

# ASSET ETSA UTILITIES

ETSA Utilities



ETSA UTILITIES IS THE MONOPOLY OPERATOR OF SOUTH AUSTRALIA'S ELECTRICITY DISTRIBUTION NETWORK, SUPPLYING ABOUT 803,000 RESIDENTIAL AND BUSINESS CUSTOMERS IN ALL REGIONS AND THE MAJOR POPULATION CENTRES, INCLUDING THE CAPITAL CITY, ADELAIDE. DESPITE THE CHALLENGE OF MANAGING AN EXTENSIVE NETWORK IN DIFFICULT TERRAIN AND CHALLENGING WEATHER CONDITIONS, THE ETSA UTILITIES NETWORK IS ONE OF THE MOST RELIABLE IN AUSTRALIA, WITH 99.97% NETWORK AVAILABILITY.

ETSA UTILITIES OPERATES ITS DISTRIBUTION NETWORK UNDER A 200 YEAR LEASE FROM THE SOUTH AUSTRALIAN GOVERNMENT, WHICH COMMENCED IN JANUARY 2000. THE BUSINESS'S CORE ACTIVITIES ARE REGULATED BY THE ESSENTIAL SERVICES COMMISSION OF SOUTH AUSTRALIA, HOWEVER, ITS NEXT PRICE RESET DUE IN 2010 WILL BE CARRIED OUT BY THE AUSTRALIAN ENERGY REGULATOR.

The past year has again been a very successful one of balanced performance for ETSA Utilities, with the achievement of key financial and non-financial targets. Strong economic and customer connections activity has contributed to particularly strong profit outcomes and it has also exceeded its reliability and other customer service targets.

In 2008, the business continued to enjoy growth in customer numbers and volume usage in its electricity distribution network, and its role as a leading provider of unregulated business services to companies in the energy and resources sectors has continued to flourish. In 2009, the Australian Energy Regulator will consider ETSA Utilities' final proposal for the 2010-15 Regulatory period. The submission reflects the need for significant increases in network infrastructure work to safeguard the efficiency and reliability of the South Australian distribution system and to provide for future growth.

**TOTAL REVENUE**  
**5.6%**  
**ABOVE 2007**

#### **ELECTRICITY DISTRIBUTION NETWORK**

ETSA Utilities continues to grow its regulated revenue through growth in customer numbers. Customer numbers have grown from 792,792 in 2007 to 803,251. Volume of sales has grown marginally, by 0.7% from the previous year to 11,379 GWh. This consists of underlying sales growth of 1.1% and a negative weather impact of -0.4%. Adelaide experienced the most severe heatwave recorded for an Australian capital city, up to that time, in March 2008. Good network and customer service performance throughout this challenging weather event were widely recognised by the public and key stakeholders.

More recently, amidst the extreme high temperatures experienced in January and February 2009, the network was forced to implement a load shedding program on direction from the national market operator. ETSA Utilities continued to perform very well under these trying conditions due in large part to the competence and dedication of its employees.

**99.97%**  
**NETWORK AVAILABILITY RATING**

Total regulated electricity distribution revenue for 2008 (net of transmission charges) was \$511.6 million, an increase of 4.3% from 2007, primarily due to tariff increases.

Capital expenditure on network infrastructure is a key indicator of future revenues and network growth. In 2008, net capital expenditure totalled \$153.4 million, an increase of 16.7% over the \$131.4 million invested in 2007.

#### **NON-PREScribed BUSINESS ACTIVITY**

ETSA Utilities has built a strong reputation as a provider of electricity infrastructure construction, operation and maintenance services, and has built on its performance in 2007 by strengthening its relationships with its existing customers. In 2008, revenue from non-prescribed business activities, excluding customer contributions, was \$173.2 million.

Underpinning a substantial portion of ETSA Utilities' unregulated business are two separate agreements with ElectraNet, South Australia's sole electricity transmission company. The first is for the provision of capital construction and network upgrade work, worth \$125 million over five years, and the other is to provide maintenance services worth \$60 million over five years. These contracts commenced in 2006.

In addition, ETSA Utilities holds a State Government contract to manage the off-grid electricity networks for three Aboriginal lands which comprise around 20% of the State's geographic area. The contract runs to 2011.

**EBITDA**  
**6.8%**  
**ABOVE 2007**

The demand for ETSA Utilities' services from the resources sector also continued to grow. The successful completion of contracts such as the Oxiana Prominent Hill contract in 2008

(with revenue valued in excess of \$90 million) may provide the impetus for securing further contracts in 2009.

#### **PEOPLE AND COMMUNITIES**

To ensure ETSA Utilities continues to service its business requirements in its regulated and unregulated areas, the workforce has grown from 1,685 employees in 2007 to 1,781 employees in 2008. Meeting the growing demand for skilled workers remains a key challenge for the business and one of the key strategies for meeting these needs is to continue investing in apprentices. In 2008, ETSA Utilities employed 53 new apprentices and 2009 will see an additional 54 apprenticeships which will take apprentice numbers to over 190.

ETSA Utilities' retention and development strategies continue to sustain a low rate of workforce turnover. The development of a new Technical Training Centre at Davenport (near Port Augusta) is a major initiative. The facility will complement the Adelaide training centre and provide apprentice and refresher training for the northern based workforce. It will also provide training opportunities in the electrical field for local Year 11-12 students, increase trade training opportunities for Aboriginal people, and improve services in the northern part of South Australia. The Training Centre will be opened in May 2009.

In terms of safety, ETSA Utilities recorded solid lost time injury and medical treatment injury outcomes, and also received the major award from SafeWork SA for the Best Safety Management System in the State.



**LEW OWENS**  
CEO, ETSA Utilities

# ASSET CHEDHA HOLDINGS

ELECTRICITY NETWORKS



THE CITIPOWER AND POWERCOR NETWORKS ARE MANAGED BY A JOINT MANAGEMENT TEAM AND WORKFORCE. THE COMBINED MANAGEMENT HAS FACILITATED THE REALISATION OF CROSS-BUSINESS SYNERGIES AND INTEGRATION BENEFITS, AND THE CONTINUAL IMPROVEMENT OF BUSINESS DELIVERY SYSTEMS AND PROCESSES. THEIR STRATEGY IS TO MAINTAIN A FOCUS ON THE CORE BUSINESS OF ELECTRICITY DISTRIBUTION, TO TARGET NETWORK INVESTMENTS SO AS TO CONSISTENTLY OUTPERFORM REGULATORY TARGETS, AND TO ACHIEVE PROFITABLE GROWTH IN UNREGULATED MARKETS.

**CITIPOWER OWNS AND OPERATES THE DISTRIBUTION NETWORK THAT SUPPLIES ELECTRICITY TO AROUND 302,000 CUSTOMERS IN MELBOURNE'S CBD AND INNER SUBURBS. THESE CUSTOMERS INCLUDE SOME OF AUSTRALIA'S LARGEST COMPANIES, PUBLIC TRANSPORT SYSTEMS AND SPORTING VENUES. IT IS RECOGNISED AS THE MOST RELIABLE ELECTRICITY DISTRIBUTION BUSINESS IN AUSTRALIA WITH A RELIABILITY RATING OF 99.99% NETWORK AVAILABILITY.**

CitiPower has succeeded in maintaining its excellent reputation among customers and regulators in 2008. Along with its sister company Powercor, it was recognised for its strong performances across a range of measures in the comparative report on the State's five electricity distributors released by the Essential Services Commission (ESC) in October.

CitiPower's total distribution revenue was \$206.5 million, excluding pass-through transmission revenue. Sales volume rose to 6,099 GWh from 6,079 GWh for 2007. Of this 0.4% increase, approximately 0.5% was due to favourable weather conditions and approximately -0.1% was due to a slight decrease in underlying sales.

Customer numbers across the CitiPower network continued to increase during the year, to 301,771 at the end of 2008 from 299,342 the previous year, in turn leading to growth in overall consumption.

**99.99%**  
**NETWORK**  
**AVAILABILITY RATING**

**POWERCOR IS THE LARGEST DISTRIBUTOR OF ELECTRICITY IN VICTORIA, OWNING AND OPERATING A NETWORK THAT SERVES AROUND 684,000 CUSTOMERS IN CENTRAL AND WESTERN VICTORIA AND THE WESTERN SUBURBS OF MELBOURNE. THESE CUSTOMERS REPRESENT AN ESTIMATED 27% OF VICTORIA'S ENERGY USERS, 24% OF THE STATE'S MANUFACTURING SECTOR AND 65% OF THE STATE'S AGRICULTURAL SECTOR. POWERCOR POSSESSES ONE OF THE HIGHEST RELIABILITY RATINGS FOR ELECTRICITY DISTRIBUTION NETWORKS IN AUSTRALIA AT 99.97% NETWORK AVAILABILITY.**

Powercor again bettered the targets set by Victoria's energy regulator, the ESC for network reliability in 2008. The network implemented an escalation and communications plan during severe State-wide storms in April 2008, which led to positive comments from a government enquiry into the management of key services during widespread emergencies.

For the second successive year, Powercor was the only Victorian electricity business to achieve a complete "green light" health rating from the ESC. The rating, which encompasses a number of performance measures, was released in conjunction with the Commission's comparative performance report for 2007. The report revealed a slight increase in the number and duration of power outages across the State due

to factors beyond the company's control such as bushfires and the effects of major storms.

In January and February 2009, the CitiPower and Powercor networks were forced to implement load shedding due to factors beyond their control associated with extreme high temperatures. Like ETSU Utilities in South Australia, they also continued to perform extremely well thanks to the skill and commitment of their employees.

In February 2009 Victoria suffered the worst bushfires in Australia's history. This occurred in the midst of extreme high temperature and wind conditions. While CitiPower and Powercor's networks were not significantly affected by the fires, the asset businesses dispatched maintenance

crews to assist with the repair of electricity infrastructure in neighbouring areas.

Total distribution revenue for the Powercor network was \$409.8 million, excluding pass-through transmission revenue. Electricity sales volume for Powercor was 10,510 GWh up from 10,299 GWh in 2007. This represents an increase of 2.1% during the year of which approximately 0.8% was due to favourable weather conditions and approximately 1.6% was due to an increase in underlying sales.

Customer numbers across the Powercor network increased during the year to 683,610 from 673,496 at the end of 2007. The network reached a new record peak demand in March of 2,207.0MW.

**TOTAL REVENUE**  
**4.4%**  
**ABOVE 2007**

**EBITDA**  
**2.3%**  
**ABOVE 2007**

**99.97%**  
**NETWORK**  
**AVAILABILITY RATING**

# CHEDHA HOLDINGS CONTINUED

## CUSTOMER SERVICES

CitiPower and its sister company Powercor celebrated in October 2008 the milestone of one million connected customers, linking the occasion with International Customer Service Week. Internal events and external promotion activities affirmed the business's commitment to the provision of customer service and cemented their reputation as a strong and stable essential service provider.

CitiPower and Powercor were successful in winning five awards at the 2008 Australian Service Excellence Awards conducted by the Customer Service Institute of Australia (CSIA). The categories won included Large Business (State Award), Customer Charter (State and National awards) and Customer Service Executive of the Year. These awards recognise our significant and sustained Powerful Customer Service campaigns undertaken over a number of years. CitiPower and Powercor also participate in the CSIA's annual accreditation program for compliance with the International Customer Service Standard.

CitiPower and Powercor's monthly mass market customer satisfaction surveys continue to illustrate strong performance, with a 2008 overall result of 81% satisfaction rating exceeding the target of 80%. CitiPower and Powercor's retailer satisfaction result came in at 89% against a target of 80% whilst the Major Customer result was 86% against a target of 78%. The success this year has been attributed to a series of focused campaigns that have developed improvement plans to raise satisfaction levels for each customer segment.

The Energy and Water Ombudsman (Victoria) in its 2007/2008 annual report highlighted that CitiPower and Powercor were the only distribution businesses to achieve a reduction in complaints received compared with the previous year.

## NON-PRESCRIBED BUSINESS ACTIVITY

In addition to its regulated distribution revenues, Powercor derives additional non-distribution and non-regulated revenue from other sources, including the provision of public lighting, meter data, connection services, and of back office and engineering and construction services to external clients.

The Powercor Network Services business unit enjoyed steady returns in the unregulated market in 2008, consolidating on a recent period of rapid growth. Its entry in to the Queensland market has also produced some revenue stream potential.



**SHANE BREHENY**  
CEO, CitiPower and Powercor