historically low turnover.

About 95 per cent of our workforce operate from our offices at Virginia in Brisbane, including field staff who travel to site to undertake their work. We also have site offices in Dalby, Chinchilla, Gladstone, Ingham, Mackay, Pandoon and Rockhampton, a regional presence in Roma, and a warehouse for equipment and spares at Narangba.

Employees in development roles

Role	Number of employees
Apprentices	31
Trainees	4
Development Engineers	26
Development Engineering Officers	6
Graduate Information Technologists	5

MAP Program

The Maximising Accountability and Performance (MAP) Program is under way to establish a new organisational structure and ensure that Powerlink is an overall performance focused business with clear accountabilities.

MAP represents a large program of change within Powerlink. The first stage involved establishing the high level structure and an executive team with renewed purpose and focus, to support a culture that aligns with Powerlink's strategic objectives.

Since the program's commencement in September 2012 a number of functional areas have been reviewed and changes in structure identified to deliver business efficiencies and improve accountability and performance outcomes. Additional review projects are in progress with the MAP Program expected to be wrapped up by late 2013. Further implementation and embedding will occur as part of normal business processes following the completion of the MAP Program.

Employee engagement

We strive to have a dynamic and performance focused culture underpinned by strong employee engagement and individual accountability. Following the results of our most recent employee engagement survey in May 2012, we have focused on the areas of performance management and communication within Powerlink.

We have commenced a review of our performance management framework and tools to further drive performance and accountability.

Targeted and structured processes have improved the two-way flow of communication between managers, supervisors and employees. These processes identify key messages that are important to all staff, and ensure that scheduled sessions and meetings convey these messages across the organisation.

Environment and community

Environmental management

Powerlink reviews environmental performance against internal performance indicators and relevant legislative requirements. This review is informed by a program of audits undertaken throughout the year.

When an environmental incident occurs, Powerlink focuses on effectively and responsibly managing the incident. During 2012/13, three environmental incidents occurred, however due to Powerlink's response and effective engagement with relevant stakeholders, no action has been taken against Powerlink or its agents.

Powerlink has proactively monitored changes to legislation and policy. We are engaging appropriately with government agencies on proposed legislative changes to ensure Powerlink continues to be compliant and potential impacts on the business are understood by relevant parties.

Stakeholder engagement

We aim to share effective, timely and transparent information with our stakeholders using diverse methods of engagement. Our stakeholders include our shareholders and other elected representatives, regulators, customers, National Electricity Market (NEM) participants and energy industry associations, organisations in the electricity supply chain, electricity consumers, community groups and organisations, landowners, Aboriginal Parties, suppliers and contractors, unions, and our employees.

The results of a broad survey of our stakeholders are guiding the development of a new stakeholder engagement framework. Once implemented, the new framework will aim to better meet the needs of our stakeholders, strengthen relationships, and enhance our business decision making.

Consultation for new infrastructure projects

Powerlink obtains easements and sites for electricity infrastructure in accordance with applicable legislation, including the *Acquisition of Land Act 1967 (ALA)* and the Community Infrastructure Designation (CID) process under the *Sustainable Planning Act 2009 (SPA)*. These acquisition and planning approval processes provide a transparent legislative framework, ensuring formal opportunities for landowner and stakeholder feedback, and are applied whether a project is initiated by Powerlink or by a major industrial customer.

Before constructing a new transmission line or substation we undertake an Environmental Impact Assessment (EIA) process involving appropriate environmental investigations and community consultation, as required by the *SPA*.

Consultation with community members, landowners and stakeholders may include face-to-face communication, public advertising, media statements, newsletters, using the FREECALL 1800 635 369 phone line, publishing information on Powerlink's website and other written and verbal communication.

Some landowners in the Surat Basin have provided feedback about Powerlink's engagement practices and how they differ from gas companies. Through liaison with landowners and other stakeholders, we are developing and implementing changes to address this important feedback and demonstrate our willingness to genuinely engage with landowners.

Projects on which landowners and stakeholders have been actively consulted during 2012/13

Region	Regulated projects	Non-regulated projects
North Queensland	<ul style="list-style-type: none"> Northern Bowen Basin transmission reinforcement project 	<ul style="list-style-type: none"> Wotonga 132kV connection traction Substation
Central Queensland	<ul style="list-style-type: none"> Broadsound Lilyvale 275kV easement acquisition Moranbah 132kV Substation site expansion 	<ul style="list-style-type: none"> Galilee Basin transmission project
Southern Queensland	<ul style="list-style-type: none"> Springdale to Blackwall 500kV transmission line project Halys 500kV Substation site expansion Molendinar 275/110kV Substation augmentation 	<ul style="list-style-type: none"> Transmission network extension in North West Surat Basin Wandoan South to Eurombah transmission network project Orana 275kV connection Wandoan South to Wandoan Coal connection
South East Queensland	<ul style="list-style-type: none"> Larapinta to Algeester transmission project 	

Powerlink completed the process to acquire corridors and achieve site access for several projects including the final section in the replacement of the aged coastal transmission network supplying North and Far North Queensland, the main backbone of the network extension into the Surat Basin area, and connections of new gas processing facilities in the Surat Basin.

Projects for which site access has been finalised during 2012/13

Region	Regulated projects	Non-regulated projects
Far North Queensland	<ul style="list-style-type: none"> Ingham to Tully 275/132kV transmission line replacement 	
North Queensland	<ul style="list-style-type: none"> Collinsville 132kV Substation replacement 	
Southern Queensland	<ul style="list-style-type: none"> Columboola to Western Downs easement acquisition 	<ul style="list-style-type: none"> Orana 275kV connection site and easements Columboola South transmission network

Electric and Magnetic Fields

Powerlink keeps abreast of issues that are important to landowners, one of which is Electric and Magnetic Fields (EMF). EMF occurs everywhere electricity is being used – including homes, offices and work sites or anywhere electricity is transported. In Australia, the Federal Government agency responsible for EMF regulation is the Australian Radiation Protection and Nuclear Safety Agency (ARPANSA). Powerlink follows the Energy Networks Association (ENA) EMF policy which recommends to its members that they design and operate their electricity generation, transmission and distribution systems prudently within relevant health guidelines.

Powerlink carries out EMF readings at the request of landowners. EMF readings at the boundary of a typical Powerlink easement are generally similar to those people would come across in their daily activities at home or work.

Biosecurity management

We work with landowners and councils to develop effective strategies to minimise the spread and manage specific weeds in accordance with the relevant legislation. We also invest in research to continuously improve our weed strategies.

Powerlink has added a new component to our biosecurity management procedures to enhance weed management during the early investigations of the Environmental Impact Assessment (EIA) phase of a transmission project. The procedure has been developed with input from industry, including the Queensland Weed Society, SEQ Catchments, Queensland Murray-Darling Committee and considers individual landowner requirements to ensure a collaborative approach is taken to biosecurity during the EIA phase. Compliance with the procedure is audited.

In 2013, Powerlink contributed funds towards a significant truck and machinery clean-down facility to be constructed in Chinchilla, in the vicinity of Powerlink's transmission network projects.

Cultural Heritage

Powerlink respects and proactively manages Aboriginal and Historical Cultural Heritage for the life of our transmission projects. We meet the obligations outlined in the *Queensland Aboriginal Cultural Heritage Act 2003* and the *Queensland Heritage Act 1992*, and Federal Cultural Heritage legislation.

Aboriginal Parties are key stakeholders in Powerlink's operations and we have improved our processes to build and strengthen positive long-term relationships. In 2012/13, we formalised our relationships with three Aboriginal Parties in the Surat Basin through innovative whole-of-claim agreements: an overarching agreement that applies to any works undertaken by Powerlink in the claim area. The agreements provide a framework for works to proceed in a more streamlined and cost-effective way.

We have also improved our internal documentation and induction processes to deliver higher protection of Cultural Heritage and improved accountability.

Strategic partnerships

Consistent with our corporate values and corporate citizenship activities, Powerlink supported a select number of key sponsorships in the fields of community, education, environment and industry.

Two community and environment programs are now at their conclusion, having met their aims of delivering improved visual amenity near transmission assets, creating enduring environmental benefits and establishing strong positive relationships with councils, stakeholders and communities in areas traversed by existing or future transmission assets.

The Community Environmental Program supported a number of community and environmental projects in South West Queensland. Delivered in a cooperative arrangement with the Western Downs Regional Council, the program was affirmed by significant community support including more than 1,000 volunteer hours on projects such as the rehabilitation of local creeks, management of weeds and erosion, and protection of areas of high environmental value.

The GreenWorks program, which concludes in December 2013 is being delivered in Southern Queensland through a partnership between the Lockyer Valley, Somerset, South Burnett and Toowoomba Regional Councils, Ipswich City Council, and Powerlink.

Offset programs

Powerlink continued to liaise with government to ensure our offset approach is compliant with the *Queensland Government Biodiversity Offset Policy* and the *Koala Offset Policy*.

We signed a service level agreement with SEQ Catchments that will assist us to deliver on our offset and revegetation commitments, beginning with the planting of koala habitat. The agreement gives Powerlink access to SEQ Catchments' resources and expertise, and strengthens our existing relationship.

Powerlink continued to support koala research being undertaken by the University of Queensland's Koala Fund (UQKF) that informs our koala conservation strategies and contributes to meeting our current and future obligations associated with impacts on koala habitat.

Emissions reporting

Powerlink reports annually on energy and greenhouse gas emissions to remain compliant with the *National Greenhouse and Energy Reporting Act 2007 (NGER Act)*. An independent audit verified the accuracy of our 2012 report, identified the robustness of our systems and noted good levels of staff involvement from across the business.

Corporate governance

Powerlink Queensland and its wholly-owned subsidiaries operate and are managed within a best practice corporate governance framework, encompassing the appropriate degree of accountability and transparency to all stakeholders.

Corporate governance in Powerlink

Powerlink Queensland is a corporation established under the *Government Owned Corporation Act 1993 (GOC Act)* and is a registered public company under the *Corporations Act 2001*. The Board of Directors has the overall responsibility for corporate governance of the corporation.

Directors are appointed by the Government and report to the nominated shareholding Ministers of the Queensland Government. Powerlink's two shareholding Ministers are:

- Treasurer and Minister for Trade
- Minister for Energy and Water Supply

The Queensland Government published its *Corporate Governance Guidelines for Government Owned Corporations (Guidelines)*, which include a *Code of Conduct and Conflicts of Interest Best Practice Guide for Government Owned Corporations*.

The *Guidelines* outline the expectations of shareholding Ministers and describe a set of comprehensive high quality corporate governance principles, and proper disclosure and reporting arrangements for all stakeholders, which are appropriate to Government Owned Corporations (GOCs). There were no revisions made to the *Guidelines* that required changes to Powerlink's governance arrangements for 2012/13.

Corporate governance in Powerlink is managed through the policies and practices adopted by the Board. The corporation commits to those governance policies and practices to ensure appropriate accountability and control systems are in place to achieve business outcomes and encourage and enhance sustainable business performance. This section of the Annual Report outlines Powerlink's corporate governance arrangements and describes its reporting and disclosure practices.

The Powerlink Board is responsible for the overall corporate governance of the corporation and its subsidiary companies, setting the organisation's strategic direction articulated in Powerlink's Statement of Corporate Intent (SCI) and Corporate Plan.

The Board has regard to the *Guidelines* in the overall scope and application of corporate governance within Powerlink. The Board sets goals for management and establishes the policies and operational framework for the corporation. It monitors performance of the corporation, its Chief Executive, senior management and staff through regular direct reporting and via established committees.

Details relating to Powerlink Directors, Board Committee composition, and meetings in 2012/13 are set out in the Directors' Report.

Powerlink corporate governance framework

Shareholding Ministers

Our Shareholders

Powerlink has two shareholders who hold the shares on behalf of the State of Queensland. Our shareholding Ministers, as at 30 June 2013, were:

- The Honourable Tim Nicholls MP, Treasurer and Minister for Trade, holding 50 per cent of the A class voting shares and 100 per cent of the B class non-voting shares
- The Honourable Mark McArdle MP, Minister for Energy and Water Supply, holding 50 percent of the A class voting shares

Powerlink Queensland Board

Key accountabilities of the Board

The Powerlink Board establishes the overall corporate governance of the corporation and its subsidiary companies, and is responsible for:

- setting the corporation's values and standards of conduct, and ensuring that these are observed
- providing leadership of the corporation within a framework of prudent and effective controls
- setting the corporation's direction, strategies and financial objectives and ensuring that all necessary resources are available for the business to meet its objectives
- approving the SCI
- monitoring financial outcomes and the integrity of reporting; in particular, approving annual budgets and longer-term strategic and business plans
- monitoring management's performance and implementation of strategy, and ensuring appropriate processes for risk assessment, management and internal controls are in place
- ensuring an effective system of corporate governance exists
- disclosing to shareholding Ministers relevant information on the operations, financial performance and financial position of the corporation and its subsidiaries
- providing of formal delegations of authority to the Chief Executive, management and other specified officers

Membership and meetings

- All Directors, including the Chairman, are independent, non-executive Directors appointed by the Governor in Council in accordance with the GOC Act
- In 2012/13, Powerlink held 11 meetings of Directors. The attendance record of the Directors at meetings of the Board is presented in the Directors' Report section in the Annual Report

Board Committees

Audit, Risk and Compliance Committee

Key accountabilities

The Committee assists the Board in fulfilling its responsibilities in relation to:

- financial integrity
- laws, regulations and codes of conduct
- business risk management
- audit effectiveness.

People, Culture and Remuneration Committee

Key accountabilities

The Committee assists the Board in fulfilling its employer responsibilities by reviewing and reporting to the Board on policy and its application relating to work, health and safety, organisational design, employee remuneration and performance and workplace relations.

Chief Executive

Executive Team

Management Committees

Corporate governance guidelines for GOCs – Queensland Government

Powerlink's corporate governance processes are consistent with *Guidelines* issued by the Queensland Government. Powerlink's corporate governance arrangements in reference to the *Guidelines* are:

Principle 1: Foundations of management and oversight

The Board Charter is publicly available on Powerlink's website. The Charter, established by the Board, describes the Board's functions and responsibilities, which are to:

- set the corporation's values and standards of conduct
- provide leadership of the corporation within a framework of prudent and effective controls
- provide guidance and set the corporation's direction, and develop strategies and objectives
- set financial objectives and ensure that all necessary resources are available for the business to meet its objectives
- monitor implementation of strategies and performance
- inform shareholders of key issues, major developments and performance
- ensure an effective system for compliance and risk management is in place.

The Board and management work together to establish and maintain a legal and ethical environment and framework that ensures accountability.

Day-to-day management of the consolidated entity's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Chief Executive and senior executives as set out in the delegations policy. These delegations are reviewed on a regular basis.

The Powerlink Board undertook its annual evaluation of the performance of the Chief Executive against pre-agreed business and individual targets. The Chief Executive evaluated the annual performance of each senior executive against pre-agreed business and individual targets and submitted the outcomes of the evaluation to the Board for its consideration and approval.

The Board Handbook is a key resource identifying the major reference documents that are relevant and will assist the Powerlink Directors in undertaking their roles and responsibilities.

The Handbook serves as both an induction and an ongoing reference guide for Directors, and is updated annually by the Company Secretary.

New Directors attend induction sessions which provide an overview of Powerlink's operations and policies, and information on the Board and Committee functions. The induction process assists the Directors to understand their roles and responsibilities.

Principle 2: Structure the Board to add value

At 30 June 2013, the Board comprised six independent non-executive Directors. All Directors are appointed by the Governor in Council in accordance with the *GOC Act*. Changes to Powerlink's Directors in 2012/13 were:

- Ms Anne Barclay – appointed as Director on 20 December 2012
- Mr Ken Howard – reappointed on 20 December 2012 (initial appointment term finished on 30 September 2012).

Details of the skills and experience of each current Director are presented separately in the Corporate Governance section of this Annual Report. The Directors' Report includes a listing of the terms of office and appointment date for each Director.

In the event of Directors requiring independent professional advice, it is provided at the expense of Powerlink. All Directors, including the Chairman, continue to exercise independent judgement in the conduct of their responsibilities.

The Board continually assesses the ongoing independence of the Directors. All Directors are required to disclose any potential conflicts of interest at the commencement of each Board meeting. Any such conflicts are recorded in the minutes of the meeting.

All Directors are considered to be independent. No Directors are considered to have material supplier or customer relationships with the corporation. A predetermined specific materiality threshold has not been established by the Board. The Board's assessment of materiality is undertaken on a case-by-case basis taking into consideration the relevant facts and circumstances that may impact Director independence.

The Board annually reviews the individual and collective performance of the Directors and the Board, as a self assessment by the Directors, to assure itself that it operates in accordance with the Board Charter and the discharge of its responsibilities. A key element in this evaluation is the consideration of the continuing education and professional development of Directors.

The Board also formally considers its information requirements on an annual basis to ensure it is receiving appropriate information to effectively carry out its responsibilities.

The Board undertook its annual review for 2012/13 and concluded that it is fulfilling its role with no obvious gaps in its performance, and that there was good interaction and relations with both shareholding Ministers and Powerlink management.

A structured internal process is in place to review and evaluate the performance of Board Committees. Each Board Committee submits an Annual Report of its activities to the Board.

Principle 3: Promote ethical and responsible decision making

The Board has a Code of Conduct that guides Directors in carrying out their duties and responsibilities, sets out expected standards of behaviour, and includes policies relating to conflict of interest issues. A summary of this document is available on the Powerlink website.

The Board has developed a Share Trading Policy which is also available on the Powerlink website. The primary purpose of this policy is to mitigate the risk of inappropriate trading of shares by Powerlink employees, managers and Directors.

Each Director has a responsibility to declare any related interests, which are appropriately recorded and assessed for materiality on a case-by-case basis. Where appropriate, the Director does not participate in the Board's consideration of the interests disclosed.

All Powerlink Directors and management are expected to act with integrity and strive at all times to enhance the reputation and performance of the corporation.

Principle 4: Safeguard integrity in financial reporting

The Board has established two Board Committees to assist in fulfilling its corporate governance responsibilities – the Powerlink Audit, Risk and Compliance Committee and the Powerlink People, Culture and Remuneration Committee.

These committees have documented mandates that are reviewed on a regular basis. The membership of both committees consists of non-executive Directors. Details of committee members at 30 June 2013, number of meetings during the year and attendance are presented in the Directors' Report.

Audit, Risk and Compliance Committee

Chairman	Ms Christina Sutherland
Members	Mr Ken Howard, Ms Julie Martin and Mr Stephen Rochester

The Powerlink Audit, Risk and Compliance Committee endorses the corporation's internal audit program and risk management profile, and provides a link between the corporation's auditors (internal and external) and the Board. The Committee meets with, and receives reports from, both the internal and external auditors over the duration of the financial year.

The Committee is responsible for considering the annual statutory financial statements for subsequent approval by the Board. The Chief Executive and Chief Financial Officer are required to provide an annual declaration that the financial statements represent a true and fair view, and are in accordance with accounting standards. The processes the Chief Executive and the Chief Financial Officer have in place to support their certifications to the Board are also considered by the Committee.

The Committee also assesses and reports on issues relating to financial integrity, corporate processes for compliance with laws and regulations, codes of conduct and business risk management.

People, Culture and Remuneration Committee

Chairman	Dr Julie Beeby
Members	Ms Anne Barclay, Ms Christina Sutherland and Mr Stephen Rochester

The name of the Committee was amended to "People, Culture and Remuneration Committee" from the "Human Resources and Remuneration Committee". The Committee assists the Board in fulfilling its employer responsibilities by reviewing and reporting to the Board on policy and its application relating to work, health and safety, organisational design, employee remuneration and performance, and workplace relations.

Principle 5: Make timely and balanced disclosures

Powerlink has established processes to ensure it meets its disclosure and reporting obligations, including those to shareholding Ministers. Powerlink's reporting arrangements include the Powerlink Annual and (half yearly) Interim Report, Forecast Report, regulatory reports, Powerlink website and other public disclosures.

Principle 6: Respect the rights of shareholders

The Powerlink Board has a communication strategy to promote effective communication with shareholding Ministers. The Board aims to ensure that shareholding Ministers are informed of all major developments affecting the corporation's state of affairs. This includes regular meetings with shareholding Ministers' representatives and departments, and information communicated formally through quarterly progress reports and the Annual Report.

Each year Powerlink prepares a SCI and a five-year Corporate Plan, reflecting the outcomes of a comprehensive strategic and business planning process involving the Board and the Executive Team. Both documents are presented to shareholding Ministers.

Quarterly progress reports on the performance against the SCI are prepared by the Board for submission to shareholding Ministers.

Principle 7: Recognise and manage risk

Risk assessment processes are inherent within Powerlink's business. Powerlink has an approved Risk Management Charter that provides an overall framework and structure for the management of risk within Powerlink. Management regularly reports to the Board on key business risks.

A Management Committee structure also operates in parallel with the Board Committees to address issues of work, health and safety, environmental management, security, and corporate emergency response. Each of these committees submits reports to the Audit, Risk and Compliance Committee through the Chief Executive, and work, health and safety reports are presented to the People, Culture and Remuneration Committee through the Chief Executive.

The Safety Steering Committee develops and directs Powerlink's work, health and safety management practices, and also ensures that Powerlink complies with relevant work, health and safety legislation.

The Environmental Steering Committee develops appropriate strategic responses to environmental issues, as well as ensuring compliance with Powerlink policies and relevant environmental legislation.

The Security Steering Committee provides guidance in the development and approval of the Powerlink Security Plan. The Committee reviews security incidents and considers necessary amendments to the plan in response to these events.

The Corporate Emergency Response Committee develops appropriate strategic responses to corporate emergencies and is responsible for maintaining corporate emergency management documentation.

The corporation's internal control framework is designed to provide reasonable assurance regarding the achievement of the corporation's objectives. Implicit within this framework is the prevention of fraud (including corruption). Powerlink has a range of strategies and approaches that provides an effective fraud control framework that is closely integrated with the corporation's enterprise information management systems.

Powerlink's Employee Code of Conduct aims to ensure that Powerlink employees perform their work cost effectively, efficiently, cooperatively, honestly, ethically and with respect and consideration for others.

Principle 8: Remunerate fairly and responsibly

Powerlink seeks to develop individuals to attain the skills and motivation necessary to excel in an environment of high achievement. High priority is given to selecting the best person for the job at all levels in the corporation and investing in that person's potential through further training and development.

The membership and responsibilities of the Board's People, Culture and Remuneration Committee are presented above.

Powerlink's Remuneration Policy is designed to:

- attract and retain talented people with the skills to plan, develop, operate and maintain a large world class electricity transmission network
- reward and provide incentives for exceeding the key business performance targets.

The remuneration policy provides for performance-based payments for all permanent employees, with the payments directly linked to the performance of the individual or small teams against pre-agreed performance targets and the performance of the business.

The Working at Powerlink 2011 Union Collective Agreement came into operation on 30 March 2012. The Agreement allows for Powerlink and its employees to respond to changes in an environment of targets set by our owners and regulator. It has a focus to continue to develop Powerlink into a competitive and satisfying place to work. It recognises that the economic health of the company and the wellbeing of all employees depend upon the success of a shared commitment by all parties to this Agreement.

Award employees may be eligible for performance-based payments that are delivered as gainsharing and performance pay. Gainsharing is a payment subject to Board approval. The gainsharing payment is made subject to the corporation's profitability target being exceeded and key organisation performance measures and stretch targets being achieved.

Performance pay is based on individual or small team performance targets, which are reviewed half yearly, and rated at the end of the annual performance cycle. The individual performance targets are aligned with the overall business stretch targets of the corporation.

Managers and senior staff are employed on management contracts. Powerlink's remuneration policy for contract employees uses the concept of Total Fixed Remuneration (TFR), which includes employer superannuation contributions. In order to promote management focus, the policy provides for performance-based payments dependent on the performance against pre-agreed business and individual targets. The TFR level is reviewed annually based on consideration of economic and individual capability factors.

The fees paid to Directors for serving on the Board and on the Committees of the Board are determined by the Corporation's shareholding Ministers. Directors also receive reimbursement for expenditure incurred in performing their roles as Directors.

Shareholding Minister notifications

There was one shareholding Minister notification in 2012/13:

- Revocation of purchasing carbon offsets for Queensland Government air travel, QFleet ClimateSmart Action Plan and sport and recreation sponsorships policies.

The revocation of the purchasing carbon offsets for air travel and QFleet ClimateSmart Action Plan policies has resulted in a minor reduction in costs for Powerlink Queensland. There was no financial or business impact of the revocation Sport and Recreation Sponsorship Policy.

Amendments to Statement of Corporate Intent

Powerlink submitted its 2012/13 Statement of Corporate Intent (SCI) to shareholding Ministers in May 2012. The SCI was updated in September 2012, and subsequently approved by shareholding Ministers, to reflect the initiatives being implemented by Powerlink to focus on efficiency, effectiveness and improved accountability in the delivery of electricity transmission services.

The revised SCI reflected the operating cost reductions from these initiatives, thereby improving Powerlink's forecast financial position for the financial year and ultimately enabling the delivery of higher dividends and returns to the State Government.

Corporate entertainment and hospitality

The *GOC Corporate Entertainment and Hospitality Guidelines* establish reporting requirements for GOCs. Powerlink's corporate entertainment and hospitality expenditure for 2012/13 totalled \$14,502. There were no events above the individual reporting threshold of \$5,000.

Board of Directors



Stephen Rochester

B.Ec, MAICD, FFTP

Chairman of the Board

(Appointed May 2012)

Stephen is an established leader in public sector financing, the banking and finance industry, and the global financial markets, with a career spanning more than 35 years. He has been involved in all aspects of the provision of corporate treasury services to the Queensland public sector, as well as the establishment and operation of domestic and offshore borrowing programs, the development and implementation of liability management strategies, and the provision of infrastructure funding and financial risk management services.

Stephen held the position of Queensland Treasury Corporation's (QTC) inaugural Chief Executive for 22 years and also served as QTC's Chairman for two years. Stephen is currently a Director of Stanwell Corporation Limited and has previously held the positions of Chief Executive of Sun Retail, and Director of Tarong Energy Corporation Limited.

Stephen is a member of the Powerlink Board's Audit, Risk and Compliance Committee and the People, Culture and Remuneration Committee.



Anne Barclay

GCertBusiness, GAICD

Board Member

(Appointed 2012)

Anne Barclay has over 20 years' management experience including senior human resource management roles in large, complex organisations. Her business management experience includes co-founder and Director of HR Advantage Consulting – an award winning Brisbane-based firm.

As a management consultant Anne specialises in improving people management practices and organisational cultures, and managing and implementing change to improve business outcomes.

She has a strong interest in organisations that take a strategic approach to managing their investment in people to meet business needs, apply a continuous improvement mentality in what they do and how they do it, and have effective people management practices delivered by skilful and supported leaders and teams.

Anne works with a diverse client base including large publicly listed corporations, medium sized privately owned businesses, universities, and state and local government organisations. Anne is a member of the Powerlink Board's People, Culture and Remuneration Committee.



Julie Beeby

BSc (Hons I), PhD (Physical Chemistry), MBA, GAICD

Board Member

(Appointed 2008)

Julie has worked in the minerals and petroleum industries in Australia for 25 years and her career has included work for several major Australian and US resources companies. In 2010, she was appointed to the role of Chief Executive Officer of WestSide Corporation, an ASX-listed, Queensland-based coal seam gas company.

Julie commenced her career in mineral processing research, and went on to develop her project and business skills through a succession of successful senior management positions in chemical plant, coal seam gas, explosives and mining areas.

Julie is Chair of the Powerlink Board's People, Culture and Remuneration Committee.



Ken Howard

CFA, LLB, BEcon, F Fin, MSAA, GAICD

Board Member

(Appointed 2007)

Ken is the Responsible Executive (ASX) and the Responsible Manager (Australian Financial Services Licence) for the Brisbane Dealing Room of RBS Morgans, and a member of the RBS Morgans Compliance Committee. Ken advises private clients on the full range of financial planning and investment matters with a particular focus on securities traded on the Australian Stock Exchange.

Prior to joining the Powerlink Board of Directors, Ken was a Director of Energex Retail Pty Ltd.

Ken is the Chair of the CFA (Chartered Financial Analyst) Australia Brisbane Chapter. He is currently the Treasurer for the MacGregor State School P&C.

From 1991 to 1998 Ken was an Infantry Officer in the Australian Army Reserve.

Ken is a member of the Powerlink Board's Audit, Risk and Compliance Committee.



Julie Martin

BE (Hons Elec), MIEAust, GAICD

Board Member

(Appointed 2011)

Julie Martin has 17 years' experience as an electrical engineer, having played a key role in a variety of large-scale infrastructure projects in Queensland. She is currently the Senior Project Electrical Engineer with Thiess for the QCLNG Upstream Early Works projects, primarily responsible for the delivery of QGC's high voltage substations.

In 2008 Julie won the Women in Community/Public Sector – Engineering category of the Smart Women – Smart State Awards for her work in the TrackStar Alliance program to deliver \$700 million worth of rail projects in South East Queensland.

Julie is a Director of Lourdes Hill College.

She is a member of the Powerlink Board's Audit, Risk and Compliance Committee.



Christina Sutherland

BLaw, MAICD

Board Member

(Appointed 2001)

Christina Sutherland is a solicitor of the Supreme Court of Queensland and the High Court of Australia. Admitted as a solicitor in 1989 after serving two years of articles, Christina has over 20 years' experience in providing legal advice/services to clients.

She is employed by HWL Ebsworth Lawyers.

Christina's areas of experience include corporate and commercial law, insurance and commercial litigation, mediation and disputes, and employment and industrial relations. She also has a strong interest in occupational health and safety matters.

Christina brings to the Powerlink Board experience in the areas of corporate governance, risk management and legal.

Christina is Chair of the Powerlink Board's Audit, Risk and Compliance Committee and a member of the Board's People, Culture and Remuneration Committee.

Christina is an independent Director of Surf Life Saving Queensland. She is Chair of the Surf Life Saving Queensland Board's Human Resources and Remuneration Sub-Committee and member of that Board's Audit, Risk and Compliance Sub-Committee.

Executive Team profiles



Merryn York

BE(Hons), MEngSc, Grad Cert AppLaw, FIEAust, RPEQ

Chief Executive

Merryn has more than 25 years' experience in the Queensland electricity industry. Her career encompasses experience in strategic business development and asset management to optimise the long-term return on investment, network planning, regulatory affairs, customer management and strategic development of the transmission network.

Merryn attends the Board's Audit, Risk and Compliance Committee, the People, Culture and Remuneration Committee and the Harold Street Holdings and Powerlink Transmission Services meetings.



Maurie Brennan

BBus, MBA, CPA, FAICD

Chief Financial Officer

Maurie has provided strategic financial and commercial advice to public sector organisations in Queensland's electricity industry since 1979.

At Powerlink, Maurie manages all finance, tax, treasury, business planning and investment analysis, internal audit, insurance, legal and risk services, contract and purchasing services, business processes improvement and shareholder reporting. In addition, Maurie is Powerlink's Company Secretary.



Chris Hazzard

BE, Grad Bus Mgt, CEng, FIEAust, FAICD, RPEQ

Executive Manager Operations and Field Services

Chris has responsibility for ensuring the transmission network is operated and maintained in a strategic and coordinated way. Chris also oversees and provides direction for our IT support systems and plays a key role in ensuring Powerlink is equipped to ably respond to emergencies and issues.

Chris has more than 30 years' experience in the electricity industry, including management roles in asset management, operations, design, procurement and project delivery.



Garry Mulherin

BE

Executive Manager Investment and Planning

Garry's responsibilities include strategic business development and asset management to optimise the long-term return on Powerlink's investments in a way that meets the emerging expectations of our stakeholders, including our shareholders, customers, National Electricity Market participants, the Australian Energy Regulator, and the community.

Garry has more than 30 years' experience in the electricity industry, providing him with a depth of experience in distribution and transmission networks, including management of key business areas and organisational change initiatives.



Michelle Palmer

BComms, MA, MBA, GAICD, MPRIA

Executive Manager Stakeholder Relations and Corporate Services

Michelle has responsibility for Powerlink's strategic stakeholder engagement, communications, environmental and business resilience strategies as well as accountability for the provision of corporate services support.

Michelle has provided strategic reputation risk and communications counsel within the Queensland electricity industry for more than 14 years. Michelle is also a Director of Greening Australia Queensland.



Julia Smith

B App Sc, BBus, GCCM, GAICD

Executive Manager People and Culture

Julia has responsibility for the development and implementation of Powerlink's effective workplace and industrial relations, occupational health and safety, electrical safety, employee development, equal employment opportunity, technical and training coordination, organisational development and employment systems and services.

Prior to joining Powerlink, Julia held senior human resource management roles in fast moving consumer goods, financial services and infrastructure sectors.



Roland Vitelli

BE, Assoc Dip Eng (Elec), FIEAust

Executive Manager Infrastructure Delivery and Technical Services

Roland manages the division responsible for the delivery of capital works throughout Queensland as well as leading the organisation's development and implementation of new technologies.

Roland's career encompasses over 20 years of experience with a global electrical technology company in the delivery of complete turnkey system integration of transmission systems, transmission and distribution product manufacture and development of new technologies.

Statistical summary

Transmission Lines and Underground Cables

Added in 2012/13

Voltage	Transmission Line		Underground Cable	
	Route km	Circuit km	Route km	Circuit km
330kV	0	0		
275kV	261	523	0	0
132kV	35	157	0	0
110kV	-16*	4	0	0
66kV	0	0	0	0
Total	280	684	0	0

* The negative number indicates the decommissioning of 110kV transmission line assets

Energy output and delivery

2012/13	2011/12	2010/11	2009/10	2008/09
Energy flowing into the grid (GWh)				
47,690	47,987	48,020	49,593	49,104
Energy delivered to customers (GWh)				
45,871	46,246	46,261	47,720	47,303
Peak maximum demand (MW)				
8,453	8,707	8,836	8,891	8,677

Circuit Breakers

Added in 2012/13

Voltage	Circuit Breakers	Location
330kV	0	
275kV	32	Halys, Calvale, Stanwell, Woree, Calliope River
132kV	61	Woolooga, Palmwoods, Lilyvale, Kumbarilla Park, Wandoan South, Gladstone PS, Chinchilla, Blackwater, Moranbah, Dysart, Turkinje, Columboola, Bluff, Duinga, Eagle Downs, Condabri North, Condabri Central
110kV	12	Loganlea, Runcorn, Richlands
66kV*	0	
Total	105	

* Equal to or less than 66kV

Substations/Switching Stations and Transformers

Added in 2012/13

Voltage	Substations		Transformers		
	Total number	Location	Total number	Total Rating (MVA)	Location
330kV	0		0		
275kV	3	Wandoan South, Kumbarilla Park, Halys	6	2,125	Woolooga 5TX (250), Kumbarilla Park 1TX (375), Kumbarilla Park 2TX (375), Calliope River 1TX (375), Calliope River 2TX (375), Bouldercombe 3TX (375)
132kV	8	Condabri Central, Condabri North, Eagle Downs, Duinga, Bluff, Chinchilla, Wycarbah, Columboola	5	525	Duinga 3TX (100), Bluff 3TX (100), Palmwoods 8TX (125), Wandoan South 5TX (100), Wycarbah 3TX (100)
110kV	0		2	240	Loganlea 3TX (100), Richlands 1TX (100), Richlands 2TX Uprating (+40)
Total	11		13	2,890	

Capacitor Bank, Shunt Reactors and Static VAR Compensators

Added in 2012/13

Voltage	Capacitor Banks		Reactors		SVCs		Location
	Total	MVAR	Total	MVAR	Total	MVAR	
330kV	0		0		0		
275kV	0		0		0		
132kV	1	20	0		3	600	Turkinje 1 CAP, Duinga SVC, Wycarbah SVC, Bluff SVC
110kV	0		0		0		
Total	1	20	0	0	3	600	

Substations/Switching Stations and Communication Sites
As at 30 June 2013

Voltage	Substations	Cable Transition	Communication
330kV	4		
275kV	40	3*	
132kV	70	3	
110kV	15	3	
66kV		1	
Total	129	10	91

* Two of these cable transition sites are energised at 110kV

Transformers
As at 30 June 2013

Voltage	Total Number	Total Rating MVA
330kV	5	4,975
275kV	70	19,870
132kV	91	6,474
110kV	30	2,450
Total	196	33,769

Circuit Breakers
As at 30 June 2013

Voltage	Total Number
330kV	31
275kV	468
132kV	494
110kV	295
66kV*	28
Total	1316

* Equal to or less than 66kV

Capacitor Bank, Shunt Reactors and Static VAR Compensators
As at 30 June 2013

Voltage	Capacitor Banks		Reactors		SVCs	
	Total	MVAr	Total	MVAr	Total	MVAr
330kV	3	440	4	144		
275kV	28	3,880	16	711	8	2,510
132kV	27	1,206			14	1,681
110kV	32	1,750				
66kV*	5	96	5	114		
Total	95	7,372	25	969	22	4,191

* Equal to or less than 66kV

Five Year History of Transmission Lines and Underground Cables
As at 30 June 2013

Voltage [^]	2009		2010		2011		2012		2013	
	Route km	Circuit km	Route km	Circuit km	Route km	Circuit km	Route km	Circuit km	Route km	Circuit km
Transmission Lines										
330kV	347	691	347	691	347	691	347	691	347	691
275kV	5,548	7,495	5,819	8,037	5,990	8,387	6,032	8,458	6,293	8,981
132kV	2,816	4,488	2,769	4,405	2,796	4,468	2,785	4,364	2,820	4,521
110kV	238	416	238	416	238	416	238	416	222	420
66kV*	1	1	1	1	1	1	1	1	1	1
Total Lines	8,950	13,091	9,174	13,550	9,372	13,963	9,403	13,930	9,683	14,614
Underground Cables										
275kV	5	5	10	10	10	10	10	10	10	10
132kV	2	2	4	4	4	4	4	4	4	4
110kV	7	7	8	8	8	8	8	8	8	8
66kV*	1	1	1	1	1	1	1	1	1	1
Total Cables	15	15	23	23	23	23	23	23	23	23
Total Lines & Cables	8,965	13,106	9,197	13,573	9,395	13,986	9,426	13,953	9,706	14,637

* Equal to or less than 66kV

[^] As constructed voltages

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