Powerlink Queensland

Annual Report and Financial Statements 2013/14

Contents

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

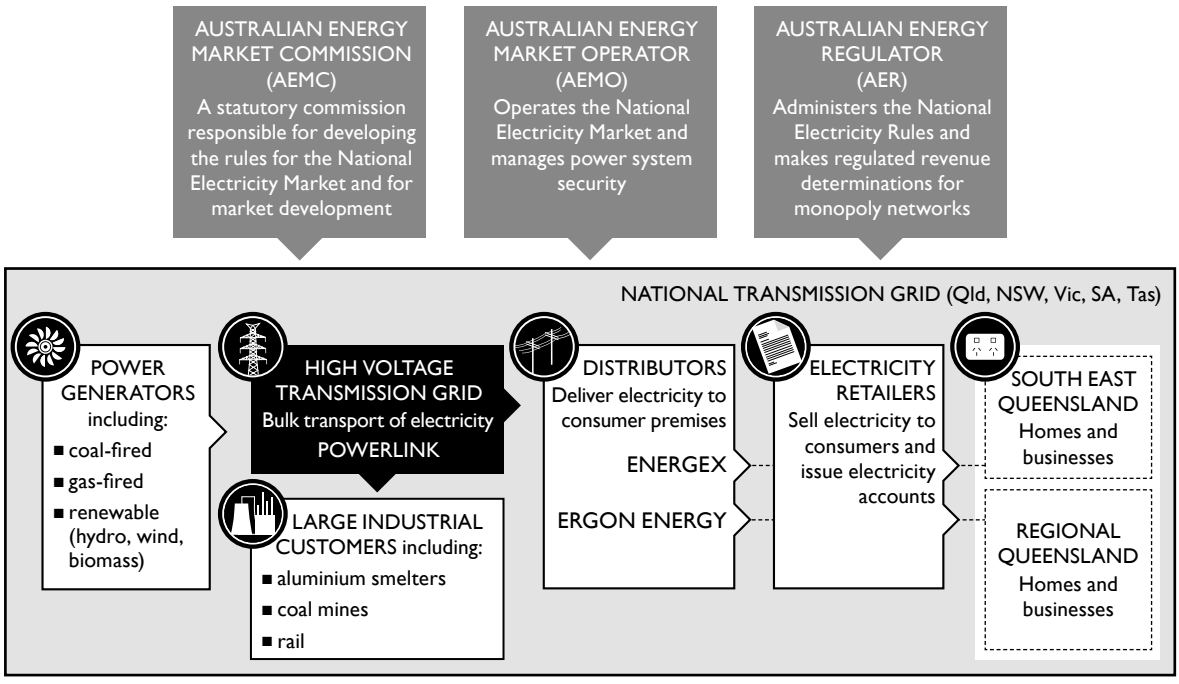
Powerlink profile

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 15,000 circuit kilometres of transmission lines and 132 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.

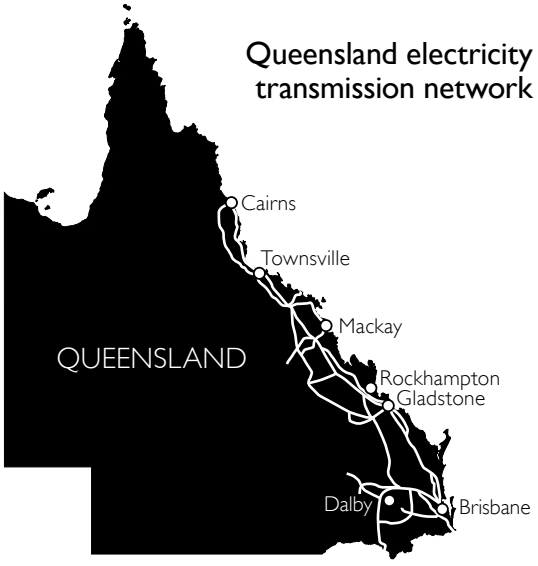
Powerlink is a Transmission Network Service Provider (TNSP) in the National Electricity Market (NEM). The majority of Powerlink's network is regulated under the National Electricity Law (NEL) and the National Electricity Rules (NER) by the Australian Energy Regulator (AER). A small number of transmission 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



Highlights

- Our *Safe for Life* program has improved our workplace health and safety risk management, safety practices and data reporting methods and is developing our managers as effective safety leaders.
- Our new business strategy builds on the achievements of the previous strategy and further focuses on safety, efficient service delivery, the agility in our people and our processes, and delivering value to our stakeholders, including electricity consumers.
- We worked cooperatively to provide the Queensland Government with data to inform decision making on new network reliability standards to better balance cost and reliability of supply to help meet community expectations. In June 2013, Powerlink had requested and received the ability to seek a variation of the reliability standard on a case-by-case basis. The Queensland Government decision to remove Powerlink's N-1 planning standard in preference of a more flexible planning approach came into effect on 1 July 2014.
- Our focus on developing long-term relationships with stakeholders and our understanding of what consumers value has been enhanced by our new Stakeholder Engagement Framework and research.
- We made a number of improvements to our processes and protocols for engaging with landholders and accessing land during the development, operation and maintenance of transmission infrastructure. The changes ensure our actions are better aligned to the expectations of landholders and other stakeholders.
- Powerlink performed positively against the annual network performance targets set by the Australian Energy Regulator (AER).



Financial overview

The 2013/14 financial year saw the continued moderation of demand for electricity to be transported across the Powerlink network resulting from a range of factors including the take up of solar Photovoltaic (PV) by consumers and the slowdown in the mining and resource sectors. Powerlink continues to respond to these changes by revising its network augmentation capital expenditure program.

Powerlink business performance

Total revenue for the 2013/14 year was $1,035.3 million with Earnings Before Interest and Tax (EBIT) closing at $559.4 million.

Powerlink continued to focus on cost efficiency with 'controllable operating cost' for the year of $190.2 million in line with the targets established for the business in the Statement of Corporate Intent (SCI). Powerlink measures cost efficiency as the percentage of 'controllable operating cost' over depreciated asset value, which for the year was 2.7 per cent (2013/14 SCI target of 2.9 per cent).

Powerlink's Net Profit After Tax (NPAT) for 2013/14 was $205.8 million and represents an increase on the SCI target of $4.9 million (2.5 per cent).

Capital investment

Capital expenditure in 2013/14 was $423.7 million, with assets of approximately $708.3 million capitalised in the financial year.

This capital expenditure was below the SCI expectations and reflects the response to the reduction in electricity demand. Notwithstanding the reduced demand growth, Powerlink is still required to replace and refurbish our ageing assets within the existing network to maintain a reliable transmission supply.

Borrowings

The reduced capital expenditure coupled with the stronger NPAT performance has enabled Powerlink to manage our cashflows and capital expenditure requirements with no net increase in borrowings for the year. Powerlink's business gearing (defined as Debt to Fixed Assets) remains strong and stable at 55.4 per cent, below the SCI target of 57.1 per cent.

Dividends

The Powerlink Board approved a dividend payout ratio of 80 per cent of the profit after income tax, exclusive of the effect of the ElectraNet sale price adjustment for 2013/14. The final dividend for 2013/14 is $167.8 million.

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 2013/14.

Summary of Statement of Corporate Intent 2013/14

Our SCI for 2013/14, 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.

Objectives	Performance targets	Performance outcomes
Meet financial targets		
Achieve specified financial performance		
Earnings Before Interest and Tax (EBIT)	$547.4 million	$559.4 million
Net Profit After Tax (NPAT)	$200.9 million	$205.8 million
Return on Assets	7.1%	7.4%
Return on Equity	8.1%	8.3%
Debt/Fixed Assets Ratio	57.1%	55.4%
Debt/Debt and Equity Ratio	63.5%	61.7%
Interest Cover Ratio (EBITDA)	3.2	3.2
Deliver shareholder value		
To deliver dividends to shareholders while maintaining at least an "investment grade" business rating		
Dividend Payout Ratio	80.0%	80.0% [1]
Dividend provided	$160.7 million	$167.8 million
Deliver our capital works program		
Develop the Queensland transmission grid to meet customer electricity demands, and safety and reliability standards		
Total capital forecast works expenditure	$677.8 million	$423.7 million
Meet non-financial targets		
Compliant with relevant environmental legislation		
Environment	To be compliant with relevant legislation	Compliant
Achieve safety performance targets		
LTIFR (Frequency Rate)	3	0.95
LTIDR (Duration Rate)	5	17.00 [2]
Achieve cost efficiency performance targets		
– Total network maintenance cost/depreciated asset value	1.7%	1.7%
– Total controllable operating cost/depreciated asset value	2.9%	2.8%
Achieve network performance targets (Calendar year 2013)		
Transmission circuit parameters		
– Peak transmission availability	>98.76%	99.03%
– Transmission line availability	>98.76%	98.68%
– Transformer availability	>98.76%	98.22%
– Reactive plant availability	>97.15%	98.79%
– Average outage duration	859 minutes	604 minutes
System reliability		
Events in excess of 0.1 system minutes	No more than 2	Nil
Events in excess of 0.75 system minutes	No more than 1	Nil

[1] Excludes ElectraNet sale price adjustment

[2] LTIDR reflects two Lost Time Injuries (LTI) that resulted in combined total of 34 days lost time. The LTIDR averages the number of days lost per LTI.

Chairman's review

The electricity industry in Queensland continues to be the focus of significant attention from government, electricity consumers and other stakeholders. Powerlink's focus has been on getting the balance right between cost and reliability of electricity supply at a transmission level.

Powerlink's financial and non-financial stretch targets for 2013/14 incorporated targeted operational efficiencies and cost reductions (both operating and capital expenditure). Powerlink achieved or bettered these stretch targets while maintaining service outcomes and meeting mandated reliability of supply standards.

In response to reduced electricity demand Powerlink decreased its capital expenditure in the year by $254 million to $423.7 million, with a significant portion of the reduction in planned expenditure related to the regulated transmission network.

Overall Powerlink has been able to reduce its debt requirements and deliver improved profits and dividends.

Powerlink worked cooperatively to inform government decision making on transmission reliability of supply standards. The outcome of this reform has seen the government adopt a more flexible approach to planning standards from 1 July 2014, which will result in a reduction to overall network spending, and in time will reduce the transmission charges which flow through to consumers. In the short term, due to lower demand forecasts, Powerlink does not anticipate any change to expected reliability outcomes. In the longer term, Powerlink will seek to manage outcomes through operational mechanisms.

Powerlink is also planning for the longer-term by engaging with the government on its 30-year Electricity Strategy – PowerQ.

Powerlink aims to meet the expectations of electricity consumers and to provide a valued electricity transmission service. We continue to develop the business to meet the changing needs and values of its many and diverse stakeholders, including electricity consumers.

Powerlink's new Stakeholder Engagement Framework guides interactions and relationship building activities with electricity consumers and other stakeholder groups. The framework also aligns with the AER Consumer Engagement Guidelines for Network Service Providers, which will be considered during Powerlink's upcoming regulatory review process.

I acknowledge Board members and the Executive Team for leading Powerlink through this period of significant change, and recognise Christina Sutherland who completed her term on the Board during 2013/14 after serving a period of 12 years. The Board thanks Powerlink employees for their contribution to business performance and their responsiveness to the changing environment.

Stephen Rochester
Chairman of the Board

Chief Executive's review

The 2013/14 year is recognised as part of the most significant period of change ever experienced by Powerlink, with change driven by shifting consumer expectations, regulatory reform and increased economic pressure. Throughout this period, Powerlink has focused on delivering transmission services safely and efficiently, while also reviewing, implementing improvements and planning for the future.

We continue to embed significant structural changes within the business, aimed at working smarter in the future to more efficiently deliver our services. The structural changes promote our focus on strengthening accountability and performance to facilitate being agile and responsive to external and internal changes.

Central to Powerlink's business strategy is the *Safe for Life* program which consolidates the business's focus on safety across all operations – work, health and safety as well as electrical safety. We have continued to enhance safety reporting to enable better monitoring and drive improvements.

The growth of solar Photovoltaic (PV) use and consumer response to rising electricity prices has had a dampening effect on electricity peak demand and usage. Forecasts published in Powerlink's Transmission Annual Planning Report (TAPR) show overall growth is expected to be driven by the emerging liquefied natural gas (LNG) industry in South West Queensland. Without the impacts of LNG, forecast maximum electricity demand and energy use slightly decline over the coming decade.

With the lower forecast demand and energy, assets reinvestment, including line refits and asset replacement, is now the largest component of Powerlink's regulated capital expenditure.

We are very conscious of the need to optimise network utilisation and drive productivity improvements in the delivery of Powerlink's services. Powerlink is focused on optimising the network to provide for long-term utilisation, including seeking alternative solutions to meeting reliability of supply standards.

Powerlink is progressing a number of projects to provide transmission services to the Surat Basin, a major natural mineral and energy resource zone in South West Queensland. During 2013/14, we delivered non-regulated customer connection projects for APLNG (Asia Pacific Liquefied Natural Gas). The cost of customer connection projects is fully paid for by the project partner, in this case APLNG, via commercial charges.

Our work in the Surat Basin has led to improvements in Powerlink's landholder engagement processes, which reflect feedback received from landholders.

I would like to thank Powerlink's people for working together to achieve strong business outcomes, and for maintaining their focus on delivering safe, commercial and performance focused transmission services that are valued by electricity consumers and our stakeholders.

Merryn York
Chief Executive

Safety

Safety strategies

Powerlink focuses on the safety of its people, contractors and the community.

The implementation of the *Safe for Life* program is central to Powerlink's business strategy. *Safe for Life* was launched to employees in July 2013 with strategies to maintain the high visibility of the program and to embed it within the business. Each of the eight key focus areas within the program enhance Powerlink's ability to manage safety and deliver safe outcomes.

Safe for Life has resulted in improvements to our methodologies for managing workplace health and safety risks and hazards. This includes developing and implementing a risk management framework, registers and a risk assessment process for a rigorous approach to controlling safety on site and in the office.

Improvements have also been achieved in the practices and approaches to safety issues, the health and wellbeing of employees including focusing on preventative behaviours, raising awareness of social health impacts and proactive injury management.

Powerlink's Electrical Safety Management System retained certification under the *Electrical Safety Act 2002* following the annual compliance audit undertaken by an external auditor in August 2013. Due to the significant change within the business, Powerlink undertook a modification audit of the system in February 2014. Improvement opportunities identified in both audits are being implemented.

Safety leadership

Powerlink strives to be an incident free workplace where every individual is responsible and accountable for safety, and leaders are active role models, demonstrating commitment to safe outcomes.

To realise this outcome, Powerlink created the *Energised Safety Leadership* program which uses an action learning approach to build the skills and knowledge of all Powerlink managers, providing support for the practical application of those skills in day-to-day activities.

The two-part workshop series was well received by managers and has led to a greater awareness and opportunities to support effective safety leadership. The workshop series provides information and tools to assist managers in driving change and effectively leading and role modelling safe behaviour. The action learning projects completed by participants following the workshops are designed to support proactive identification and mitigation of key safety risks, and build individual leadership capability through on-the-job application of key skills and tools provided through the workshops. A further program of work is under way to support front line managers to work with their teams to embed safety behaviours and to enhance all employees' awareness of their own role in contributing to the achievement of safe outcomes for their colleagues, our contractors and the community. Proactive engagement by all employees underpins our effective systems and processes for continued learning and safety improvement.

Safety performance

Powerlink's safety performance reporting framework promotes consistent and effective reporting measures to monitor and drive improvements and has been enhanced with better reporting of lead and lag indicators.

Under the *Safe for Life* program, safety performance data and information is visible across the business and is shared with employees. Safety performance is monitored by the Health and Safety Steering Committee.

A Lost Time Injury (LTI) is a work injury that resulted in time lost from work of one full shift or more (injuries that occur on journeys to/from work or during recess breaks are excluded). The Lost Time Injury Frequency Rate (LTIFR) is expressed as the number of LTIs per million hours worked. During 2013/14, Powerlink experienced two LTIs; both LTIs were related to field based activities. Monthly LTI performance is presented on page 22.

High voltage safety

The Queensland Electricity Entity Procedures for Safe Access to High Voltage Electrical Apparatus are essential to providing a safe system of work for anyone accessing the high voltage system.

A review of training practices and mapping of procedures has delivered more effective pathways to authorisation for Powerlink's switching operators and lines recipient roles. The improved Powerlink-specific pathways have reduced training times and improved the consistency of this training, resulting in cost efficiencies and a more flexible workforce. The revised switching training is under way, with lines recipient training expected to begin in early 2014/15.

Contractor safety

A new contractor induction program has been developed for implementation in 2014/15. The program will induct contractors intending to work at Powerlink's sites in addition to our current project-specific inductions. It primarily addresses electrical safety and recognises Powerlink's role in educating the contractors who work on our sites about potential hazards.

Powerlink facilitates bi-monthly safety forums involving our construction contractors to address safety challenges, share key learnings and improve safety culture. In January the forums' scope were extended to include environmental matters.

Public safety and infrastructure security

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 landholders about activities which may be allowed or prohibited where Powerlink easements are in place. This information is contained in Powerlink's Management of Co-use Guidelines.

Safety information provided on Powerlink's website includes information for those working in the vicinity of transmission lines, fire-related matters and flood transmission line safety and emergency contacts.

Operating in the NEM

Revenue and transmission pricing

Powerlink continues to be mindful of its responsibility to minimise cost impacts on household electricity bills wherever possible. Our business operations include seeking and maximising opportunities to deliver reliability and service more efficiently and at a lower cost, to meet the expectations of our shareholders, consumers, customers and the market.

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 1 July 2012. Powerlink's maximum allowable revenue in 2013/14 was $881.8 million.

Transmission Use of System (TUOS) charges comprise the transmission component of electricity costs. Powerlink is required to calculate transmission charges in accordance with the NER, using the revenue approved for Powerlink by the AER. The application of this required pricing methodology for the 2014/15 year results in fairly stable transmission prices for most directly connected transmission customers compared to 2013/14.

Regulatory issues

Powerlink's engagement in the development of the National Electricity Market (NEM) occurs independently and also 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 AER Better Regulation program, which aims to deliver an improved regulatory framework focused on promoting the long-term interests of electricity consumers. The program developed six new AER guidelines which set out the approach to the regulation of transmission network service providers and other businesses regulated by the AER.
- The Australian Energy Market Commission (AEMC) Optional Firm Access programs which involves detailed design and testing of the proposed optional firm access concept considered as part of its Transmission Framework Review (TFR). The Council of Australian Governments Energy Council continues to consider how to progress other recommendations from the TFR.
- Australian Energy Market Operator (AEMO) Review of Value of Customer Reliability – a NEM-wide review.
- The AER early application of the electricity transmission Service Target Performance Incentive Scheme version four which was published in December 2013.

Two Regulatory Information Notices (RINs) issued by the AER required Powerlink to provide information and data in relation to economic benchmarking and detailed category analysis. The AER's purpose in issuing RINs is to underpin its Better Regulation program, equip the regulator with information for regulatory reset processes, and enable it to benchmark Transmission Network Service Providers (TNSPs) and Distribution Network Service Providers (DNSPs).

Network planning and change to reliability standards

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 network's capability to meet forecast load growth, a process that involves collaboration with transmission businesses in other states, Queensland DNSPs, the New South Wales DNSP connected to our network and the AEMO.

In June 2013, in line with Powerlink's proposal, the Queensland Energy Regulator (QER) agreed to vary the N-1 network reliability criterion in Powerlink's Transmission Authority on a case-by-case basis.

Powerlink considers the application of the varied reliability of supply standard in all circumstances when planning and operating the network. However, to date the only opportunity for Powerlink to apply the varied reliability of supply standard was assessed in Powerlink's Regulatory Investment Test for Transmission (RIT-T) for supply to the Bowen Basin coal mining area, for which a Project Assessment Conclusions Report was released in July 2013. The report outlined the results of the planning investigation and consultation with Registered Participants and interested parties and recommended solutions to address future supply requirements. The result of the RIT-T and amendment to the reliability standard in this area was deferral of a potential transmission network augmentation and the associated capital expenditure.

More recently, the Queensland Government has taken further steps to examine the drivers of electricity prices and address the cost and reliability balance. In March 2014, the Queensland Government advised Powerlink that it would implement further reforms to Powerlink's electricity network reliability standards by removing the obligation to deliver on the N-1 planning standard in preference of a more flexible planning approach. This revised approach comes into effect on 1 July 2014 and Powerlink's Transmission Authority has been amended accordingly. Powerlink worked cooperatively with the Department of Energy and Water Supply to provide data to inform the decision making on the new reliability standards.

Network performance in 2013

The AER sets calendar year network performance targets for Powerlink for the duration of each five-year regulatory period. Powerlink's current regulatory period began on 1 July 2012. 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 2013 is reported in the Summary of the SCI on page 2.
- The Market Impacts of Transmission Congestion (MITC) scheme focuses on outages that could potentially have an adverse impact on NEM participants. Powerlink's performance showed the business is delivering positive outcomes for the NEM by minimising network outages when they would contribute to a market impact.

During 2013 there were no events on the transmission network that caused a major loss of supply to electricity consumers.

Network strategy and operations

Electricity demand

Powerlink published its Transmission Annual Planning Report (TAPR) to National Electricity Market (NEM) participants on 30 June 2014, consistent with the National Electricity Rule's (NER) requirements. The TAPR 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.

Similarly with last year and to inform the market, approximately mid year, Powerlink published an Energy and Demand Forecast Update in February 2014. This presented a reduction in the forecast energy and demand when compared with the 2013 Annual Planning Report (APR). Since the Update, there has been little change in the economic forecasts that underpin the energy and demand forecasts presented in the June 2014 TAPR.

While there has been significant investment in the resources sector, Queensland on the whole is still experiencing slow economic growth. Furthermore, the continued growth of solar Photovoltaic (PV) combined with consumer response to rising electricity prices has had a dampening effect on electricity usage including maximum demand, and on energy and demand transported across the transmission network.

Overall growth is expected to be driven by the emerging liquefied natural gas (LNG) industry in South West Queensland. On average, summer maximum demand is forecast to increase at an average rate of 0.9 per cent per annum over the next 10 years. Annual energy is forecast to increase at an average rate of 1.5 per cent per annum over the next 10 years for the medium economic outlook. The LNG industry remains a strong contributor to the 10-year growth forecast. Without the impacts of LNG, forecast maximum demand decline would be 0.2 per cent per annum and forecast energy decline would also be 0.2 per cent per annum over the 10-year forecast period.

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 electricity consumers. It also provides non-regulated connection transmission services to direct customers of Powerlink.

With the lower forecast of maximum demand reported in Powerlink's TAPR, assets reinvestment is now the largest component of Powerlink's capital expenditure, comprising 41 per cent of Powerlink's total investment and 53 per cent of regulated investment in capital works in 2013/14. Reinvestment projects are undertaken when assets are forecast to reach the end of their technical life and can include line refits, network reconfigurations, or replacing assets of a different type, configuration or capacity. Individual asset reinvestment decisions take into account future changes in demand and the condition based risks of other assets in the network to deliver cost effective solutions.

Powerlink invested $423.7 million in capital works projects throughout Queensland in 2013/14 of which 26 per cent comprised non-regulated customer connection works, the costs of which are paid for by the customer making the connection request.

The reduction in forecast electricity demand reported in Powerlink's TAPR Energy and Demand Forecast February 2014 Update resulted in the deferral of several transmission network augmentation projects.

During the five years to 2018/19 Powerlink expects to invest $2,107 million in capital works projects, of which 19 per cent will comprise non-regulated customer connection works. During that five-year period, 67 per cent of our regulated capital works projects will be reinvestment projects.

Extending the network into South West Queensland

Powerlink continued the delivery of seven non-regulated projects and two regulated projects in the Surat Basin to provide electricity transmission services to major natural mineral and energy resource zones in the region.

Powerlink's regulated projects include work to extend the transmission network into the region to meet the long-term needs of all electricity customers (residential, commercial and industrial).

On the non-regulated projects, Powerlink and environmental specialist GHD continued to engage with more than 40 landholders whose properties are potentially affected by the Wandoan South to Eurombah Transmission Network Project and the Transmission Network Extension in North West Surat Basin Project.

Several Environmental Impact Statements (EIS) were released during 2013/14 and construction activities commenced in some areas of the Surat.

CSIRO Future Grid Forum

Powerlink participated in the CSIRO Future Grid Forum through Grid Australia, along with representatives from across the electricity industry, government and community. The CSIRO convened the forum to develop and explore potential scenarios for Australia's energy future to 2050. The forum began an informed debate on potential futures and the way forward for the sector, with findings published in December 2013.

Maintenance

Powerlink tracks its critical and corrective network maintenance programs and monitors progress against targets. In 2013/14, 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 $125 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.

In early 2014 we introduced hand-held devices that enable field staff to record data and maintenance issues during routine substation maintenance. The devices have enhanced the accuracy and timeliness of asset data used for decision making and prioritising maintenance. The project will be extended to maintenance of other transmission assets during 2014/15.

Contingency planning and corporate emergency response

There were no major incidents on Powerlink's transmission network during 2013/14. When tropical cyclones Dylan (January 2014) and Ita (April 2014) affected North Queensland, Powerlink worked with government departments and the State Disaster Coordination Group, however the cyclones had no material effect on our network.

Powerlink participated in internal exercises and an annual exercise with Australian Energy Market Operator (AEMO) to refine and ensure familiarity with our suite of corporate emergency management response plans. Our plans and procedures were reviewed to ensure alignment with changes to our organisational structure.

Network development

Drivers for network development

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

- Replacement of end of life 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 solutions) 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.

Powerlink must apply the Regulatory Investment Test for Transmission (RIT-T) when identifying network augmentation solutions. The RIT-T is an economic cost benefit test developed by the Australian Energy Regulator (AER). It involves a consultation process that 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 undertaken in 2013/14 were:

Consultation	Status
Supply to Southern Brisbane	Since the RIT-T began in March 2012, Energex and Powerlink load forecasts have been significantly reduced. A review undertaken jointly with Energex concluded that the forecast timing of network limitations has been deferred beyond the current five-year outlook. As a result the RIT-T will not proceed at this time.
QNI Upgrade Study	Powerlink and TransGrid have jointly assessed and consulted on the options for the upgrade of the Queensland/New South Wales Interconnector (QNI) transmission line. The Project Assessment Draft Report, published in March 2014, recommends the 'do nothing' option.

Major network projects (regulated)

Major transmission developments and replacements completed in 2013/14

Region	Project
North Queensland	Cardwell to Ingham 132kV transmission line replacement
	Moranbah 132kV Substation secondary systems replacement
Central Queensland	Calvale to Stanwell 275kV transmission line
Southern Queensland	Palmwoods 132kV Substation replacement
	Richlands 110kV Substation replacement
	Loganlea 110kV Substation replacement

Major transmission developments and replacements under construction in 2013/14

Region	Project
North Queensland	Chalumbin 275kV Substation secondary systems replacement
	Collinsville 132kV Substation replacement
	Nebo Substation 275/132kV transformers replacement
	Collinsville to Proserpine 132kV transmission line replacement
	Moranbah area 132kV capacitor banks
	Moranbah Substation 132/66kV transformer replacement
	Proserpine 132kV Substation replacement
	Mackay 132kV Substation replacement
Central Queensland	Bouldercombe 275kV Substation secondary systems replacement
	Gladstone 275kV Substation replacement (including Calliope River Substation which is now commissioned)
Southern Queensland	Western Downs to Halys 275kV transmission line and Western Downs and Halys substations
	Columboola to Western Downs 275kV transmission line and Columboola 275kV Substation
	Swanbank B 275kV Substation replacement
	Bulli Creek 275kV Substation secondary systems replacement
	Braemar 275kV Substation secondary systems replacement

Major transmission developments and replacements committed but not yet under construction

Region	Project
North Queensland	Garbutt to Alan Sherriff 132kV transmission line replacement
	Moura 132kV Substation replacement
	Ross 275kV Substation secondary systems replacement
	Nebo 275kV Substation replacement
Central Queensland	Blackwater 132kV Substation replacement
	Callide A 132kV Substation replacement
	Stanwell 275kV Substation secondary systems replacement
Southern Queensland	Blackwall 275kV Substation secondary systems replacement

Customer connection works (non-regulated)

Customer connection works commissioned in 2013/14

Region	Project	Customer
Southern Queensland	Condabri connections to Columboola	APLNG (Asia Pacific Liquefied Natural Gas) – a joint venture between Origin Energy, ConocoPhillips and Sinopec
	Orana connection	APLNG

Customer connection works under construction in 2013/14

Region	Project	Customer
Central Queensland	Wotonga connection for traction substation	Aurizon
Southern Queensland	North West Surat connections to Wandoan South	APLNG Santos GLNG (Gladstone LNG) – a joint venture between Santos, Petronas, Total and Kogas

People

Workforce profile

Powerlink's human resources strategies aim to ensure our people have the right skills, commitment and positive behaviours to enable Powerlink to meet our business objectives and deliver services which are valued by electricity consumers, our customers, shareholders and the National Electricity Market (NEM).

Powerlink's total workforce Full Time Equivalent (FTE) staffing as at June 2014 was 1,069 with staff employed in professional, technical, trade, specialist and administrative roles. About 95 per cent of our workforce operate from our offices in Virginia, Brisbane, including field staff who travel to site to undertake their work. We also have site offices in Miles, Chinchilla, Gladstone, Ingham, Mackay, Pandoin and Rockhampton, a regional presence in Roma, and a warehouse for equipment and spares in Narangba.

Discussions commenced on our new Enterprise Agreement (EA) in mid-2014. The EA will set the wages and conditions of employees for a period of up to three years, while seeking to achieve the best outcome for our business, electricity consumers, our customers and stakeholders. Our current EA expires in November 2014.

MAP Program

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

The program, which formally concluded in December 2013, established a new high level organisational structure and revised structures for a number of functional areas to deliver efficiency and accountability improvements. Other projects, including the review and establishment of several key business functions were also completed as part of the program to support accountability and performance outcomes. Further implementation and embedding of the changes continues as part of 'business-as-usual'.

Performance management

Powerlink's performance management framework has been reviewed and redesigned to support the achievement of business objectives and to better integrate with related initiatives including our leadership strategy.

Level-specific leadership accountabilities and standard performance agreement templates will enhance the consistency and understanding of performance. The new framework focuses on building greater alignment between individual and organisational objectives, clarity of position accountabilities, and achievement of stretch targets through the effective differentiation of performance.

Changes to the performance planning and review process have been implemented initially for Executive and Group Managers, and will cascade to other managers and employees during 2014/15.

Employee engagement

Powerlink strives to have an agile and performance focussed culture underpinned by employee engagement and individual accountability. Our most recent employee engagement survey demonstrates that engagement is at a lower level than previously recorded, which is indicative of an organisation in transition and undergoing significant change.

The survey results informed the development of action plans to address key drivers of engagement and respond to key matters identified by our employees. The action plans are shared with employees and are intended to help build long-term engagement across the business.

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.

Improvements to our environmental performance reporting have been developed and include consolidation of our key performance indicators. These improvements were implemented from 1 July 2014.

No reportable environmental incidents occurred during Powerlink's operations in 2013/14. However, should an incident occur in the future, our procedures ensure that we can effectively and responsibly manage the incident while engaging with relevant stakeholders.

Powerlink monitors changes to legislation and policy on an ongoing basis and engages appropriately with government agencies to ensure we continue to be compliant and the potential impacts on the business are understood by relevant parties. Regulatory change has been significant during 2013/14, and Powerlink has engaged with government on the regulatory reviews including protected plants, environmental offsets, biosecurity and planning legislative frameworks.

Emissions management and 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 limited assurance audit verified the accuracy of Powerlink's 2013 report. The Clean Energy Regulator notified Powerlink was included in the scope of their 2013/14 audit program. Powerlink provided them with the limited assurance audit report, which met their requirements with no further action required.

Stakeholder engagement

Our Stakeholder Engagement Framework has been developed to assist the delivery of Powerlink's mission by developing long-term relationships with stakeholders, aiding organisational learning and fostering mutual value creation. The framework was guided by the results of research undertaken with our stakeholder groups including electricity consumers, customers (directly connected to Powerlink's network), regulators, State and Local Governments, contractors and suppliers, landholders, industry associations, unions, and environmental and community groups.

Action plans are being developed and implemented for each stakeholder group to ensure the group's views and expectations are considered and addressed, and integrated into business-as-usual.

Consultation for 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 landholder 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, landholders and stakeholders may include face-to-face communication, public advertising, media statements, newsletters, using the freecall phone line, publishing information on Powerlink's website and other written and verbal communication.

Powerlink listened to feedback from community members in the North West Surat Basin and made the following adjustments to its engagement practices:

- funding landholders' reasonable costs for valuation and legal advice earlier in the compensation process
- introducing a consultation support allowance for landholders affected by more than one Powerlink project
- providing more opportunity for landholders to engage with senior management and participation in group landholder meetings
- appointment of two Local Relationship Managers, based in Roma, to provide a more convenient single point of contact for landholders and stakeholders
- extending submission periods on documents requiring public feedback
- providing specialist support to landholders making submissions on Environmental Impact Statements (EIS)
- enhancing landholder and community information sessions to include more opportunities for two-way communication.

We also progressed other engagement initiatives to strengthen our relationship with landholders, including:

- We developed a Land Access Protocol to ensure Powerlink's existing land access practices are more closely aligned with landholder expectations, industry standards and government expectations.
- We developed a Project Participation and Access Allowance to improve Powerlink's interactions with landholders and establish a positive relationship early in the EIA phase. The allowance is proposed to be paid to eligible landholders whose properties will be affected by field investigations.
- We enhanced weed and biosecurity management practices during the EIA phase of projects to minimise the spread of weeds, diseases and pests.

Powerlink has also developed a new community engagement model that is better aligned with contemporary stakeholder expectations, government requirements and our business needs. The model involves earlier discussion with key government representatives, councils, and peak bodies, and effectively involving the community during earlier phases of project development.

The community engagement model was developed with input from stakeholders including landholders and government representatives. Following a trial period, the model will be refined and evaluated to ensure it is fit-for-purpose and meets stakeholder expectations.

Projects on which landholders and stakeholders have been actively consulted during 2013/14 included:

Region	Regulated projects	Non-regulated projects
Southern Queensland	■ Molendinar 275/110kV Substation augmentation ■ Proserpine Substation expansion ■ Springdale to Tarong 275/500kV transmission line ■ Halys 500kV Substation expansion	■ Wandoan South to Eurombah transmission network project ■ Transmission network extension in North West Surat Basin
South East Queensland	■ Brisbane South Area transmission project ■ Blackwall to Springdale 500kV transmission line ■ Murarrie to Nudgee 275kV easement acquisition^^	
Central Queensland	■ Northern Bowen Basin easement acquisition stages 1 and 2 ■ Moranbah Substation expansion* ■ Broadsound Lilyvale 275kV transmission line	■ Galilee Basin transmission project ■ Wotonga 132kV connection Substation
Northern Queensland	■ Collinsville Proserpine 132kV transmission line replacement ■ Tully Substation expansion^	

^^ The scope of the Murarrie to Nudgee 275kV easement acquisition project is under review due to changes in load growth.
* The Moranbah Substation expansion project has been cancelled.
^ The scope of the Tully Substation expansion project has been revised due to current load growth forecasts.

Projects for which site access has been finalised during 2013/14

Region	Regulated projects	Non-regulated projects
Southern Queensland	■ Molendinar 275/110kV Substation augmentation	■ Wandoan South to Eurombah transmission network project – Clifford Creek Substation – Dinoun South Substation – Eurombah Substation ■ Transmission network extension in North West Surat Basin – Blythdale Substation – Fairview Substation – Fairview South Substation
Central Queensland	■ Northern Bowen Basin easement acquisition (Stage 1)	■ Wotonga 132kV connection Substation
Northern Queensland	■ Collinsville Proserpine 132kV transmission line replacement	

Biosecurity management

Powerlink works with landholders and councils to develop effective strategies to manage specific weeds and minimise their spread in accordance with the relevant legislation.

Our approach to biosecurity is captured in protocols that have been developed in consultation with landholders and stakeholders. Our new Biosecurity Access Protocol, developed with input from industry and the Queensland Weed Society, outlines appropriate strategies to identify weeds and prevent their spread. The protocol implementation has focused on activities that occur in the early phase of a project, which include field surveys and investigations, and landholder consultation.

Our new Land Access Protocol outlines Powerlink's commitments on biosecurity matters to landholders alongside other land access matters. To meet the specific requirements of the North West Surat Basin, we are engaging with relevant landholders and stakeholders to develop regionally-specific biosecurity protocols.

Powerlink continues to work with industry, stakeholders and government to ensure practices associated with biosecurity matters continue to improve and deliver tangible risk management outcomes.

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 are recognised as a significant landholding interest.

As we progress Powerlink's projects in the North West Surat Basin, we have developed positive and constructive relationships with the three Traditional Owner groups in the areas relevant to our projects – the Barunggam, Iman, and Mandandanji People. Powerlink has entered into whole-of-claim Cultural Heritage Management Agreements with each of these groups. This demonstrates our commitment to appropriately managing cultural heritage in all phases of our projects and working cooperatively with the relevant Traditional Owner group to reach mutually agreeable outcomes. The Traditional Owner groups take opportunities to present inductions to the construction workforce on topics including the value of cultural heritage and their expectations.

Koala offsets program

Powerlink engages with government to ensure our ongoing compliance with Koala Offset requirements.

The Koala Habitat Conservation Project, delivered in partnership with Ipswich City Council and SEQ Catchments, will establish and maintain 20 hectares of koala food and shelter trees in the Grandchester Conservation Estate and has delivered land management workshops for landholders in the Bremer region.

The project assists Powerlink to meet its obligations to offset impacts on koala habitat and other biodiversity values which occur as a result of our activities to build transmission infrastructure in South East Queensland.

In December 2013 the state regulator, the Department of Environment and Heritage Protection, confirmed Powerlink was compliant in its delivery of environmental offsets for the impacts associated with projects in South East Queensland during the 2012/13 reporting period.

Strategic partnerships

The GreenWorks program, which concluded in December 2013, was delivered in Southern Queensland through a partnership between the Lockyer Valley, Somerset, South Burnett and Toowoomba Regional Councils, Ipswich City Council, and Powerlink. The program delivered 14 worthwhile environmental projects, developed community spirit, and founded a legacy of environmental awareness and education.

Powerlink continued its partnership with the Bulimba Creek Catchment Coordinating Committee (B4C), a community landcare and catchment group working to protect and enhance the natural environment in Bulimba Creek in Brisbane. The opening of the B4C Sustainability Office on Powerlink-owned land marked a milestone in the relationship that has included a number of on-ground projects over the past decade.

A select number of sponsorships were undertaken in the fields of community, education, environment and industry. A review of Powerlink's broader approach to community investment and sponsorships is under way to ensure closer alignment with the business strategy.

Electric and Magnetic Fields

Powerlink keeps abreast of issues that are important to landholders, which includes 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 applies an approach of 'prudent avoidance' in siting new transmission lines. This means seeking to locate new transmission line easements away from houses, schools and other buildings, where it is practical to do so and the added cost is modest.

Powerlink carries out EMF readings at the request of landholders. 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.

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 includes 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 2013/14.

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 Board

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 2013/14 are set out in the Directors' Report.

The table below sets out the balance and tenure of Board members at Powerlink.

Board Balance	*Board Tenure*		*Board Diversity*	
1 Non-Executive Chairman	0-2 years	2	Male	40%
4 Non-Executive Directors	2-4 years	1	Female	60%
	4-10 years	2		

All Directors, including the Chairman, are independent, non-executive Directors appointed by the Governor in Council in accordance with the *GOC Act*

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 publically 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.

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 2014, were:

- The Honourable Tim Nicholls MP, Treasurer and Minister for Trade, holding 50 percent 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 per cent 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 Statement of Corporate Intent (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 2013/14, 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
- performance and workplace relations.

Chief Executive

Executive Team

Executive Committees

- Executive Committee for Environment
- Executive Committee for Security
- Executive Committee for Corporate Emergency Response
- Executive Committee for Health And Safety

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 2014, the Board comprised five independent non-executive Directors. All Directors are appointed by the Governor in Council in accordance with the *GOC Act*. There was one change to Powerlink's Directors with one Director's term (Christina Sutherland) finishing in September 2013.

Details of the skills and experience of each current Director are presented separately in the Corporate Governance section of this Annual Report. The table below provides an overview of the significant strengths of the current Directors.

Directors' significant strengths	
Stephen Rochester	
■ Financial and treasury ■ Commercial and contracts ■ Government relations	■ Business strategy development ■ Corporate governance ■ Risk management
Ken Howard	
■ Commercial ■ Industry knowledge ■ Resource sector	■ Corporate governance ■ Risk management ■ Finance and audit
Julie Beeby	
■ Resource sector ■ Commercial ■ Industry knowledge ■ Work, health and safety	■ Corporate governance ■ Risk management ■ Environmental management ■ Business strategy development
Anne Barclay	
■ People and culture ■ Industrial Relations ■ Change management	■ Government relations ■ Business strategy development
Julie Martin	
■ Electrical engineering	■ Industry knowledge

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.

In addition to business operational and performance matters, the Board specifically considers at each meeting key strategic issues relevant to the business including safety, environment, operational performance, stakeholder engagement, and corporate governance.

In addition to Board meetings, the Board held two workshops, including a Strategic and Operational Risk workshop and a Strategic Planning workshop. The Board conducted a site visit to the Mackay region as part of its program to develop a better understanding of the business and meet with key stakeholders. 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 2013/14 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, at least every two years. The membership of both committees consists of non-executive Directors. Details of committee members at 30 June 14, number of meetings during the year and attendance are presented in the Directors' Report.

Audit, Risk and Compliance Committee	
Chairman	Mr Ken Howard
Members	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 and Mr Stephen Rochester

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 Statement of Corporate Intent (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.

An Executive 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. Work, health and safety reports are presented to the People, Culture and Remuneration Committee through the Chief Executive.

The Executive Committee for Health and Safety 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 Executive Committee for Environment develops appropriate strategic responses to environmental issues, as well as ensuring compliance with Powerlink policies and relevant environmental legislation.

The Executive Committee for Security 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 Executive Committee for Corporate Emergency Response 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 terminates on 27 November 2014. 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 Ministers' directions

There were two shareholding Ministers' directions in 2013/14:

- Revocation of the Application of the State Procurement Policy; and
- Powerlink Hybrid Market Sounding Section 158 Direction.

Corporate entertainment and hospitality

The *GOC Corporate Entertainment and Hospitality Guidelines* establish reporting requirements for GOCs. Powerlink's corporate entertainment and hospitality expenditure for 2013/14 totalled $9,308. 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 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 more than 25 years and her career has included work for several major Australian and US resources companies, including recently as 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 has also held non-executive director positions with Forge Group Ltd and Gloucester Coal Ltd. Most recently Julie was appointed a member of the Queensland Government's ResourcesQ Partnership Group.

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

Ken Howard

CFA, LLB, BEcon, GAICD

Board Member
(Appointed 2007)

Ken has more than 18 years' experience in the financial services sector principally as a stockbroker and financial planner, and has a keen interest in regulated utilities and corporate governance. Ken works at Morgans as a Private Client Advisor and his responsibilities include being the Responsible Executive (ASX) and the Responsible Manager (Australian Financial Services Licence) for the Morgans Brisbane dealing room. Ken is also a member of the Morgans compliance committee.

Ken is the Chair of the CFA (Chartered Financial Analyst) Australia Brisbane Chapter. From 1991 to 1998 Ken was an Infantry Officer in the Australian Army Reserve. Prior to joining the Powerlink Board of Directors Ken was a Director of Energex Retail.

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

Julie Martin

BE (Hons), MIEAust, GAICD

Board Member
(Appointed 2011)

Julie Martin has 18 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 HV Power Package Manager with Thiess responsible for the delivery of the high voltage traction substations to support the supply of the new Moreton Bay Rail Link.

Previously, Julie was the Senior Project Electrical Engineer for the QCLNG Upstream projects, primarily responsible for the delivery of QGC's high voltage distribution network.

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 member of the Powerlink Board's Audit, Risk and Compliance 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 finance, treasury, business planning, investment analysis, internal audit, legal and risk services, contract procurement, business processes improvement, corporate IT strategy and project delivery, 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

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 15 years.

Greg Rice

B Tech (Elec), FIEAust, GAICD

Executive Manager Infrastructure Delivery and Technical Services

Greg manages the division responsible for the delivery of Powerlink's network capital works program, operational works where design and/or technical investigations are required, and provision of specialist technical advice.

Greg has more than 30 years' experience in the electricity sector covering generation, retail, transmission and distribution in both public and private sectors, and at senior and executive management levels.

Julia Smith

B App Sc, BBus, GCCM, GAICD

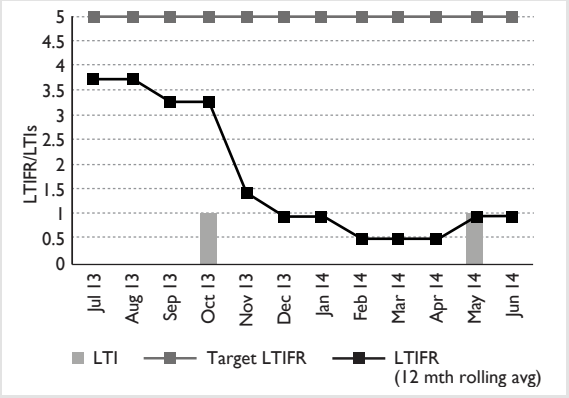
Executive Manager People and Culture

Julia has responsibility for the development of effective frameworks and systems for employee relations, occupational health and safety, electrical safety, organisational capability and culture (including organisational development, leadership development and talent management), safety training delivery and coordination, and delivery of human resources systems and services.

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

Statistical summary[1]

Lost Time Injury Frequency Rate (LTIFR)



A Lost Time Injury (LTI) is a work injury that resulted in time lost from work of one full shift or more (injuries that occur on journeys to/from work or during recess breaks are excluded). The Lost Time Injury Frequency Rate (LTIFR) is expressed as the number of LTIs per million hours worked.

Transmission lines and underground cables
Added in 2013/14

Voltage	Transmission Line		Underground Cable	
	Route km	Circuit km	Route km	Circuit km
330kV	0	0	0	0
275kV	171	342	0	0
132kV	22	45	0	0
110kV	0	0	0	0
66kV	0	0	0	0
Total	**193**	**387**	**0**	**0**

Capacitor bank, shunt reactors and Static VAr Compensators
Added in 2013/14

Voltage	Capacitor Banks		Reactors		SVCs		Location
	Total	MVAr	Total	MVAr	Total	MVAr	
330kV	0		0		0		
275kV	0		2	70	0		Nebo, Chalumbin
132kV	5	270	0		0		Collinsville North, Dysart, Dysart, Newlands, Moranbah
110kV	0		0		0		
Total	**5**	**270**	**2**	**70**	**0**	**0**	

Substations/switching stations and transformers
Added in 2013/14

Voltage	Substations		Transformers		
	Total number	Location	Total number	Total Rating (MVA)	Location
330kV	0		0		
275kV	2	Orana, Columboola	2	750	Columboola
132kV	1	Condabri South	0		
110kV	0		0		
Total	**3**		**2**	**750**	

Circuit breakers
Added in 2013/14

Voltage	Circuit Breakers	Location
330kV	0	
275kV	26	Tarong, Calvale, Columboola, Orana, Western Downs
132kV	11	Condabri South, Collinsville North
110kV	6	Loganlea
66kV*	0	
Total	**43**	

* Equal to or less than 66kV

[1] Tables with added information only include new assets – they exclude reinvestments and decommissioned assets.

*Energy output and delivery**

2013/14	2012/13	2011/12	2010/11	2009/10
Energy flowing into the grid (GWh)				
46,912	47,690	47,987	48,020	49,593
Energy delivered to customers (GWh)*				
45,169	45,650	45,394	45,240	46,745
Peak maximum demand (MW)				
8,365	8,453	8,707	8,836	8,891

* Embedded scheduled generation output is not included.

Substations/switching stations and communication sites
As at 30 June 2014

Voltage	Substations	Cable Transition	Communication**
330kV	4		
275kV	42	3*	
132kV	71	3	
110kV	15	3	
66kV		1	
Total	**132**	**10**	**93**

* Two of these cable transition sites are energised at 110kV
** A communication site may be owned by Powerlink or Powerlink may have a significant communications presence at a third party site.

Circuit breakers
As at 30 June 2014

Voltage	Total Number^^
330kV	31
275kV	486
132kV	516
110kV	276
66kV*	26
Total	**1,335**

* Equal to or less than 66kV
^ During 2013/14 a number of 275kV, 132kV, 110kV and 66kV circuit breakers were decommissioned.

Capacitor bank, shunt reactors and Static VAr Compensators
As at 30 June 2014

Voltage	Capacitor Banks		Reactors		SVCs	
	Total	MVAr	Total	MVAr	Total	MVAr
330kV	3	440	4	144		
275kV	28	3,880	17**	746	8	2,510
132kV	31^	1,455.5			14	1,681
110kV	33	1,800.2				
66kV*	5	96	3^^	66.4		
Total	**100**	**7,671.7**	**24**	**956.4**	**22**	**4,191**

* Equal to or less than 66kV
** One 275kV reactor decommissioned
^ One 132kV capacitor bank decommissioned
^^ Two 66kV reactors decommissioned

Five-year history of transmission lines and underground cables
As at 30 June 2014

Voltage^	2010		2011		2012		2013		2014	
	Route km	Circuit km	Route km	Circuit km	Route km	Circuit km	Route km	Circuit km	Route km	Circuit km
Transmission Lines										
330kV	348	696	348	696	348	696	348	696	348	696
275kV	5,819	8,037	5,990	8,387	6,032	8,458	6,293	8,981	6,512	9,419
132kV	2,769	4,405	2,796	4,468	2,785	4,364	2,820	4,521	2,841	4,564
110kV	238	416	238	416	238	416	222	420	215	413
66kV*	4	4	4	4	4	4	4	4	4	4
Total Lines	**9,178**	**13,558**	**9,376**	**13,971**	**9,407**	**13,938**	**9,687**	**14,622**	**9,920**	**15,096**
Underground Cables										
275kV	10	10	10	10	10	10	10	10	10	10
132kV	4	4	4	4	4	4	4	4	4	4
110kV	8	8	8	8	8	8	8	8	8	8
66kV*	1	1	1	1	1	1	1	1	1	1
Total Cables	**23**	**23**	**23**	**23**	**23**	**23**	**23**	**23**	**23**	**23**
Total Lines & Cables	**9,201**	**13,581**	**9,399**	**13,994**	**9,430**	**13,961**	**9,710**	**14,645**	**9,943**	**15,119**

* Equal to or less than 66kV
^ As constructed voltages

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