Essential Energy

Empowering every moment

ESSENTIAL ENERGY
ANNUAL REPORT 2023–24

Delivering safe and reliable electricity for regional communities is at the core of what we do, and as the energy industry transitions to more renewable energy generation, we are transforming too.

Essential Energy's Annual Report details financial, operational and safety performance for the 2023-24 financial year and has been approved by the Board of Directors. The contents of this report comply with the:

- *State Owned Corporations Act 1989*
- *Government Sector Finance Act 2018.*

The financial statements within this document have been audited by the Audit Office of New South Wales.
The Independent Auditor's certified report is on page 75.

Chief Corporate Affairs Officer
Essential Energy
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31 October 2024

The Hon. Daniel Mookhey, MLC
Treasurer
52 Martin Place
Sydney NSW 2000

The Hon. Courtney Houssos, MLC
Minister for Finance
52 Martin Place
Sydney NSW 2000

Dear Ministers

Submission of Annual Report for the financial year ended 30 June 2024

We are pleased to submit Essential Energy's Annual Report outlining financial, operational and safety performance for the year ended 30 June 2024.

This report has been prepared in accordance with the *Government Sector Finance Act 2018* (NSW) and the *State Owned Corporations Act 1989* (NSW). It is submitted for tabling in the New South Wales Parliament.

A copy will be sent to the Premier of New South Wales; the Minister for Climate Change, Energy, the Environment, and Heritage; the Minister for Water; the Auditor-General; and other significant stakeholders.

Once tabled, the report will be made available on our website – essentialenergy.com.au

Yours sincerely,

Doug Halley
Chair

John Cleland
Chief Executive Officer

Contents

Overview

Essential Energy's electricity distribution network covers 95 per cent of New South Wales. We are engaging with the energy transition, building the network of the future, and continuing to deliver safe and reliable power.

HIGHLIGHTS

48
First Nations upon whose land we live and work

890,000
electricity customers

96
depots in regional communities

10,500
water customers

Message from the Chair and Chief Executive Officer

The momentum of the energy transition is building in Australia and around the world. Essential Energy is playing a leading role in this transition, embracing innovation to build the network of the future and encouraging our customers, communities and stakeholders to join us on this journey.

Leading the energy transition

Essential Energy's Corporate Strategy sets a clear direction for how we best contribute to the energy transition. The Strategy upholds safety, reliability and affordability as our customer commitments while recognising the growing role of the electricity distribution network in the transition to a lower carbon world. The Strategy was expanded during 2023–24 to acknowledge the digital transition's role in our ability to meet the needs of the communities we serve.

Through our Strategy, we are building capabilities and enhancing network insights to strengthen our core business capabilities and enable the network. Business process and system initiatives are streamlining and enhancing our network management and administrative functions. Our new Enterprise Asset Management (EAM) solution, launched in May 2024, strengthens how we track and analyse electricity network asset data to support strategic and operational decisions.

Innovations in Consumer Energy Resources (CER) (including rooftop solar and batteries) are providing locally-generated energy when communities need it, driving connections and load across the network and enhancing its resilience. During the year, we installed our first two pole-mounted batteries, in Clarence Town, to help mitigate local network issues and enable increased exports from CER.

We plan to deploy 35 pole-mounted community batteries as a trial with Origin Energy, with the first of these installed in Wagga Wagga during June 2024.

We hosted Future Energy Roadshows throughout regional New South Wales (NSW) during 2023–24, with support from Charles Sturt University and Business NSW, to engage with our customers and communities about the energy transition. The events provided information about renewable generation and innovations, as well as potential economic benefits for regional communities.

Key to these opportunities is the potential to connect more large-scale renewable generation to Essential Energy's existing distribution network. The 57 large-scale systems already connected have a combined capacity of 1.54GW. More than 3,000GWh was delivered to the Essential Energy network by these systems in 2023-24. This generation served more than 23 per cent of total Essential Energy network load during the year. Essential Energy's network includes approximately 10,000km of sub-transmission powerlines, with capacity to host more than 8GW of new large-scale renewable generation and storage, while reducing the need for new infrastructure. We are working with regulators, renewable generation developers and other industry stakeholders to optimise the use of the Essential Energy network – to help streamline the energy transition and benefit regional communities and Australia.

Essential Energy continued to support electric vehicle (EV) adoption by trialling innovative solutions for charging infrastructure across our network area. Working with key suppliers, during the year we installed the first electricity pole-mounted EV charging point on our network and developed and trialled a fully integrated streetlight pole-mounted EV charger. These technologies use existing infrastructure and electricity supply to provide convenient charging options for all EV owners. These projects are helping us refine our charging point connection and installation practices to support increasing connections.

Providing communities with access to safe and reliable power during extreme weather events remains a focus. In May 2024, we secured Australian Government funding for six portable Stand Alone Power Systems (SAPS) to support vital telecommunications infrastructure during extreme weather events, as well as improvements at 12 network locations vulnerable to flooding and bushfires. To improve the resilience of our network, we installed more than 30 fire-resistant composite poles in South Durras and committed to replacing more than 11,000 timber poles with composite poles over the next five years.

Safe, inclusive and engaged workforce

Safety remains a core value so that our employees, contractors, customers and communities can return home safely each day. Our 2023–24 safety performance was mixed. No Major Lost Time Injuries (LTIs) were recorded. However, the Serious Claim Frequency Rate (SCFR), Total Recordable Injury Frequency Rate (TRIFR) and High Potential Incidents Frequency Rate (HPIFR) all increased compared with the previous year. Near miss incident reporting increased slightly, typical of a mature safety culture. Our Health and Safety Strategy will continue to advance our safety focus in the year ahead.

2023–24 HIGHLIGHTS

23%

of total Essential Energy network load was met by large-scale renewables connected to the Essential Energy network

1st

pole-mounted batteries installed on the Essential Energy network

359

apprentices, trainees and graduates in our business

We are building an inclusive, diverse and growth-oriented workforce. Employees embraced our new future skills training program which is increasing capability for managing the energy transition's impacts on our network. We also welcomed 143 new apprentices, 20 trainees and 21 graduates to our business in early 2024, bringing the total number of people in these Early Talent Pathway roles to 359, as of 30 June 2024.

Broadening the diversity of our industry and workforce is a continued focus. Achievements this year included developing our first Accessibility and Inclusion Plan and delivering domestic and family violence information sessions for more than 1,200 employees.

At the Work180 Equitable Workplace Awards 2024, Essential Energy received the 'Pay Equity' award and the 'Mining, Resources and Energy' award. This was pleasing recognition of our progress towards gender balance and encouragement to continue our efforts.

We advanced our progress towards reconciliation, through career and business opportunities, cultural awareness and engagement with Aboriginal and Torres Strait Islander people, while also preparing our next Reconciliation Action Plan. Our new First Nations Engagement team is building meaningful relationships with First Nations communities in our network area and working to better understand the experiences of our First Nations customers.

Employee engagement levels increased this year, continuing the upward trend of recent years. The percentage of engaged employees rose to 45 per cent in 2024, up from 40 per cent in 2023 and 15 per cent in our first survey in 2018. We remain committed to listening to our people and improving as an organisation, to be a workplace we can all be proud of.

Customers and communities

Maintaining strong relationships with our communities is fundamental to our business. We continue to listen and learn directly from our customers through our Customer Advocacy Group and Essential People's Panel.

We supported local community organisations, donating more than $514,000 to community groups, stakeholders and charity organisations – combined contributions from Essential Energy and our employees. We particularly thank our employees for their continued generosity in support of our Essential Giving Program charities.

Intium

Intium, Essential Energy's new commercial subsidiary, progressed during the year toward establishing itself as a provider of innovative energy solutions to support Australia's transition to net zero. Securing Intium's first Preliminary Works Agreement – for the Forest Glen Solar Farm Connection Infrastructure project – was an exciting milestone. The project involves helping the customer to design, construct and operate electricity network connection infrastructure for a 90MW solar farm and future battery storage solution.

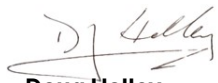
Revenue and financial performance

The Australian Energy Regulator (AER) approved our 2024-29 revenue allowances on 30 April 2024 in response to our Regulatory Proposal and Tariff Structure Statement. Developed after consultation with more than 400 customers and stakeholders, the Proposal outlines how we will operate and maintain the network along with proposed capital investments, and associated costs, over the five years from 1 July 2024. Under the approved proposal, we will continue to strive to keep customers' network charges as low as possible.

Essential Energy delivered sound financial performance for the year with earnings before interest, tax, depreciation and amortisation (EBITDA) coming in above the Statement of Corporate Intent target by $29.6 million. The net loss after tax of $46.2 million was unfavourable to target and was largely due to high depreciation, amortisation and impairment costs following revaluation of assets and the impairment of public lighting assets.

Total assets of Essential Energy increased by $284.7 million over the financial year, mainly driven by capital expenditure of $691.8 million which was $37.5 million more than target.

We sincerely thank all employees for their dedication and contributions during the year and thank our shareholders and stakeholders for their ongoing support. By working together, we can continue to lead the way in helping regional, rural and remote communities transition to the net zero economy.



Doug Halley
Chair

John Cleland
Chief Executive Officer

About Essential Energy

Essential Energy builds, operates and maintains one of Australia's largest electricity distribution networks, providing a vital service to more than 890,000 customers across regional, rural and remote communities.

Delivering safe and reliable electricity for communities is the core of what we do. We focus on employee, contractor and community safety, as well as the reliability, security and cost efficiency of the network. We keep our customers' network charges as low as possible while delivering an acceptable return on capital employed to our shareholders.

As the energy sector transitions to more renewable energy generation, we too are transforming. Through innovation and technology, we are actively providing benefits to our customers and communities by supporting the energy transition and enabling connections of renewable energy to the network. We are also training the workforce of tomorrow so our people can inspire and enable the network of the future.

The electricity poles and wires that line our streets and roads deliver the energy that powers the homes, hospitals, schools and businesses that form our communities. This vital infrastructure can also allow for communities to generate, share and store their own electricity.

Building the network of the future will empower communities to be a part of the transition and can drive economic growth in regional, rural and remote NSW.

The location of our network shapes our customer base and how we service them. We have about one-third the number of customers per kilometre of powerline compared with average customer density across the National Electricity Market, due to our network's geographic spread and absence of large urban areas. This means we use more poles and wires to reach each customer, which increases service costs. Sparsely populated networks also present unique logistical and economic challenges to achieve reliability and service quality targets.

Our values inform our decisions and guide the way we work, including how we treat our customers and each other. Each of our employees is enabled and encouraged to uphold our values: make safety your own; be easy to do business with; make every dollar count; be courageous, shape the future; and be inclusive, supportive and honest.

Essential Water, part of our Assets and Operations division, services approximately 18,000 people in Far West NSW. Secure water supply is delivered to approximately 10,500 customers in Broken Hill, Menindee, Silverton and Sunset Strip, as well as rural customers. Reliable sewerage services are provided to approximately 9,700 customers in Broken Hill. The Essential Water network includes dams, reservoirs, pumping stations, treatment plants and pipelines. For more information, see page 40.

Intium, a wholly owned commercial subsidiary of Essential Energy, was incorporated in January 2023, to provide innovative energy solutions that support Australia's transition to net zero. Intium focuses on business-to-business customers across Australia that need innovative energy solutions, including businesses pursuing emerging and complex energy services. For more information, see page 41.

Our network area covers 95 per cent of NSW and parts of southern Queensland, traversing 737,000 square kilometres of diverse landscape from the desert to the coast, and alpine to sub-tropical.

Vision, purpose, values and objectives

OUR VISION

Empowering communities to share and use energy for a better tomorrow

OUR PURPOSE

To enable energy solutions that improve life

OUR VALUES

Make safety your own

Be easy to do business with

Make every dollar count

Be courageous, shape the future

Be inclusive, supportive and honest

OUR BUSINESS OBJECTIVES

Continuous improvements in safety culture and performance

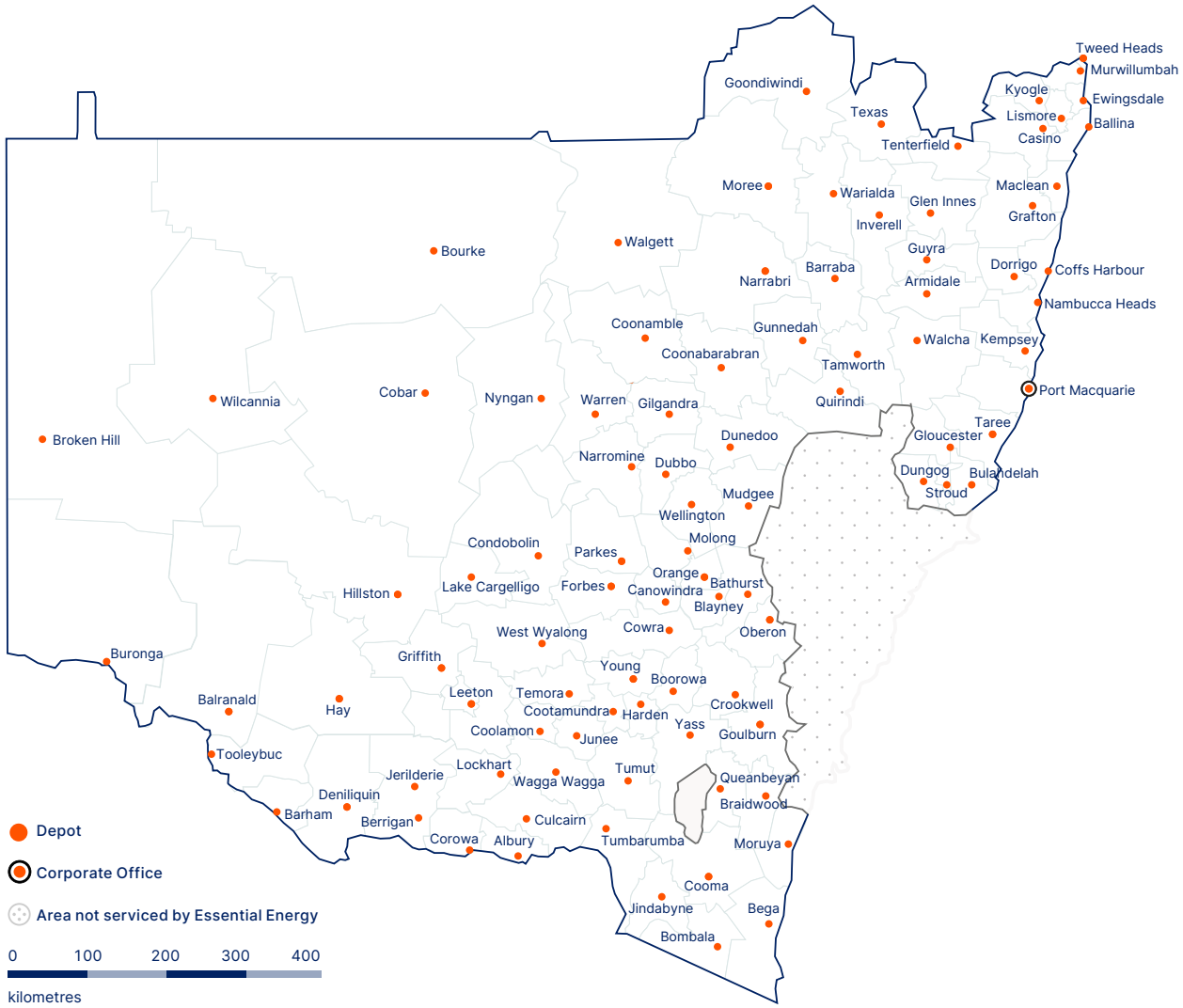
Operate at industry best practice for efficiency, delivering best value for customers

Deliver real reductions in customers' distribution network charges

Deliver a satisfactory return on capital employed

Reduce the environmental impact of Essential Energy where it is efficient to do so

Network area and key facts



KEY FACTS

890,000
electricity customers

4.6
electricity customers per km of powerline – the lowest customer density in the National Electricity Market

3,650
employees

359
apprentices, trainees and graduates

95%
of NSW and parts of southern Queensland

737,000km^2
network area

183,000km
of overhead powerlines

11,000km
of underground powerlines

162,000km
of overhead powerlines in designated bushfire zones

1,400,000
power poles

360
zone substations

Acknowledgement of Country

The lands on which we work and live is Country for 48 First Nations, from Wiljali Country on the plains of Far West NSW, to Ngarigo Country in the high Snowy Mountains and Bundjalung Country on the sub-tropical North Coast, and many more First Nations across the diverse landscape that is regional, rural and remote NSW and parts of southern Queensland.

We acknowledge the Traditional Custodians of the lands on which our organisation is located and where we conduct our business, and we acknowledge all Aboriginal and Torres Strait Islander peoples across Australia. We pay our respects to ancestors and Elders, past and present. We are committed to honouring Aboriginal and Torres Strait Islander peoples' unique cultural and spiritual relationships to the land, waters and seas and their rich contributions to society.

FIRST NATIONS AND OUR NETWORK AREA

48

First Nations

96

Depot Locations

For map notes and information sources see:

essentialenergy.com.au/acknowledgement

Reconciliation

Our reconciliation vision is that Aboriginal and Torres Strait Islander peoples across our network area can access opportunities equal to all Australians for education, employment and social participation. We envision a united Australia where First Nations cultures are understood and valued, diversity is celebrated, and everyone can be themselves.

We completed our first Innovate Reconciliation Action Plan (RAP) in November 2022. We have reflected on our achievements and lessons and are planning our second Innovate RAP.

Progress during 2023–24

We continued advancing our progress towards reconciliation while preparing our next RAP. This included providing First Nations people with career and business opportunities, growing cultural awareness within our organisation, as well as increasing engagement with First Nations communities and organisations.

Career opportunities

Twenty-eight Aboriginal and Torres Strait Islander apprentices or trainees joined our business in early 2024 and are being supported with culturally appropriate mentoring through the Barranggirra Mentoring Program.

Additionally, five undergraduate university students were supported through our Aboriginal and Torres Strait Islander Scholarships Program, with one past scholarship recipient joining our Graduate Program in 2024.

Four First Nations employees attended the Indigenous Leadership Summit, in November 2023 in Sydney, which focused on Indigenous employment and leadership across all business sectors.

Through partnerships with the Clontarf Foundation and Stars Foundation we continued to support opportunities for education, employment and advancement for young Aboriginal and Torres Strait Islander men and women.

During the year, we established a partnership with On-Country Pathways, an Indigenous owned and operated not-for-profit organisation based in Albury-Wodonga, delivering employment and career pathway programs for First Nations people aged 15 to 24.

Business opportunities

During 2023–24, we procured $6.38 million worth of goods and services from registered Aboriginal and Torres Strait Islander enterprises. This significant growth, compared to $1.29 million during 2022–23 and $709,000 during 2021–22, is due to increased procurement from Indigenous businesses and improved data capture to correctly identify these businesses within our pool of suppliers.

We also continued to partner with Supply Nation to identify further opportunities.

Cultural awareness

During the year, we updated the Essential Energy map, acknowledging the 48 First Nations upon whose land Essential Energy operates. The new map shows the location of Essential Energy's 96 depots in relation to First Nations Countries. It also includes First Nations that overlap with the network area, but do not host a depot. The previous map, published with our first RAP in 2020, acknowledged only the 29 First Nations upon whose land Essential Energy depots are located. The new map extends our understanding, supporting efforts to engage in meaningful ways with First Nations peoples.

National Reconciliation Week and NAIDOC Week were again celebrated during the year, to grow cultural awareness amongst employees and build and strengthen relationships with Aboriginal and Torres Strait Islander communities, partners and customers.

Acknowledgements of Country continue to be included in all major meetings, significant publications and on our website.

A cultural immersion experience for the Executive Leadership Team and Board members was held on Ngemba Country (Bourke), to further cultural learning and understanding.

The Cultural Protocols Policy was updated to include Sorry Business, to guide employees who may need to engage with Aboriginal and Torres Strait Islander customers and community members during culturally sensitive times.

Engagement

During the year, we established a First Nations Engagement team, to help us build meaningful relationships with First Nations communities and cultural authorities and to better understand the challenges and opportunities faced by our First Nations customers. The team has led and guided engagements with Local Aboriginal Land Councils, regional assemblies and community stakeholders on topics including energy transition equity and electricity education for customers.

We also participated in the Minderoo First Nations Employment Index, a comprehensive national snapshot of First Nations workplace representation, practices and employee experiences.

Strategy

Through our Corporate Strategy we are engaging with the energy transition to empower regional communities to share and use energy for a better tomorrow.

2023–24 HIGHLIGHTS

New

Enterprise Asset Management solution implemented

185MW

new renewable generation capacity connected to the network, from 11 new large-scale facilities

1st

pole-mounted batteries installed on the Essential Energy network

Intium

first Preliminary Works Agreement secured

Corporate Strategy

CHANGE DRIVERS

Pace of the energy transition

Australia needs to rapidly decarbonise homes, electricity, transport and industry to achieve net zero targets. The energy industry is evolving to a more decentralised and dynamic system.

Customer expectations

Customers are increasingly more proactive participants in the energy sector, producing large amounts of energy through their consumer energy resources (CER), including rooftop solar and batteries, and demanding affordability and flexibility in how they use the network and their CER.

New technologies

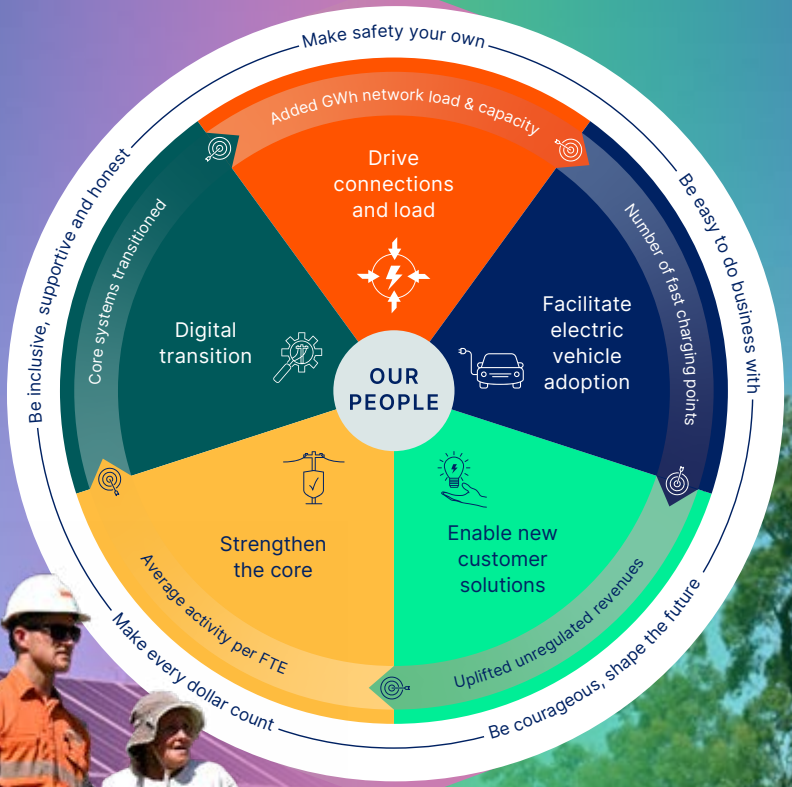
Increasingly affordable new technologies are changing the energy industry, enabling flexibility in how electricity networks are managed for safety, reliability and affordability.

New digital platforms

Increased digitalisation is required to effectively manage the more decentralised and dynamic energy system. Smart meters and digital systems are driving new insights, services and more efficient methods.

STRATEGIC RESPONSES

By applying our values, our people are implementing our five strategic pillars, and empowering communities to share and use energy for a better tomorrow.



BENEFITS

Customers and communities

Affordability – a more efficient, highly used network results in more affordable electricity prices for customers.

Greater value – from more flexibility in how customers can use their CER.

New and improved services – including electric vehicle (EV) charging infrastructure, improved network resilience in the face of climate change, community batteries, and improved customer experiences.

Regional development – enabled by increased amounts of renewable energy generation and storage in regional areas.

Our electricity distribution network

Facilitating the energy transition – by using the existing network, in new ways, to connect more generation, load and CER to support decarbonisation of regional and rural NSW.

Cost efficiencies – through improvements in how asset management decisions are made, and field and corporate operations are performed.

Safety advancements – from digital systems improving safety outcomes through ongoing monitoring, assessment and analysis.

Energy market and industry

New solutions, technologies and ways of working – through innovation and industry collaboration.

Environment

Reduced environmental impacts – by helping NSW respond to climate change and achieve net zero targets, and by reducing the risk of bushfires starting from vegetation impacting the network during extreme weather events.

Shareholders

Increased value – from the electricity distribution network for regional NSW and the NSW Government.

Corporate Strategy progress

Our Corporate Strategy sets a clear direction for how we best contribute to the energy transition, navigating the rapidly changing environment while continuing to empower communities to share and use energy for a better tomorrow.

While safety, reliability and affordability remain our key customer commitments, we recognise the electricity system is evolving. As a distribution network provider, we have an important role to play in helping to lead the energy transition, enabling economic opportunities for regional and rural New South Wales (NSW). We are doing this by implementing our Corporate Strategy.

This year, we continued to refine our Strategy, with the Board and Executive Leadership Team (ELT) endorsing the addition of 'Pillar 5: Digital transition'. This new pillar consolidates the delivery of our planned investments in technology, digital resiliency and cyber security as part of our approved 2024–29 Regulatory Proposal, and ensures alignment with the broader Corporate Strategy.

The Corporate Strategy contains five pillars:

Pillar 1: Strengthen the core and enable the network – deliver new and improved business capabilities for the rapidly changing energy and technology industries, empowering our people with better network information and tools, to deliver for customers more effectively and safely.

Pillar 2: Drive connections and load – building a dynamic network that supports customer flexibility, enabling more connections and driving network resilience.

Pillar 3: Facilitate electric vehicle (EV) adoption – actively engaging and supporting customers as they switch to EVs.

Pillar 4: Enable smart energy communities and new customer solutions – expanding our commercial activities, products and services to support rural and regional NSW through the energy transition.

Pillar 5: Digital transition – digitally transform to meet the needs of the energy transition, empowering our people through new digital tools, secure systems and better information.

Pillar 1: Strengthen the core and enable the network

2023–24 HIGHLIGHTS

New

Enterprise Asset Management solution, for improved whole-of-life asset management

25,000

paper work instructions replaced by new digital depot tool

New

vegetation management solution, streamlining operations

Finding new ways to improve our core business is key to driving efficiencies in the way we work, to provide a safe and reliable supply of energy to our customers, as well as keeping network charges as low as possible. Through this pillar we are empowering our people and improving our core business by leveraging new tools, information and processes.

Enterprise Asset Management solution

Managing network assets safely, efficiently and reliably is the core function of Essential Energy. In May 2024, we successfully migrated to a new Enterprise Asset Management (EAM) solution, replacing legacy systems with a cloud-based digital platform. The EAM solution strengthens our ability to track, monitor and analyse network asset data, to support strategic and operational decisions, including how often assets are inspected and when they should be replaced.

The solution provides the right systems, processes, data sources and ways of working to manage our assets over their entire lifecycle. It also provides higher quality and more granular data, along with improved integration with other systems. This significantly uplifts our capability so that we continue to meet our licence conditions, operate safely, and efficiently analyse the condition of the network.

Network assets digital twin

Our industry-leading approach to developing and using a digital twin of network assets, coupled with increased real-time data, continues to improve asset management capabilities.

The twin is an engineering-grade virtual replica of our physical electricity network. It uses artificial intelligence driven analytics to carry out large-scale analyses, to determine how the network will perform in real life. It provides insights that were not previously possible. In addition, the level of risk for individual assets is calculated using digital twin analytics, enabling future optimisation of network expenditure.

The visualisation experience of the digital twin platform was enhanced this year, improving accessibility of the most relevant network information through a three-dimensional view.

Digital management of network tasks

Digital task management is streamlining frontline team workflows across our network. Our new digital depot tool, 'The Queue', provides depot leaders and field teams with a consolidated view of their team's premises-specific tasks and enables electronic task scheduling and distribution, removing more than 25,000 paper work instructions from circulation each year. It has improved visibility of task ownership, including critical National Energy Customer Framework (NECF) tasks. It has also streamlined processes, reduced the number of return visits to sites, freed up field crew capacity, and improved resource management.

Our in-house built and maintained Field Portal app provides field-based employees with easy access to network and safety information and tools anywhere and anytime, via iPads and iPhones. During 2023–24, enhancements included Streetview, display of battery and solar attributes for premises, and additional information layers for bushfires and fire ant locations. The app continues to be improved, with many enhancements coming from feedback from operational teams.

Our new Electrical Distribution Network Access Register (EDNAR) will also deliver process enhancements when the current system is retired in late 2024. This critical business system supports authorised access to the network for planned works and notifies nearby customers. EDNAR will streamline these processes while continuing to meet NECF requirements.

Vegetation management system

With an overhead powerline network covering more than 183,000 kilometres, vegetation management is a significant cost and involves numerous third-party contractors to conduct inspections and maintenance.

In October 2023 we upgraded our vegetation digital platform, to streamline operations and improve communication, coordination and compliance. The platform uses automated task allocations and workflows and can share information in the field through a mobile application, with system integrations streamlining invoicing and administrative tasks.

Pillar 2: Drive connections and load

2023–24 HIGHLIGHTS

$1.5M
Australian Government funding for three community batteries

140MW
Flyers Creek Wind Farm connected to the network

3
Future Energy Roadshows

Pillar 2 focuses on building a dynamic network that supports customer flexibility, enabling more connections and driving network resilience. This includes monitoring network performance, deploying assets that respond to changing network dynamics and finding ways to connect more customers to make greater use of the existing network.

Consumer Energy Resources innovation

Over the past year, we continued investing in Consumer Energy Resources (CER) innovation, including network storage and battery innovation to improve our ability to respond to changing network demands and provide new services to customers.

Community batteries are a new service being trialled that allows customers to access and share the benefit of storage without having to install their own battery. During the year we secured $1.5 million grant funding to support the installation of community batteries in Leeton, Goulburn and Maloneys Beach, under the Australian Government's Community Batteries for Household Solar Program. Preparations are underway, with the batteries expected to be in place by early 2025.

In May 2024, we installed our first two pole-mounted batteries in Clarence Town to help mitigate local network issues and enable increased exports from CER (including rooftop solar systems) in the area. We plan to deploy 35 pole-mounted community batteries as a trial with Origin Energy. The first of these were installed in Wagga Wagga during June 2024, with more batteries planned for Armidale, Port Macquarie, Dubbo and Bathurst later in the year. The trial includes consultation with local government and local communities, before batteries are installed.

Supporting regional development

Essential Energy enables regional economic development by connecting new industry, housing, generation and commercial ventures to the network. We are proactively engaging with the market and key stakeholders to highlight the opportunities in regional and rural NSW, leverage existing network capacity and develop new projects with large customers.

During the year, 11 new large-scale[1] renewable energy generation facilities were connected to the Essential Energy network. The largest of these, Flyers Creek Wind Farm, near Orange, has a 140MW capacity – enough to power 80,000 homes when operating at full capacity. Nine solar farms with capacities ranging from 4.5 to 5.0MW were connected at locations across the network: Armidale (Petersens Solar Farm), Coleambally, Cootamundra, Dubbo, Mulwala, Narrandera, Narromine (Wahroonga Solar Farm), Nyngan, and Werris Creek (Menz Solar Farm); as well as the 1.5MW Grong Grong Solar Farm.

In total, 57 large-scale renewable facilities are connected to the network (as of 30 June 2024), with a combined capacity of 1.54GW. See 'Growth in renewables connections over the past year', page 45 for more details.

Early works are underway to connect Quorn Park, an 80MW solar farm and 20MW battery storage system northwest of Parkes. We are also building a new zone substation to support the Parkes Special Activation Precinct as it grows local businesses and industries.

To further promote the regional economic growth opportunities of renewable energy, during the year we hosted regional development forums to explore the economic benefits of future-proofing energy. Alongside academics and local government council representatives, we engaged with residents and business owners to discuss the shift to renewable energy generation and the associated economic opportunities. These Future Energy Roadshows shared the positive impact that rooftop solar and localised renewable energy storage is already having on reducing fossil fuel generated power, as well as electricity infrastructure's role in driving economic benefits for regional communities. The first Roadshow was held in Wagga Wagga in April 2024, followed by Port Macquarie and Dubbo, in May and June, and then Armidale and Bathurst, in July and August.

The South Jerrabomberra High Voltage Supply project continued to progress during 2023–24. It will deliver electricity to the new South Jerrabomberra development area, which will include 1,500 residential lots, a business park, industrial estate, innovation precinct, regional sports complex and new high school. The development will also house a Regional Job Precinct, creating regional economic opportunities and job growth. The project includes a new 132kV Zone Substation and Transmission Line Construction. Commissioning and energisation are planned for early 2025.

Enabling greater exports and network use

Essential Energy is seeking new ways to leverage the existing network for the energy transition and new connections.

We continued to transition the network from 240V to 230V during the year, improving power quality to allow more customers to export renewable energy into the network while maintaining a safe and stable power supply. The roll out of this conversion will continue across the entire network for the next four years.

Enhanced data and analytics capabilities provide a more accurate view of our network capacity to inform operational and strategic decisions and support our customers. A new electrical flow model is helping us to identify capacity constraints and opportunities on the network, increasing our ability to measure, monitor and forecast network performance across the year. This means we can better prepare the network by changing settings on equipment and charging or discharging batteries, as well as improve connection times and the number of connections supported.

We successfully trialled new technology to provide flexibility to the grid during 2023–24. On-load tap changer transformers can change electrical settings to respond to varying levels of rooftop solar generation. If solar output is high, the transformers can be adjusted to ensure power quality and maintain the network within safe performance levels. This technology benefits customers over the long term by enabling more solar to connect into the network and improving solar limitations. After the successful trial, we plan to introduce these transformers as part of our standard operations.

1 Large-scale renewable generation facilities are dedicated to providing electricity into the grid, rather than offsetting onsite electricity consumption. Small-scale systems are mostly rooftop solar.

Pillar 3: Facilitate electric vehicle adoption

Essential Energy has a strong role in supporting customers who choose to move to electric vehicles (EVs), including connecting charging infrastructure to the network. EVs are an important and unique future source of electricity demand and supply, and when properly harnessed, can support the network and provide immense value for customers.

Transitioning our fleet

We are leading by example, progressively transitioning our internal fleet to zero tailpipe emission vehicles through our Fleet Transition Policy. Our targets are 850 light vehicles and 104 heavy vehicles moved to EVs by 2028–29, which balances our operational requirements, available vehicle types and efficient cost management.

We are early in our fleet transition, but have commenced the immense task of evaluating and trialling new EVs for suitability for field and operational requirements. As of 30 June 2024, we had 55 EV fleet vehicles: 27 passenger vehicles, 24 forklifts, two all-terrain vehicles, and two utility vehicles (utes). Medium-sized 4WD vehicles, including utes, are the most common vehicle type in our fleet. We are trialling two EV utes, to determine if they meet our requirements. One of these is a Ford F150, which we are testing as a larger-capacity EV. Our fleet also includes 24 hybrid passenger vehicles.

We are also deploying charging infrastructure at depots. We have EV charging infrastructure at 15 sites, as of 30 June 2024, with plans for more sites during the coming year.

To engage our people in the fleet transition, during 2023-24 we partnered with NRMA and the NSW Government to hold 'EV Drive Days' to provide opportunities for employees to learn more about EVs and our EV Transition Plan, hear from other commercial EV users, and test drive an EV for themselves. These events coincided with NRMA/NSW Government public EV Drive Days.

Supporting charging infrastructure across regional NSW

Providing adequate quality and availability of charging infrastructure is important to the regional NSW economy and safety for EV drivers. Our role is to work with EV charging point operators and local government councils to support the installation and innovation of charging infrastructure across our network.

The first pole-mounted charging point was installed on our network in Hawks Nest in July 2023, in collaboration with charging company EVX and Mid-Coast Council. We are also working with charging point operators completing large-scale rollouts, including NRMA Energy, as they partner with the Australian Government to install more than 100 fast chargers nationally.

2023–24 HIGHLIGHTS

55
electric vehicles in our fleet

15
depots enabled with charging infrastructure

1st
trial of integrated streetlight EV charger

CASE STUDY

Streetlight pole-mounted EV charger trial

Essential Energy is developing innovative EV charging solutions. We designed a fully integrated streetlight pole-mounted EV charger, working with EVX and Wagners Composite Fibre Technologies.

Installed in Port Macquarie and trialled during 2023-24, the prototype uses the existing electricity supply to power both the streetlight and the charging point, eliminating the need for additional infrastructure. The streamlined design decreases the visual impact on the community and reduces barriers for deploying more charging infrastructure.

This trial resulted in Essential Energy being named as one of the Most Innovative Companies for 2024 (in the Agriculture, Mining, Energy & Utilities, Future Ready Award category) at the Australian Financial Review BOSS awards, as well as receiving the special distinction Future Ready Award.

Pillar 4: Enable smart communities and new customer solutions

2023–24 HIGHLIGHTS

11,000
composite poles to be installed over the next five years

27
new Stand Alone Power Systems secured with customers and under development

1st
Dynamic Connection Agreement piloted in our Smart Energy Communities trial

We are focusing on expanding our commercial activities, products and services to support regional and rural NSW through the energy transition.

Establishment of Intium

Our new commercial subsidiary, Intium, was established in 2023 to provide innovative services for regional and rural NSW customers. The full Intium Board of Directors was formed in September 2023 and the constitution of Intium Pty Ltd was tabled in the NSW Parliament in November 2023. Intium's Executive General Manager commenced in November 2023, leading the team to establish core capabilities. Intium secured its first Preliminary Works Agreement during the year – the Forest Glen Solar Farm Connection Infrastructure project, near Dubbo. See page 41 for more details.

Electrification

Essential Energy is working with customers, industry and government to accelerate electrification. Our Electrification Strategy is supporting customers to decarbonise by shifting away from fossil fuels. The Strategy encourages electrification to support customer and government net zero emission targets, while increasing network utilisation to support a least cost path to decarbonisation.

During the year, we completed an electrification study for the Charles Sturt University (CSU) campus in Orange, to support the phasing out of natural gas. CSU is progressively working towards its own net zero target, with switching to renewable energy sources a key component of the approach. Essential Energy provided advice regarding the cost of transitioning to renewables, the equipment needed and how it could be sourced – supporting CSU's efforts towards net zero.

Stand Alone Power Systems

Stand Alone Power Systems (SAPS) are cost-effective and reliable energy solutions for customers in remote locations, providing an independent power supply using renewable energy and battery storage. As of June 2024, we have two[2] SAPS installed. We have commenced the design phase for another 27, for customers who have agreed to transition to a SAPS. We are aiming to install 400 SAPS by 2028–29. As SAPS are installed, we will remove unused poles and wires to reduce network-initiated bushfire risk and maintenance costs.

SAPS also play an important role in keeping communities connected during extreme weather events. In May 2024, we secured close to $1 million in Australian Government funding to acquire six portable SAPS that will support communications during extreme weather events. The funding also includes enabling works at 12 network locations historically vulnerable to flooding and bushfires. See 'Resilience', page 57, for more details.

Essential Energy's Australian-first trial of a hydrogen supported SAPS, for heritage accommodation in Myall Lakes National Park, ended in February 2024. The SAPS remains in service while we work through lessons learnt and next steps. The trial was a partnership with the NSW National Parks and Wildlife Service and GreenHy2.

Composite poles

During 2023–24, Essential Energy committed to transitioning to composite poles to reduce the impact of extreme weather events on our customers and communities, following extensive consultation. Composite poles offer greater tolerance to extreme heat and fire conditions, compared to timber poles. Composite poles are an Australian-manufactured and proven technology, produced by locally-owned businesses in NSW and Queensland.

Much of our network consists of timber poles. Over the next five years, we plan to proactively replace 11,000 timber poles with composite poles. This is less than one per cent of our poles.

2 The Essential Energy Annual Report 2022–23 incorrectly stated four SAPS were installed as of 30 June 2023. The correct information was two SAPS installed and two commenced the design phase.

The replacements will focus on high bushfire risk areas and where the increased reliability of composite poles will most benefit our customers, such as communication sites. During 2023–24, at the request of the local community, we installed more than 30 fire-resistant composite poles in South Durras to improve network and community resilience during bushfire events.

Smart Energy Communities

Our Smart Energy Communities trial continued during 2023-24, with more than 200 customers using a Wattwatchers smart energy management device to monitor their energy use and solar generation and inform their choices. These insights are helping us to better understand emerging needs and options for affordable and reliable electricity supply and services.

The trial is also helping to optimise our approach to managing renewable energy exports into the network, storage and return to local communities. In February 2024, we introduced our first Dynamic Connection Agreement (DCA) for eligible customers in Tea Gardens. DCAs allow us to manage customer inverter settings to increase the solar export limit when the network can accommodate it. This gives customers the opportunity to increase their solar exports and generate a better return while improving the network's stability.

Pillar 5: Digital transition

2023–24 HIGHLIGHTS

New

digital transition strategic pillar

Improved

systems for customer data

Strengthening

cyber security program

Much of our planned investment involves the use of digital systems to enhance our business and empower our people through new digital tools, secure systems and better information. This new strategic pillar will consolidate and coordinate the delivery of new digital capability over the next five years.

Strengthening cyber security

We continued to fortify our cyber security approach during the year, delivering a comprehensive action plan to address regulatory compliance, identity and access management, data protection, incident response and recovery, and enterprise standards and processes. We have introduced cyber security considerations into enterprise-wide project management practices, complementing education activities to help employees understand their important role in maintaining security.

Data centre modernisation and resilience

We are continuing to increase our data centre resilience to both physical and cyber-related threats by modernising our technology infrastructure, improving business continuity plans and simplifying operations by consolidating data centres into key locations.

Improved consistency of customer data

During the year we replaced legacy system integration technology with a modern solution. This improved the synchronisation process and data consistency between systems for customer data.

As result, frontline teams can now access the latest customer information when planning and managing outages. The change also allowed the hazard management process to be optimised, and improved our ability to manage high severity customer and premises hazards. Additionally, we can now reliably send real-time surveys to customers following interactions, to better understand their experiences.

This change supports improved safety, customer data security and customer experiences.

Harnessing artificial intelligence

Essential Energy is exploring artificial intelligence (AI) to accelerate the digital transformation and deliver enhancements to safety, productivity and the customer experience.

For corporate functions, we have deployed Microsoft Copilot to enable improved productivity and encourage innovation for improved services.

For field teams, we successfully piloted a computer vision model to assist the Asset Review team, as well as virtual assistants to provide conversation-based support for Asset Inspectors. The computer vision model can identify assets exhibiting defects, increasing skilled resource capacity by enabling the Asset Review team to focus on defect validation and classification.

Operations and performance

We manage our network in a safe, reliable and affordable way to empower customers and communities. Our team's contributions drive how we operate the network and deliver capital programs to boost its capacity.

2023-24 HIGHLIGHTS

304,000
power pole inspections

38,000
kilometres of powerlines inspected using drones

0
Major Lost Time Injuries

237,000
calls to our Customer Contact Centre, answered within 47 seconds (average)

2023–24 HIGHLIGHTS

965,000
asset inspection photos taken

10,000
poles replaced

16.9%
average reduction in public lighting customer bills for 2024–25

$10M
invested in research and development

Our operations

Building, operating and maintaining one of Australia's largest electricity distribution networks requires a significant operational program to monitor the health of network assets, undertake preventative maintenance and respond to faults and emergencies.

Network Maintenance

Maintenance is critical to the continued reliability, resilience and safety of the network. During 2023–24, we completed more than 150,000 maintenance tasks. The network maintenance backlog remained below 2,500 tasks throughout the year, with 2,031 tasks in the backlog at 30 June 2024.

This followed the successful Big Hits program, which in 2022–23 reduced the number of backlog tasks from more than 11,000 to fewer than 2,400, with the peak created by numerous extreme weather events over the previous years.

A busy storm season between October 2023 and March 2024 contributed to a total of 27,935 unplanned outages during the year.

This included two major event days, on 4 October and 25 December, with more than 200 field employees working to restore customer supply on Christmas Day.

Major projects

One major project with total direct project costs exceeding $1.5 million was completed during 2023–24. The $1.5 million threshold for major projects aligns with internal reporting for network investment.

In January 2021, contractors working on behalf of Kosciuszko National Park damaged both 11kV cables supplying Charlotte Pass village, leading to subsequent failures. Extensive water ingress and damage to one of the cables necessitated its full replacement. The cable supplies critical power to Charlotte Pass ski resort, which faces extreme weather conditions and access limitations across the winter period. The project to replace the end-of-life High Voltage 11kV underground cable supplying Charlotte Pass ski resort was completed in late April 2024. It was delivered to budget, time and quality.

TABLE 1. MAJOR PROJECTS COMPLETED DURING 2023–24

Description	Before 2023–24 (Direct Project $)	2023–24 (Direct Project $)	Total Cost (Direct Project $)	Completion Date
Jindabyne Charlotte Pass High Voltage cable replacement	**$1,829,908**	**$4,941,733**	**$6,771,641**	**29/04/2024**

2023–24 Network Highlights

ASSET INSPECTION

304,600
power pole inspections – up from 297,129 last year

38,187km
of powerlines inspected via drone inspections – up from 32,251km last year

77,190
drone flights by asset inspectors – up from 67,830 last year

965,643
inspection photos taken – up from 830,429 last year

MAINTENANCE, CAPITAL IMPROVEMENT AND FAULT AND EMERGENCY

19,712
planned outages – up from 18,397 last year

8,940
zone substation preventative maintenance work tasks – up from 8,257 last year

27,935
unplanned outages – up from 24,657 last year

9,858
service mains overhead replacements (contractors) – up from 2,047 last year

14,346
crossarm replacements – down from 15,392 last year

1,014
construction milestones – up from 994 last year

10,452
pole replacements – up from 7,638 last year

FLEET

420,783
pre-operational fleet inspections – up from 384,615 last year

36,516,918
kilometres travelled – up from 34,365,107 last year

METER READING

98%
of meter reads to schedule – up from 96% last year

VEGETATION MANAGEMENT

194,788
powerline bays with vegetation treated – up from 186,981 last year

14,767
fall-in risk trees (hazard trees) removed – down from 20,295 last year

Vegetation management

Essential Energy trims or removes trees and other vegetation that could impact powerlines and start a bushfire, cause a power outage or cause an electrical safety risk. During 2023–24, Essential Energy and its contracted service providers treated 194,788 bays containing vegetation and removed 14,767 fall-in risk trees (hazard trees).

The Essential Energy vegetation management team actively participate in national and international forums, sharing knowledge and seeking to continuously improve practices. In a recent survey of electricity utilities across Australia, North America and Europe, Essential Energy benchmarked favourably for the efficiency and effectiveness of its vegetation management program.

Engagement with local government councils continues to be strengthened, with five new memorandums of understanding (MOU) put in place during the year, with Carrathool, Greater Hume, Leeton, Tweed and Temora shire councils. Essential Energy now has 14 vegetation management MOUs in place across its network, helping to ensure mutual benefit and positive outcomes in regional communities.

Bushfire preparation

Powerlines can be a source of fire ignition, a risk that is elevated on high fire risk days. We invest significant effort and resources in reducing ignition risk as far as practicable.

We undertake formal fire risk safety assessments and identify treatment controls to reduce ignition risk and apply sophisticated risk modelling to understand the impact of investments, climate change and fire behaviour in the landscape, under different weather scenarios.

We engage independent bushfire preparedness audits or reviews to ensure our safety regulation obligations, managed by the NSW Independent Pricing and Regulatory Tribunal (IPART), are met. The 2023–24 IPART audit found that Essential Energy was largely in accordance with Australian Standard 5577 for Electricity Network Safety Management Systems (ENSMS). An 'in-field' audit regime was conducted, covering 346km of powerlines, with 619 observations made. Twenty-five observations from 20 sites constituted a non-compliance with the implementation of the Essential Energy ENSMS. These have been addressed, including putting measures in place to better manage and monitor vegetation management practices. Also, further enhancements to practices are being adopted to more effectively manage implementation of the ENSMS.

Our fire risk management approach is overseen by senior management through our Bushfire Risk Assurance Panel.

Routine powerline and vegetation inspections, pre-summer bushfire inspections of high-risk areas, and specialised inspections of critical assets, underground equipment, substations and sub-transmission lines contribute to our risk management approach. Asset maintenance, repair and renewals also help to manage this risk. Our significant investment in vegetation management keeps powerline corridors and easements clear across our network.

Adjusting how we operate the network on high fire risk days further supports bushfire preparation, such as disabling the automated re-energising of powerlines after a fault and applying more sensitive protection settings.

Our network planning, design and construction is further addressing ignition risk, with insulated materials, pole-top designs that maximise conductor clearances, underground solutions for fire-prone areas, and protection system upgrades helping to reduce fault current levels and meeting modern network standards. Research and development of innovative early fault detection, sparkless fuses, cabling and SAPS technologies, amongst others, has the potential to further reduce this risk.

Modelling completed by the University of Melbourne has significantly enhanced our understanding of network-initiated fire risk across our network area. As a result, we have revised our bushfire priority zones and commenced transitioning asset inspection, asset maintenance and vegetation management activities to align with this. To date, we have reprioritised our pre-summer aerial bushfire inspection and asset maintenance scheduling, and trialled new priorities for three Vegetation Management Areas. Outcomes will help us mitigate network-initiated fire risk and manage asset resilience in line with updated bushfire risk levels.

We are engaging with industry network operators, fire risk researchers and experts to share insights and enhance our understanding of risks and risk treatment options. During 2023–34 we initiated a joint power and telecommunications industry forum with state government agencies, given the critical nature of these services to communities. We also participate in the International Wildfire Risk Management Consortium, and work closely with the NSW Rural Fire Service, with representatives on district Bushfire Management Committees and participating in annual multi-agency briefings and seasonal outlook reviews.

> Modelling completed by the University of Melbourne has significantly enhanced our understanding of network-initiated fire risk across our network area.

Public lighting

Essential Energy is responsible for the management, maintenance and/or billing of approximately 176,000 public lighting assets for 104 customers including local government councils. Essential Energy owns approximately 168,000 of these assets, 98 per cent of which use energy-efficient LED lights.

As part of our 2024–29 Regulatory Proposal, we consulted with public lighting customers throughout the year to inform pricing for the 2025–29 period. The Australian Energy Regulator (AER) Determination resulted in an average real reduction in customer bills for public lighting of 16.9 per cent for 2024–25 (in 2024–25 dollars).

Throughout 2023–24, we supported local government councils with the installation of public lighting, improving public safety through 10 minor capital projects.

Our Bathurst smart streetlighting pilot concluded in June 2024, having explored the benefits and issues of this technology for the council and Essential Energy. See 'Public lighting', page 25 for details.

Remote area internet access

It is important that our field crews have reliable internet access when working in remote areas, for their safety and access to digital business tools. During 2023–24, we trialled a low Earth orbit satellite internet service in remote locations with telecommunication 'black spots'. Sixty-eight Starlink devices were provided to crews across NSW and evaluated while completing field operations, emergency response and remedial work tasks.

The pilot provided reliable and continuous internet access with good data transfer times in locations with known connectivity challenges. Starlink was effective in critical operations and emergency situations, working well at fixed locations and while field crews were on the move.

The pilot increased both field crew safety and communications efficiency. Its success emphasises the importance of high-speed remote location connectivity solutions for our business. These outcomes are informing our field communication strategy, with plans to explore a business-wide solution in the coming period.

Research and development[1]

Enabling the energy transition

We continued investing in technologies and innovations necessary to enable the energy transition, including:

- trialling pole-mounted electric vehicle (EV) chargers and developing a prototype integrated streetlight EV charger with partners (see 'Pillar 3: Facilitate electric vehicle adoption', page 17 for details)
- completing groundwork for a longitudinal study of fast EV charging impacts on network infrastructure, with the objective of releasing more network capacity for fast EV charging, in partnership with the University of NSW (UNSW) and RACE 2030. This is likely to have national implications
- creating a purpose-built innovation test facility, to mimic a residential house of the future, to develop our capability and underlying systems for the future energy ecosystem (see 'Case study: NEXUS innovation test facility', page 25)
- beginning a Vehicle to Grid (V2G) study with CSIRO, at NEXUS, that will inform both Essential Energy and industry approaches to V2G integration
- co-developing a prototype lower noise ground-mounted battery with an Australian battery supplier, to be tested at NEXUS
- commencing an 'early fault detection' technology trial for bushfire risk reduction and inverter-led system fault detection
- continuing our Smart Energy Communities trial (see 'Pillar 4: Enable smart communities and new customer solutions', page 18 for details).

> Essential Energy invested $10.3 million in research and development activities during 2023–24, to enable the energy transition, develop the network of the future, and improve public lighting.

Future networks

Our future networks research and development activities focus on developing capabilities needed to modernise the electricity grid as the energy landscape changes, while maintaining agility to respond as new developments emerge.

Activities to support dynamic customer connections during 2023–24 included:

- developing capability to enable customers to flexibly access network capacity, particularly maximising customer rooftop solar exports
- developing and deploying a foundational customer energy management system (CERM), to enable dynamic connections and future CERM capability development
- developing new tariff options that can flexibly operate to minimise costs for customers and impacts to the network, including Sun Soaker tariff for residential customers with CER, and dedicated tariffs for small and large grid-scale batteries.

1 Research is defined as original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development is defined as the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use.

CASE STUDY

NEXUS innovation test facility

Testing is an important input into our understanding of energy innovations, particularly given the rapid pace of technology development. To explore the integration of Consumer Energy Resources (CER), such as rooftop solar and batteries, into residential homes, we designed and built the New Energy Exploration and Utility System (NEXUS) innovation test facility in Port Macquarie, as an addition to our Quality Assurance Laboratory.

NEXUS mimics a house of the future, with CER integrated with household appliances that have Internet of Things (IoT) capabilities. We are using it to explore the application of IoT capabilities to household energy optimisation. We are also developing our technical capabilities and underlying systems through CER interoperability testing, which is helping us to shape the future renewable energy ecosystem.

Our partners are also benefitting from NEXUS, with the CSIRO Vehicle to Grid (V2G) study and a new ground-mounted battery design currently being tested at the facility.

We have continued to focus on alternative energy supply, evaluating and developing alternative load and generation technologies to present more cost-effective ways of managing network and customer needs than traditional network solutions. These include:

- trialling a Hydrogen-based SAPS as a sustainable alternative energy supply solution (see 'Stand Alone Power Systems', page 18)
- researching the viability of storage-based microgrids on rural high voltage network segments to improve network reliability and resilience
- trialling a 1MW/2MWh network battery at Sovereign Hills, near Port Macquarie, as a means to strengthen network reliability
- developing and evaluating new ways to analyse network data, including proactive network fault identification processes using network performance analytics data
- trialling emerging voltage management technologies, such as alternative load control settings to use excess generation from solar panels, and on-load tap changer voltage regulation technology
- building capability and tools to better understand available network capacity for load and generation and to forecast network constraints in different scenarios.

Public lighting

We concluded our smart streetlighting pilot with Bathurst Regional Council in June 2024. It involved placing 110 light point controller smart nodes across the local government area to control lighting output and receive fault and light information. The trial was extended by six months to allow for additional benefit analysis, with dimming and trimming features trialled in preparation for National Electricity Rule changes coming into effect to permit smart node metering of public lighting. Trial outcomes will be shared with involved stakeholders by October 2024.

Company Scorecard

The Company Scorecard includes performance against targets in the Essential Energy 2023–24 Final Statement of Corporate Intent, along with performance for other key metrics.

Area	Measure	Target	Outcome
Safety	Major Lost Time Injury Frequency Rates (MLTIFR)	0.3	**0.0**
	Serious Claim Frequency Rate (SCFR)	≤3.5	**4.2**
	Total Recordable Injury Frequency Rate (TRIFR)	≤13.5	**14.0**
	High Potential Incident Frequency Rate (HPIFR)	Monitor only	**4.1**
People	Employee Culture Index	≥3.80	**3.98**
Corporate Strategy	Pillar 1 – Average completed tasks per full-time equivalent employee	≥12.4	**12.6**
	Pillar 2a – Total network load and generation (GWh)	≥17,153	**17,784**
	Pillar 2b – Total network capacity (GVA)	≤11	**10.9**
	Pillar 3 – Number of public EV fast-chargers deployed on Essential Energy network	≥200	**288**
	Pillar 4 – Incremental revenue ($M)	≥48	**103.4**
Customer Experience	Customer Satisfaction Index	Monitor only	**N/A**[1]
	System Average Interruption Duration Index (SAIDI) (minutes)	≤212	**206**
Regulatory	Material Reportable Regulatory Breaches	0	**1**
Financial	Return on Capital Employed (ROCE)	≥3.1%	**2.7%**
	Operating Expenditure	≤$958M	**$985M**
	Network Program Value Delivered	≥100%	**100.4%**

1 Customer Satisfaction Index is no longer measured, following a change in survey methodology. A new measure is in place for 2024–25, using results from automated surveys sent to customers following interactions or experiences.

2023–24 HIGHLIGHTS

184
new apprentices, trainees and graduates in 2024

27
percentage point increase for engaged employees over the past six years

2
awards at the Equitable Workplace Awards 2024

Updated
Network Fatal Risks Critical Controls Framework

Our people

Our team is central to managing the network in a safe, reliable and affordable way. The safety of our workforce is paramount, and we support their development to advance careers and build the capability we need for the future. We are building an inclusive, diverse and growth-oriented workforce that reflects the communities we serve.

Health and safety

Health and Safety Strategy

Essential Energy is committed to maintaining the safety and wellbeing of its workforce and the public. Our 2022–25 Health and Safety Strategy furthers our focus on mastering safety fundamentals and continuously improving performance. Key objectives include reinforcing a 'safety-first' mindset, preventing serious injuries and promoting overall health and wellbeing.

In 2023-24, we progressed initiatives in six key focus areas.

1. Build safety capabilities: develop safety capability and personal accountability at all levels of the organisation

We continued to expand our leadership development programs, building existing leaders' skills and cultivating a strong pipeline of future leaders. The Operations Leadership Program's second module, 'Team Leader Essentials' included key areas for leading self, leading teams and leading the organisation. The Program empowers leaders with principles for safety leadership, ensuring a well-rounded approach to guiding our workforce.

During 2023–24, our 'Make Safety Your Own' initiative encouraged personal accountability and action by every employee, particularly regarding safe driving and transport. Employees pledged to protect lives on the road during National Road Safety Week, while Safety Month 2023 reinforced each person's role in creating a safe environment – a shared duty with collective rewards. Teams participated in 'SafeTea' morning tea events at all depots and selected corporate locations.

2. Improve system and governance: improve and simplify the Health, Safety and Environment Management system and reporting

Enhanced safety reporting dashboards were launched in July 2023, providing leaders and safety professionals the ability to monitor performance and assurance activities. The dashboards collate data on topics including incidents, action management and contractor performance.

3. Refocus critical control: build knowledge and focus on critical risks and embed application of critical controls

Network Fatal Risks (NFRs) are situations or events with the potential to result in a fatality or serious injury. During 2023–24, we completed the implementation of our NFR Critical Controls Framework for all seven NFRs and 10 Safety Business Risks.

These updated safety risks and critical controls allow workers to focus on the most important controls when undertaking

high-risk work tasks. Regular monthly assurance activities by operational leaders assess the effectiveness of implemented controls, with any identified improvements quickly actioned with subject experts to enhance compliance.

The Critical Control Framework was presented to the 2024 Energy Networks Australia conference, sharing our approach and experience with fellow industry participants.

4. Promote holistic health and wellbeing: deliver an evidence-based, holistic health and wellbeing framework, driven by continuous improvement

The IGNITE wellbeing program was expanded to support employees in improving their health. More than 300 health checks have been completed since being added to the program, identifying risk areas and preventative actions employees can address with their doctor. Health screening was introduced in December 2023, reimbursing employees up to $200 per year to proactively manage health risk areas. We also implemented Hazardous Manual Tasks training across our workforce to reduce injury risk, with refresher training every two years.

Participation in the program's Healthy You dietician and exercise physiologist consultations increased, with employees receiving a personalised program to support their health goals. Webinars imparted health information to assist employees in proactively managing their health, making positive behaviour changes, and increasing their knowledge of workplace psychosocial hazards and how to manage these.

Alongside IGNITE, all people leaders (100 per cent) completed Mental Health First Aid training during 2023–24, to increase their understanding of mental ill health and better support employees. Essential Energy was recognised as a Skilled Workplace by Mental Health First Aid Australia for our commitment to employee mental health.

5. Prioritise public safety: raise awareness of the network hazards and prevent fatalities and serious injuries to members of the public

See 'Public safety', page 35 for details.

6. Land, air and water transportation: raise awareness of land, air and water transportation

Driving is one of our biggest safety risks, with employees travelling more than 36 million kilometres annually, on and off road and across diverse terrains. Approximately 400 employees attended our new driver training program during 2023–24, covering skills including defensive driving, 4WD, towing, side-by-side driving and vehicle recovery.

We are developing a heavy vehicle driving competency program to verify that employees have the knowledge, skills and abilities to perform these tasks safely and effectively. We developed a forklift competency module during the year for implementation in 2024–25, followed by modules for crane borers and elevated work platforms. These competency programs will increase employee skills, enhance productivity and contribute to our positive safety culture.

Our award-winning In-Vehicle Monitoring System (IVMS), in place in all Essential Energy vehicles, is keeping our people safe while they work each day. It helps to improve driver behaviour and fatigue management. It also captures data to aid incident investigations, inform asset lifecycle decisions and recognise and reward top tier drivers. Since implementation in January 2021, the system has supported more than 122 million kilometres of driving and improved driving behaviours. The asset performance score (a measure of driving behaviours) has also improved by more than 70 per cent, as of 30 June 2024. After being awarded the Australasian Fleet Management Association (AFMA) Fleet Safety Award in May 2023, we showcased the IVMS at AFMA events during 2023-24 to share our experiences and insights from developing the system.

Safety performance

Safety is our core value. We foster a culture of personal commitment, so everyone goes home safely every day. For our employees, this means being prepared to protect themselves and look out for their colleagues and the communities we serve.

Our 2023–34 safety performance was mixed. We recorded no Major Lost Time Injuries (LTIs), however our Serious Claim Frequency Rate (SCFR), Total Recordable Injury Frequency Rate (TRIFR), and High Potential incidents Frequency Rate (HPIFR) all increased compared with the previous year. Performance against targets for these rates is included in the Company Scorecard (page 26). Reporting of near miss incidents increased slightly, to 556 (528 in 2022-23), typical of a mature safety culture in

which processes are trusted to identify improvements and prevent future serious incidents.

High potential incidents also increased slightly compared to the previous year. Four incidents involving serious injury to Essential Energy employees were reported to SafeWork NSW: two involved employees falling from a height (NFR 3 Working at Heights); one employee received an electric shock while restoring supply (NFR 1 Working with Electricity); and one employee lacerated the back of their hand while cutting a stay wire (Safety Risk 9 Hazardous Manual Tasks).

There were no prosecutions under the *Work Health and Safety Act 2011* (NSW) during 2023–24.

Contractor safety

We introduced new contractor safety management tools during 2023–24 to support the increase in major construction projects using external contractors.

These tools include:

- Principal contractor site induction and handover – for major projects handed over to principal contractors midway through the project – to check that work health and safety standards and legal requirements are being met
- Principal contractor audit – for onsite inspections
- Site diary – for contractors to record photos and observations using an online app.

We also included contractor reporting in our enhanced safety performance dashboards, for improved oversight of contractor performance (see 'Health and Safety Strategy', page 27).

Inclusion and diversity

We are committed to building an inclusive and diverse workforce reflective of the communities we serve. In early 2024, we launched our 2024–27 Inclusion and Diversity Strategy. The strategy sets three priorities for the coming years:

- **High levels of inclusive leadership capability –** by developing inclusive leadership capability and skill in leading diverse teams, at all levels of leadership
- **An inclusive workplace culture –** by fostering a workplace culture that is inclusive, collaborative and empowered, and celebrates the talent and diversity of our people
- **A diverse workforce –** by attracting, developing and retaining a diverse workforce that reflects and enhances the communities we serve.

Key outcomes during 2023–24 included:

- advancing our progress towards reconciliation while preparing our next Reconciliation Action Plan (RAP), through career and business opportunities, cultural awareness and engagement with Aboriginal and Torres Strait Islander people. See 'Reconciliation', page 11 for details
- developing a Working Parents Guide, to support employees navigating work and parenting
- delivering domestic and family violence information sessions for more than 1,200 employees, to raise awareness and offer support for affected employees
- receiving the 'Pay equity' and 'Outstanding achievement towards diversity, equity and inclusion – mining, resources and energy' awards at the Work180 Equitable Workplace Awards 2024, and placing in the top 10 of the Work180 'Workplaces for women' list
- continuing our participation in the Champions of Change Coalition, demonstrating our commitment to further improve female representation in our workforce
- delivering a tailored onboarding program for 30 female apprentices and trainees and providing unconscious bias training for employees involved in apprentice and trainee recruitment
- co-hosting the first 'Women from the Field' conference with Ausgrid and Endeavour Energy, attended by more than 200 women in field-based roles from across the energy sector

CASE STUDY

Driving equity in our workplace

Our continued progress in closing the gender pay gap was recognised at the Equitable Workplace Awards 2024, hosted by Work180. Essential Energy received the 'Pay equity' award in recognition of our progress in the key areas proven to drive positive change for women and marginalised groups. We also received the 'Outstanding achievement towards diversity, equity and inclusion – mining, resources and energy' award, as the organisation in our sector with the highest overall score across 10 key equity drivers.

A number of programs empower women in our workplace and contribute to our progress towards equity. Our Women from the Field Program supports sustainable, fulfilling career pathways for women. Our Female Apprentice and Trainee Support Pack and buddy system was designed by females to support female apprentices as they settle into their new roles. The first 'Women from the Field' conference, which we co-hosted with Ausgrid and Endeavour Energy, brought together more than 200 women in field-based roles from across the energy sector.

- developing our first Accessibility and Inclusion Plan, hosting a university student intern through the Australian Disability Network 'Stepping Into' program, and partnering with The Field recruitment platform for people with a disability
- providing LGBTI awareness and ally training for employees, in partnership with Pride in Diversity, and participating in the Wagga Wagga Mardi Gras parade
- acknowledging days of significance with our people, including National Reconciliation Week, NAIDOC Week, Wear It Purple Day, IDAHOBIT Day, Wagga Wagga Mardi Gras, World Autism Day, Go Red for Dyslexia, Diwali, Harmony Day, International Day of People with a Disability, International Women's Day, Women's Health Week, and Women in Engineering Day.

Employee engagement

We conducted our annual engagement survey in June 2024, with 78 per cent of employees sharing their perspectives on our work environment and suggestions to make Essential Energy a better place to work. The participation rate increased by one per cent compared to the prior year, with 2,964 people having their say in 2024 (up from 2,617 in 2023).

The percentage of engaged employees in 2024 increased by five per cent, to 45 per cent. This result is above the Gallup Australian database average (44 per cent) and consistent with the improvement trend across Gallup segments for the year.

The overall engagement score was 3.98 (out of five), an increase from 3.89 in 2023.

Employees provided 2,209 individual comments, sharing insight into our strengths and opportunities, as well as focus areas for the next 12 months.

We are encouraged by the continued increase in engagement levels and decrease in those actively disengaged. Actively engaged has grown from 15 per cent of employees in our first organisation-wide survey in 2018 to 45 per cent in 2024.

We remain committed to listening to our people and improving as an organisation to be a workplace that all employees can be proud of. Recommended actions from the 2024 survey include:

- closing the gap on new starter attrition
- stopping skills leakage
- prioritising leader engagement
- driving accountability for engagement
- promoting best practice for engagement
- supporting development of high performers and continuing leader capability build.

Recommended actions at senior leadership level include:

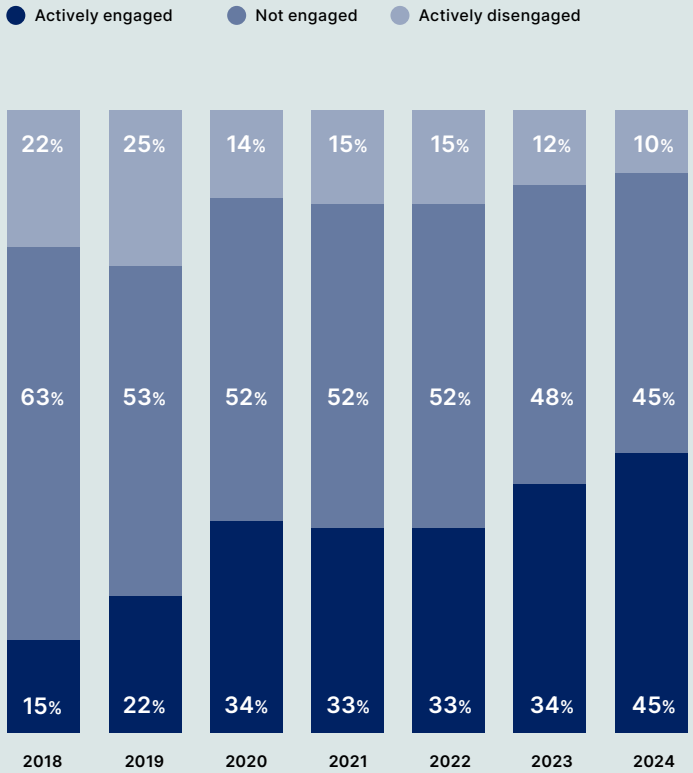
- shifting the focus to engagement conversations, not measures
- involving entire teams in onboarding of new employees
- ensuring 'all team' action planning
- incorporating engagement into everyday conversations.

KEY HIGHLIGHT

78%

of employees participated in the 2024 employee engagement survey

FIGURE 1: ENGAGEMENT RESULTS



CASE STUDY

Providing apprentices with essential life skills

Our apprenticeship program has extended beyond traditional technical skills to support apprentices in navigating work, financial, family and life challenges. All first-year Essential Energy apprentices completed the Life Skills program during 2023–24, delivered in collaboration with Tradies In Sight, a mental health and wellbeing organisation supporting tradespeople in regional NSW.

The sessions included mental health and wellbeing, giving and receiving feedback, and financial wellbeing – topics not typically covered during an apprenticeship. Apprentice feedback was positive, with the program helping to set people up for success in their careers and lives.

Training and development

Apprentices, trainees and graduates

Essential Energy welcomed 184 people into Early Talent Pathway roles in February 2024, including 143 new apprentices, 20 trainees and 21 graduates.

As of 30 June 2024, the total number of people in Early Talent Pathway roles was 359, including 292 apprentices, 33 trainees and 34 graduates.

Apprentices undertake a four-year program combining formal training with on-the-job experience and activities that build interpersonal skills. The 2024 cohort consists of 109 powerline workers, 10 cable jointers, 21 zone substation electricians and three fleet technicians.

Trainees complete a 12-month training program, with 17 asset inspectors and three electrotechnology career trainees commencing this year.

The graduate program continues to grow, attracting recruits from disciplines including engineering, cyber security, infrastructure, technology, human resources, communication, finance, procurement, risk and audit, legal, and data. The three-year program includes rotational placements in functional business areas and an 18-month development course with Engineers Australia.

Through these Early Talent Pathway programs we are delivering on the commitment to build a workforce that reflects the customers and communities we serve while ensuring we have the organisational capability needed for the evolving energy industry.

Leadership development

More than 1,600 employees participated in leadership development programs in 2023–24, with leaders at all levels enhancing their skills as part of our continued focus on building a sustainable pipeline of future leaders.

Our Frontline Leadership Program concluded after reaching its target audience. We delivered the Operations Leadership Program's second module, Team Leader Essentials, to more than 200 depot-based leaders. We also launched a new masterclass leadership series targeted at frontline leaders and open to all employees. As part of our Ready to Lead stream, we launched the New Leader Induction Program to equip new leaders with the skills to lead effectively at Essential Energy.

Future skills training

During 2023–24, we introduced programs to build capability in managing the impacts of the energy transition on our network.

Renewable technology is a focus, with eight employees enrolled in the Master of Power Engineering and 15 enrolled at the Graduate Certificate level, while 1,149 employees completed Solar Awareness training.

To support the increase in Stand Alone Power Systems (SAPS) on our network, 14 employees completed the SAPS Design and Installers course and we developed a SAPS Entry and Fault and Emergency Response course to be rolled out in 2024–25.

Sixteen employees completed our new electric vehicle (EV) Charging course, accompanying the installation of 15 depot charging points.

We will deliver the Certificate II in Electrotechnology (Career Start) internally after adding the program to our Registered Training Organisation (RTO) scope during the year.

Employee development

We formed a partnership with LinkedIn Learning during the year, extending our Learn and Grow development approach by providing scalable, customised learning pathways aligned to individual objectives for every employee. Thirty-eight per cent of all employees have engaged with this learning platform. Employees attended 2,229 seats in the Learn and Grow virtual classroom workshops on professional development, leadership and digital skills, during 2023–24.

Supported study

Essential Energy provides financial support for formal study. We cover the full cost of courses for role-based progression and critical future skills including renewable energy, data and digital. Partial support is provided for other course topics that support career development.

Fifty-seven employees completed supported study during 2023–24, in disciplines including work health and safety, project management, commerce, leadership and management, and electrical engineering.

As at 30 June 2024, 228 employees were completing a qualification, with 106 (46 per cent) studying electrical or power engineering and 59 (26 per cent) studying business, management or leadership – all core skills for our organisation.

Network training and assessment

We authorised or reauthorised 1,972 Essential Energy employees, 2,684 external Accredited Service Providers (ASPs) and 1,026 Contract Service Providers (CSPs) to work on or near the network during 2023–24 – a critical step for ASP and CSP safety while working with us.

We also provided 319 new employees with role-specific inductions, 2,792 internal participants with regulatory safety and switching skills refresher training, and 37 employees with live low voltage refresher training during the year.

Employee benefits

Through the Total Reward Strategy, we introduced several new employee benefits during 2023-24, including discounted memberships for airline lounges, selected retailer discounts, and discounted private health insurance rates with selected providers. We also developed and introduced our Boarding School Scholarships program to support critical frontline employees in western and regional areas to access schooling opportunities for their children. In addition, we introduced 26 weeks parental leave for parents.

Employee relations

The Essential Energy Enterprise Agreement 2021 and the Essential Energy Far West (Electricity) Enterprise Agreement 2021 have a nominal expiry date of 30 June 2024.

Negotiations are underway for the Essential Energy Enterprise Agreement 2024 with the relevant combined unions and bargaining representatives. The log of claims submitted by the combined unions and bargaining representatives contained 167 items, as of 30 June 2024. Essential Energy is committed to delivering an informed employer offering that reflects fair and reasonable wages while considering the cost of living and current market conditions.

Essential Energy and the combined unions that are party to the Essential Energy Far West (Electricity) Enterprise Agreement 2021 have agreed to commence negotiations for this Agreement following the conclusion of the Essential Energy Enterprise Agreement 2024 negotiation.

The Essential Water Enterprise Agreement 2022 nominal expiry date is 29 October 2025, with negotiations due to commence three months prior to the nominal expiry.

Our Total Reward Strategy aims to attract and retain key talent and support employees by providing benefit options that align with individual needs and priorities.

2023–24 HIGHLIGHTS

237,000
calls to our Customer Contact Centre, answered within 47 seconds on average

$514,000
provided to community organisations through giving and partnerships

Award
Energy Charter Knock to Stay Connected Customer Code received the 2024 Shared Value Innovation Award

New
automated SMS service for Life Support customers during unplanned outages

Our customers and communities

We engage with our customers to understand their needs, enhance our service and inform future planning. Our awareness activities encourage public safety around the electricity network. By supporting community organisations, we empower local communities across our network area.

The Energy Charter

The Energy Charter is a sector-wide initiative to deliver more affordable, reliable and sustainable energy for all Australians. As a Charter participant, we are involved in the following projects:

- Cost of Living Supports
- Disaster Resilience
- First Nations Engagement
- Knock to Stay Connected
- Know Your Customers and Communities
- Landholder and Community Special Licence
- Life Support.

In May 2024, the Charter's Knock to Stay Connected Customer Code received the 2024 Shared Value Innovation Award, from the Shared Value Project – recognising collective efforts to address energy vulnerability. The Code aims to prevent customer disconnections before they occur, by providing personal visits, with support information.

As a Charter signatory, Essential Energy is committed to embedding a customer-centric culture based on the Charter's five principles, and publicly disclosing how we are delivering against these principles. Our 2023–24 Disclosure Statement details our performance and was shared with our Customer Advocacy Group and Essential People's Panel for review. It was published on our website for public comment in September 2024.

Customer strategy

We achieved several Customer Strategy milestones during 2023–24, enriching the quality and depth of our customer understanding and establishing practices to action service and customer experience improvements. Customer Strategy initiatives embed a cyclical approach to understanding our customers and adapting our organisation to meet their evolving needs.

We developed and started using a Customer Segment and Insights Model to help us better understand and serve our customers. The model enables us to group our customer base using common characteristics and qualities to understand their interests, experiences and pain points.

In 2024, we introduced deep dive research sessions. These are in-depth discussions with commercial customer and partner segments to build our relationships and provide new avenues for customer feedback.

Our Voice of Customer initiative uses automated customer surveys and sentiment analysis, providing faster insights to drive service improvements. These real-time surveys allow us to drill into different experiences and areas across our network to better understand service outcomes, ensuring we are meeting customer needs.

We launched our Customer Toolkit and Training Program to support our maturing customer-centric approach, with a resulting increase in employee enrolments in certified customer service training across the organisation.

Our efforts were recognised by being selected as a finalist in the 2024 Australian Service Excellence Awards from the Customer Service Institute of Australia.

Customer service performance

National Energy Customer Framework

Essential Energy is committed to improving customer service and safety as defined by the National Energy Retail Law and Rules. In 2023–24, there was one immediately reportable breach and no quarterly reportable breaches reported to the Australian Energy Regulator (AER). The immediately reportable breach occurred in June 2024, when a life support customer was not provided four business days' notice prior to a planned interruption.

Customer Contact Centre performance

Our Customer Contact Centre received 237,774 calls during 2023–24. On average, these calls were answered within 47 seconds, a three second improvement on the previous year. Fifty-two per cent of customers used our self-service automated interactive voice response to obtain outage information. Post-call surveys indicate that 94 per cent of customers are satisfied with their interaction with team members.

Translation services

During 2023–24, we provided interpreting services to 12 customers in seven different languages. No employees used their language skills in their daily roles or received the NSW Community Language Allowance Scheme allowance.

Complaints to the Energy and Water Ombudsman

The Energy and Water Ombudsman NSW received 229 complaints relating to Essential Energy during 2023–24. This is 2.4 complaints per 10,000[1] customers, continuing the downward trend from prior years – from 2.8 in 2022–23, 3.0 in 2021–22 and 3.6 in 2020–21.

Life support customers

Life Support (LS) customers rely on a continuous supply of electricity to run medical equipment. Essential Energy has mobile phone numbers for customers at registered LS premises, via a registration process.

To improve communications with LS customers during unplanned outages, we implemented a new service to automatically send SMS messages to LS customers affected by an unplanned outage. The service aims to notify customers within 30 seconds of Essential Energy confirming an unplanned outage affecting their premises. Additional messages provide estimated power restoration times, updates, and notify when power is restored. This service commenced in October 2023.

Smart meters

Smart meters benefit customers by increasing visibility of energy use at different times of the day, allowing optimised use of appliances to take advantage of lower cost periods. Additional benefits include enabling the installation of solar panels and batteries, as well as accessing more retailer offers and technologies that can help to reduce energy costs.

Smart meters benefit Essential Energy by providing data to inform optimised network performance and investment planning – both of which can help to reduce customer network charges. Smart meters also enable remote meter reading.

During 2023–24, 109,000 smart meters were installed for customers connected to the Essential Energy network, bringing the total number to more than 414,000 as of 30 June 2024. Installations have been progressing since 2016, from customer requests, solar system installations and retailers' rollout programs.

To accelerate the deployment of smart meters across NSW, the Australian Energy Market Commission (AEMC) has declared that all legacy meters (Type 5 and 6 meters) within NSW are to be replaced by smart meters by 2030. As a result, Essential Energy is developing a Legacy Meter Replacement Program (LMRP), in consultation with stakeholders. The LMRP will be submitted to the AER by 30 June 2025, with the AER to approve the LMRP by 29 August 2025. The LMRP will be implemented from 1 December 2025 to 1 December 2030. Smart meters will be deployed by registered Meter Coordinators and Meter Providers as directed by each customer's retailer. By the end of the program, more than 924,000 smart meters will be connected to the Essential Energy network.

> Smart meters provide customers with visibility of their energy use throughout the day. More than 414,000 smart meters have been installed for customers on the Essential Energy network.

Customer engagement forms

Customer Advocacy Group

Our Customer Advocacy Group (CAG) provides a forum for feedback to inform our business decisions. The CAG includes representatives of consumer groups, low-income households, vulnerable customers, senior citizens, people from non-English speaking backgrounds, people

1 The Essential Energy Annual Report 2022-23 incorrectly stated 2.8 complaints per 1,000 customers. The correct figure was 2.8 complaints per 10,000 customers.

with disabilities, residential customers, small business customers, industrial and commercial customers, primary producers, rural and remote customers and local government.

The CAG met four times during 2023–24, including a Lismore site tour to understand how the town is rebuilding for greater resilience after the devastating floods in 2022. Members heard directly from Essential Energy workers involved with immediate recovery and restoration efforts and discussed how Essential Energy is improving the resilience of our network and operations.

Essential People's Panel

The Essential People's Panel complements the CAG, enabling us to engage directly with customers on topical issues.

The Panel has more than 20 members – diverse and representative residential and small business customers from across our network area.

During 2023–24, the Panel met three times to explore and provide feedback on finalising elements of our 2024–29 Regulatory Proposal, pass-through cost recovery, priority sustainability initiatives, community resilience support design, and improvements to serving customers at registered life support premises.

Partnering with local councils

There are 86 local government councils within the Essential Energy network area. To maintain and strengthen relationships, we meet with a selection of councils every month, progressively moving through the full list of councils. We hear directly from executive management teams and mayors about potential improvement areas and discuss how we can work together more effectively for our communities. In these meetings, we met with 32 councils during 2023–24. We have also extended invitations to include regional Joint Organisations, with the first meeting held with the Canberra Region Joint Organisation in June 2024.

Public safety

Essential Energy is committed to the safety of community members across our network area, for everyone to live and work safely around the electricity network.

Our annual Public Electrical Safety Awareness Plan (PESAP) seeks to raise awareness and understanding of the hazards associated with the network and how to minimise public safety risks. The Plan targets six key at-risk community segments: general public, agribusiness, building and construction, emergency services, aviation and transport.

Analysis of prior year public safety incident data identified three priorities for behaviour focused public safety campaigns during 2023-24:

- agricultural equipment and machinery contacting overhead powerlines
- motor vehicles contacting the electricity network
- construction machinery contacting the underground electricity network.

The number of public safety incidents in 2023–24 increased by 6.4 per cent compared with the previous year. Incident numbers increased 30.8 per cent in general public and decreased 10.8 per cent in agribusiness, 18.3 per cent in transport, 7.4 per cent in construction, and 6.7 per cent in aviation. Reported injuries fell 34 per cent compared with the prior year, and 54 per cent over the previous three years.

In early 2024, we undertook a survey with more than 750 customers (Essential Energy: Public Safety Behaviour and Awareness Research – 2024). The research provided insights about customers' awareness and understanding of safety around the electricity network, and to ascertain the effectiveness of our public safety campaigns. A key insight was that 97 per cent of customers would contact Essential Energy immediately and stay well clear if they saw a fallen powerline. Also, 98 per cent of customers would think that electricity is still live and dangerous, and so stay clear if they saw a fallen powerline.

Agricultural safety

During the year we focused on increasing awareness of the network and encouraging safe behaviours in the agricultural sector. We worked with the NSW Farmers Association and agricultural publications to deliver 'Look up and live' campaigns and to promote our Aerial Markers program across digital, print and targeted email newsletters. Our team attended the NSW Farmers Conference, AgQuip, Henty Machinery Field Days and Primex events to share safety information with agricultural sector participants.

Our research partnership with the Centre for Work Health and Safety, the research arm of SafeWork NSW, is informing our understanding of agricultural worker perceptions and responses to electrical risks. A survey of 250 agricultural workers, along with 50 interviews, commenced

in May 2024. The insights gained through this project will help inform future agricultural safety campaigns, with the intent to reduce agricultural machinery incidents through effective technical and educational interventions.

General public safety

This year's general public campaign focused on motor vehicle safety when coming into contact with an electricity network, with the theme 'Stay. Call. Wait' encouraging people to stay in their vehicle, call triple zero immediately, and wait for emergency services to arrive and give the all-clear to exit their vehicle.

Our subsequent community survey found 87 per cent of respondents would stay in the vehicle if they came into contact with the electricity network, an improvement on the 2023 result of 82 per cent.

Building and construction safety

To address building and construction sector safety, our 2023-24 campaign encouraged operators to plan ahead and identify overhead powerline or underground infrastructure locations before starting work. We continue to explore partnerships with industry groups, including the Master Builders Association, to further our engagement with this sector.

Electricity Safety Week

Electricity Safety Week raises awareness of electricity hazards and teaches primary school students how to be safe around electricity. Each September, schools are provided with curriculum-aligned teaching resources developed in collaboration with the Department of Education.

In 2023, 853 schools (94 per cent of primary schools from our network area) registered for the program. Schools benefitted from two new resources, developed jointly with Ausgrid and Endeavour Energy: a 20-minute video-on-demand for the Distance & Rural Technology Learning Platform, and a Scratch Coding project to which Code Club Australia also contributed.

Supporting community organisations

We empower local communities across our network area through a range of funding opportunities. Organisational and employee giving supports community groups, charities and stakeholders.

Our Essential Communities Program includes five key initiatives: Community Grants (previously known as Community Choices), Community Support, Essential Giving Program, Employee Request for Funding, and Sponsorships. We also partner with stakeholders and community organisations and provide scholarships for Aboriginal and Torres Strait Islander students.

Giving to community organisations

We provided a total of $330,192 to 33 community groups, stakeholders and charity organisations during 2023–24.

Community Grants (previously Community Choices)

We refreshed this program during 2023–24, changing its name and shifting to a grants-based initiative. Consequently, there was no program expenditure during the year.

The changes better align community investment with Essential Energy's strategic and sustainability priorities, to increase impact and further relationships with local communities.

Community Support

In 2023–24, Community Support provided $54,200 to 15 community groups that make a difference in local communities across our network area.

Essential Giving Program and Employee Request for Funding

Essential Giving Program (EGP) is our workplace giving program, supporting eight charity partner organisations: Garvan Institute, Variety – the Children's Charity, Lifeline, Can Assist, Westpac Rescue Helicopter Service, ozED (Australian Ectodermal Dysplasia Support Group), the Children's Tumour Foundation, and Royal Far West.

Employee EGP donations through regular pre-tax payroll deductions are matched by Essential Energy. Together we donated $216,062 to EGP partners in 2023–24. Employees donated $66,062 and Essential Energy donated $150,000 through dollar matching and an additional donation to each partner.

Employees can also fundraise through the Employee Request for Funding (ERF) program, in which employee requests are dollar matched up to $500 with approval from our Essential Communities Committee. In 2023–24, $52,305 of employee-initiated fundraising was raised, with an additional $7,625 dollar matched by Essential Energy through the ERF program.

The EGP and ERF total in 2023–24 was $275,992.

TABLE 2. FINANCIAL GIVING TO COMMUNITY ORGANISATIONS DURING 2023–24

Community support	
Donations to 15 groups	**$54,200**
Essential Giving Program (EGP) and Employee Request for Funding (ERF)	
EGP Employee donations to charity partners	$66,062
EGP Dollar matched payments and one-off donations to charity partners	$150,000
ERF employee initiated fundraising	$52,305
ERF dollar matching for employee initiated fundraising*	$7,625
Total (EGP and ERF)	**$275,992**

* Maximum of $500 dollar matching per request.

Partnering with and sponsoring community organisations

We have partnered with Uniting Financial Counselling to support customers in vulnerable circumstances since October 2021. We provided $60,000 in 2023–24, consistent with the previous year, supporting the in-depth assistance Uniting provides to customers most in need, including free financial advice and tailored counselling programs.

To support disadvantaged school students, we became an Australian Business and Community Network (ABCN) Mentoring Program partner in 2023. Our employees volunteer as program mentors, supporting economically disadvantaged students in our network area.

Essential Energy's financial contribution helps to fund the program under an agreement to the end of 2025, with $33,333 provided in 2023–24.

We have partnered with Clontarf Foundation since 2018. Clontarf aims to improve the education, discipline, life skills, self-esteem and employment prospects of young Aboriginal and Torres Strait Islander men. We participate in Clontarf events such as employment forums and awards nights. We also provide opportunities such as depot tours, work experience placements and targeted apprentice and trainee recruitment program information for Clontarf students. No funding was provided during 2023–24 as we re-negotiated the partnership.

The Stars Foundation supports Aboriginal and Torres Strait Islander girls and young women to attend and remain engaged at school, complete Year 12 and move into work or further study. Our partnership commenced in June 2022 to support the growth of Stars Academies in NSW. Stars established four academies in NSW during 2023, supported by our initial contribution. No funding was provided in 2023–24, with annual financial support expected to be provided during 2024–25.

In October 2023, we established a non-financial partnership with On-Country Pathways, an Indigenous owned and operated not-for-profit organisation based in Albury-Wodonga. On-Country Pathways delivers employment and career pathway programs for First Nations people aged 15 to 24. Our support includes providing work experience and employment opportunities for young adults in the program.

We entered a partnership with The Pinnacle Foundation during 2023-24, supporting educational scholarships, mentoring and opportunities for young LGBTQIA+ Australians. Scholarships are awarded for full-time study at public higher education institutions. We provided $50,000 to support a three-year scholarship.

We also commenced a three-year partnership with the Regional Circularity Co-operative in 2024, part of the Bega Circularity Project, which is researching and promoting a circular economy.

This initiative supports the development of a community circularity hub for the Bega region, fostering collaboration between organisations and experts and contributing to regional development.

Sponsorships for community organisations during 2023-24 included:

- **Can Assist's annual Can Do challenge** – assisting regional cancer patients with funding and support challenges
- **Rotary Club of Warners Bay** – helping with running costs for free health checks for men in rural and remote NSW
- **Boys to the Bush's Ride to Give initiative** – to support the health and education of young people in regional and rural areas, including those experiencing social or financial disadvantage
- **Clarence Valley Close the Gap** – attending the Close the Gap event in Grafton, engaging with students to promote Essential Energy's apprentice and trainee programs. Close the Gap aims to bridge disparities in health, education, employment and justice between Indigenous and non-Indigenous Australians
- **Children's Tumour Foundation's Steps Toward a Cure campaign** – to support research for Neurofibromatosis.

TABLE 3. FINANCIAL PARTNERSHIPS AND SPONSORSHIPS FOR COMMUNITY ORGANISATIONS DURING 2023–24

Partnering with community organisations	
Uniting Financial Counselling	$60,000
Pinnacle	$50,000
ABCN Mentoring	$33,333
Regional Circularity Co-operative	$10,000
Total	**$153,333**

Sponsorships for community organisations	
Can Assist – Can Do challenge	$15,000
Boys to the Bush – Ride to Give initiative	$6,500
Children's Tumour Foundation – Steps Towards a Cure campaign	$5,000
Clarence Valley Close the Gap event	$2,500
Rotary Club of Warners Bay	$2,000
Total	**$31,000**

Corporate sponsorships

Our partnership with the Regional Australia Institute is now in its fourth year. We were platinum sponsors of the 2024 Regions Rising National Summit, which brings together government, industry, academia and communities to explore regional issues.

The Australian Renewable Heat Conference focuses on accelerating the transition to renewable energy, which aligns with Essential Energy's strategic efforts to facilitate electrification and decarbonisation.

The International Conference on Energy Technologies for Future Grids was organised by the Australian Research Council (ARC) Industrial Transformation Training Centre (ITTC). Essential Energy is supporting the centre to enable the training of the next generation of engineers, share experiences gained from the Essential Energy connection portfolio, attract talent through industry placement positions, and improve Essential Energy's internal workforce capabilities through interaction with the academic centre.

The Royal Society of NSW 2024 Annual Dinner and Presentation of Awards included a focus on the energy transition, electrification and decarbonisation.

First Nations scholarships

Our Aboriginal and Torres Strait Islander Scholarship Program supports First Nations students studying across Essential Energy's network area to expand their career opportunities, including offering paid work experience and potential employment after their studies are complete. Students receive up to $10,000 per year for the duration of their degree and are invited to participate in Essential Energy's Indigenous Reference Group, meet the Essential Energy team most relevant to their studies, and complete paid work experience during semester breaks.

During 2023–24 we supported five First Nations students, studying law, engineering and media/communications at Charles Sturt University and Southern Cross University. One of these students completed an internship before transitioning into our Graduate program in early 2024.

TABLE 4. CORPORATE SPONSORSHIPS DURING 2023–24

Corporate sponsorships	
Regional Australia Institute – Regions Rising National Summit 2024	$50,000
Australian Renewable Heat Conference 2024	$24,000
International Conference on Energy Technologies for Future Grids 2023	$15,000
Royal Society of New South Wales Annual Dinner 2024	$15,000
Total	**$104,000**

TABLE 5. FIRST NATIONS SCHOLARSHIPS DURING 2023–24

First Nations scholarships	
Aboriginal and Torres Strait Islander Scholarships	**$20,000**

Our Aboriginal and Torres Strait Islander Scholarship Program supports First Nations students studying across Essential Energy's network area to expand their career opportunities, including offering paid work experience and potential employment after their studies are complete.

Revenue and pricing

The Australian Energy Regulator (AER) sets the revenues and prices for the distribution network services provided by Essential Energy, in accordance with the National Electricity Rules (NER).

2024–29 Regulatory Proposal

The AER approved Essential Energy's 2024–29 revenue requirements on 30 April 2024 in response to our Regulatory Proposal and Tariff Structure Statement (TSS). Our Regulatory Proposal outlines how we will operate and maintain our network, along with proposed capital investments and associated costs, over the five years from 1 July 2024.

The Regulatory Proposal was informed by extensive consultation with more than 400 customers and stakeholders, via multiple engagement events across our network area.

Over the next five years we will keep our customers and stakeholders informed about how we are tracking on implementing the plans in the Proposal that they supported.

We will focus on building the network for the future to further enable increasing levels of Consumer Energy Resources (CER), such as rooftop solar. We will also enhance network and community resilience to support the economic growth of the 1,500 regional, rural and remote communities we serve. This includes initiatives such as installing composite poles, introducing a portable community hub, portable streetlights and Stand Alone Power Systems (SAPS) for use during significant weather and network events. See 'Resilience', page 57, for more information.

The AER decision will allow Essential Energy to recover $6,309.9 million from customers over the 2024–29 period and considers the revenue impact of external factors, including increases to interest rates and inflation.

Assuming no other changes, the AER estimated this revenue allowance will result in an average increase to the distribution network component of electricity bills for our customers of $39 per year for typical residential customers and $83 per year for typical small business customers, over the next five years.

2024–25 price increase

Total network charges, which Essential Energy passes to electricity retailers who recover these costs from customers through electricity bills, include:

- **Essential Energy's distribution network charges –** revenue Essential Energy is approved to recover from customers. From July 2024 this includes charges related to legacy meters (see 'Smart meters', page 34)
- **Transmission network charges –** which we pass through from transmission network businesses
- **Levies from government programs –** including for the NSW Government Climate Change Fund, NSW Electricity Infrastructure Roadmap, and the Queensland Solar Scheme.

Retailers choose how they bundle the costs of these components into customers' electricity bills.

Essential Energy's proposed price increases for 2024–25 were approved by the AER and took effect on 1 July 2024. The increases incorporate the total network charges listed above.

If passed on in full by retailers, compared to 2023-24, customers' annual network electricity bills (Essential Energy's distribution network component plus transmission network charges and government levies) will increase by an average of:

- $113 or 12.7 per cent for residential customers
- $213 or 7.7 per cent for small business customers.

We encourage customers to speak to their retailer if they need help with paying their electricity bills following the increase, and to shop around for the best deal.

Two-way tariffs

We introduced two-way pricing tariff structures from 1 July 2024 to encourage customers who generate energy behind the meter (such as from solar panels and batteries) to export into the network when it is most needed. For the first year this will only apply to our new storage and hybrid tariffs.

Approved by the AER as part of our TSS, two-way tariff structures encourage those generating their own electricity to use it themselves before exporting into the network. It does this by offering a rebate if exports occur during the evening peak time of 5pm to 8pm on the low voltage network, and applying a charge to exports above a free basic export level from 10am to 3pm, when consumption is lower. These export pricing arrangements will be transitioned in for residential and small business customers from 1 July 2025.

With more than 32 per cent of our customers having solar panels, the two-way tariff structure is designed so that only customers who export electricity fund the network upgrades necessary to support this two-way flow of electricity. Funds received will be used to offset export rebates to customers and supplement the costs of upgrading the network.

Essential Water

Overview

Essential Water is part of Essential Energy's Assets and Operations division, servicing approximately 18,000 people in Far West NSW.

A secure water supply is provided to approximately 10,500 customers in Broken Hill, Menindee, Silverton and Sunset Strip, as well as rural customers. Reliable sewerage services are provided to approximately 9,700 customers in Broken Hill.

The Essential Water network includes dams, reservoirs, pumping stations, treatment plants and pipelines.

Operations and performance

Water treatment

Essential Water is optimising the Broken Hill Water Treatment Plant, reducing raw water quality variations by automating chemical dosing and flow rates using instantaneous water quality analysis. The program is scheduled for completion during 2025–26.

During 2023–24, Essential Water supported WaterNSW in an oxygen injection system trial at Menindee, as a solution for inconsistent water quality, following low dissolved oxygen levels in the Darling River that increased the risk to marine life.

New wastewater treatment plant

Designs for a replacement Wastewater Treatment Plant for Broken Hill are well developed and expected to be completed in November 2024. The $75 million preliminary construction estimate is more than double the original $30 million estimate in 2019, due to an increase in construction costs. Construction is expected to commence in early 2025.

Fleet transition

During the year, five electric vehicles (EVs) were introduced to Essential Water's vehicle fleet, with six in-house charging points installed. The EVs replaced diesel four-wheel drive vehicles, a major step for the fleet transition initiative.

Water consumption and operations works

Customers experienced average rainfall and average temperatures across 2023–24.

In 2023–24 Essential Water delivered 5,259ML of potable water to customers, an increase of 659ML compared with the previous year. Delivery of raw water rose by 213ML to 1,008ML.

The Operational Works Program included:

- 1,345 metres of water mains renewed
- 29,736 metres of sewer mains rodded
- 18 main bursts repaired
- 501ML extracted from Stephens Creek Reservoir.

Customer service performance

During 2023–24 we received 5,162 customer calls, including 12 customer complaints, which were all responded to according to our customer enquiries response processes.

Essential Water financial performance

Essential Water's profit before interest and tax was $5.4 million, against a target loss of $2.7 million. This result was driven by:

- depreciation and impairment favourable $22 million due to the capital program below budget delivery
- corporate charges unfavourable $13.9 million due to the capital program below budget delivery
- operating expenditure favourable $2.2 million due to lower bulk water supply agreement (BWSA) expenses ($1.2 million), lower contractor charges ($0.7 million) predominantly due to project delays, and a $0.3 million benefit from travel related accrual adjustments.

Essential Water invested $4.4 million on capital programs in 2023-24. This was $25.8 million below target due to delays to two major projects. The Graziers Pipeline has been delayed due to findings from an Aboriginal Heritage Survey. A new route and design will be required. For the replacement Wastewater Treatment Plant for Broken Hill, the design has been delayed due to complications with surveys and design optimisation.

Management and accountability

Workforce

Essential Water has 63 full time equivalent employees (as of 30 June 2024). During the year, nine new employees joined Essential Water across all business areas. Succession planning and recruitment remain a key focus, as around 25 per cent of the Essential Water workforce is aged over 60 years.

Other information relating to Essential Water is consolidated into relevant sections of this Essential Energy Annual Report.

Several electric vehicles joined the Essential Water fleet during the year, replacing diesel vehicles.

Intium

Overview

Intium is a wholly owned commercial subsidiary of Essential Energy, incorporated in January 2023, to provide innovative energy solutions that support Australia's transition to net zero.

Intium's mission is to transform Australia for a clean energy future, by pioneering transformative change in complex and emerging energy services, that create a sustainable impact.

Intium focuses on business-to-business customers across Australia that need innovative energy solutions, including businesses pursuing emerging and complex energy services. Intium's services include integrating large power infrastructure, providing comprehensive electric vehicle (EV) charging support, and facilitating commercial and industrial electrification – across the full life of projects.

Strategy

Intium's Corporate Strategy pillars:

- **Connections and electrical services** – supporting generation and greenfield load connections
- **EV charging infrastructure** – installing and maintaining public and private passenger vehicle charging points
- **Energy solutions** – supporting small-scale and low complexity electrification projects.

Operations and performance

During 2023–24, Intium signed a Preliminary Works Agreement (PWA) in relation to the Forest Glen Solar Farm Project, near Dubbo. Commencing in February 2024, Intium is supporting the customer to design, construct, commission, operate and decommission the electricity network infrastructure for the solar farm to connect to the Essential Energy network. This includes a 132/33kV 120MVA power transformer, 33kV switchboard and associated building, civil and secondary systems.

It also includes future proofing the infrastructure for the addition of a Battery Energy Storage Solution in the future. Civil works are expected to commence in November 2024. When completed, the 90MW Forest Glen Solar Farm will generate enough renewable energy for approximately 33,000 homes.

In addition to securing the Forest Glen PWA, during 2023–24 Intium focused on establishment activities to support the delivery of its strategy. These included:

- **Recruitment** – recruiting team members and securing access to field-based personnel (agreements with Essential Energy and other parties)
- **Governance** – establishing governance systems, structures and processes to operate safely, efficiently, within regulatory requirements, and independently from Essential Energy
- **Relationships** – building relationships with prospective clients across the three strategic pillars, and increasing market awareness of Intium's value proposition
- **Partnerships** – securing international and national delivery partners to expand capabilities.

As a start-up business, Intium is not yet generating revenue. Some operating and capital costs were incurred during 2023-24. These are incorporated into the Consolidated Financial Statements (page 77), and provided in the 'Accompanying Financial Statements to the Essential Energy Annual Report 2024' document.

Management and accountability

Board of Directors

The full Intium Board of Directors was formed in September 2023 and the constitution of Intium Pty Ltd was tabled in NSW Parliament in November 2023.

Under the *Corporations Act 2001* (Cth), and in accordance with Intium Pty Ltd's Constitution, all decisions relating to the operation of Intium are to be made by or under the authority of its Board.

In turn, the Board may, upon terms and conditions and with any restrictions it sees fit, confer on an Executive Officer any of the powers that the directors can exercise. The Board is accountable for governance and, ultimately, the performance of the company. The Board gives direction and exercises judgement in setting the company's strategy and objectives and oversees the implementation of these by management.

Intium Board of Directors: John Cleland (Chair), Justin Hillier, Martin English and Charlie Boyes.

John Cleland is also a member of the Essential Energy Board (see 'Essential Energy Board of Directors', page 65 for details).

John Cleland, Justin Hillier, Martin English and Charlie Boyes are also members of Essential Energy's Executive Leadership Team (ELT) (see 'Executive Leadership Team', pages 67–68 for responsibilities and qualifications).

The Directors manage any conflicts of interest in accordance with the Constitution of Intium and also by complying with the AER's Ring-fencing Guideline, by using a defined framework and shared services operating model between Essential Energy and Intium.

Board members do not receive any salary or other paid benefits in addition to their remuneration as Essential Energy ELT members.

Executive management

Nathan Rhodes commenced as Intium's first Executive General Manager in November 2023. Nathan Rhodes' qualifications: MComLaw, BECivil (Hons), BA (Political Science), GAICD.

Workforce

Recruitment activities are ongoing as the business establishes its core capabilities. As at 30 June 2024, Intium had seven full-time equivalent (FTE) employees, against a forecast of 16 FTE.

Other information relating to Intium is consolidated into relevant sections of this Essential Energy Annual Report.

Sustainability

An energy business for the future must be environmentally, economically and socially sustainable. We continue to evolve our sustainability approach to capture our ambition, meet stakeholder expectations and empower communities.

2023-24 HIGHLIGHTS

33%

of total network load from renewables

34,000

new small-scale renewable energy systems connected to the network

$6.38M

goods and services procured from registered Aboriginal and Torres Strait Islander businesses

$514,000

provided to community groups, stakeholders and charity organisations through our community programs

Sustainability Strategy

The Essential Energy Sustainability Strategy has three pillars, reflecting a holistic approach to sustainability:

- **Responding to climate change**
- **Empowering our people**
- **Enabling regional development and resilient communities.**

We are committed to supporting the transition to a net zero economy while continuing to provide safety and wellbeing initiatives, and championing an inclusive, supportive and growth-oriented culture. We contribute to regional communities through our partnerships, advocacy, engagement and tech-enabled solutions.

Our sustainability approach builds on our Corporate Strategy to highlight the sustainability priorities important to our business and our stakeholders and furthers our strong foundation of sustainability-related activities.

Pillar 1: Responding to climate change

Pillar 1 commitments

- **Facilitating the net zero transition –** by supporting electrification, including electric vehicle (EV) penetration and scaling and optimising network connections
- **Building climate resilience and partnering to minimise disruptions during crisis –** by future-proofing assets, providing our customers with alternate energy solutions and responding to climate events
- **Decarbonising our operations –** by electrifying our fleet, leveraging renewables and actively managing distribution network losses in the way we build, operate and maintain the network.

Pillar 1 outcomes delivered in 2023–24

Facilitating the net zero transition

The number of renewable energy generation connections to our network continued to grow during 2023-24. Eleven new large-scale[1] facilities were connected, along with more than 34,000 small-scale systems (mostly rooftop solar). Total capacity was 1.54GW for connected large-scale renewables and 2.08GW for small-scale renewables, at 30 June 2024.

1 Large-scale renewable generation facilities are dedicated to providing electricity into the grid, rather than offsetting onsite electricity consumption. Small-scale systems are mostly rooftop solar.

Our Sustainability Strategy guides our approach to generating positive value for customers, the communities we serve, our people and the environment.

Renewables delivered 33.7 per cent of the Essential Energy network load, building on more than a decade of growth (see Figure 2).

We continued to facilitate EV charging infrastructure developments across the network this year, including innovative solutions and partnerships with EV charging providers expanding options for EV customers. See 'Pillar 3: Facilitate electric vehicle adoption', page 17 for details.

We continued to transition the network from 240V to 230V, improving capacity to allow more customers to export renewable energy into the network while maintaining a safe and stable power supply. For more information see 'Enabling greater exports and network use', page 16.

The introduction of batteries across our network is increasing capacity to capture and store renewable energy locally for release into the network when needed. During the year, we installed our first two pole-mounted batteries. We plan to deploy 35 pole-mounted community batteries in a trial with Origin Energy, with the first of these installed in Wagga Wagga during June 2024. Additionally, Australian Government grant funding will support the installation of three community batteries on the network, which are expected to be in place by early 2025. See 'Consumer Energy Resources innovation', page 15 for details.

We are working to support our customers as they electrify. Our Electrification Strategy encourages and supports customer and government net zero emission targets while strengthening the network to enable greater load and storage for peak demand periods. Find out more in 'Electrification', page 18.

Building climate resilience and partnering to minimise disruptions during crisis

We are working to minimise bushfire risk and impacts to the network and local communities, investing effort and resources to reduce powerline ignition risk as far as practicable. We undertake formal fire risk safety assessments, engage independent bushfire preparedness audits or reviews, and apply sophisticated risk modelling to understand the impact of investments, climate change and fire behaviour in the landscape under different weather scenarios.

Adjusting how we operate the network on high fire risk days further supports bushfire preparation, such as disabling the automated re-energising of lines after a fault and applying more sensitive protection settings. Routine pre-summer and specialised inspections of high-risk areas and critical assets contribute to our risk management approach.

Our network planning, design and construction is further addressing ignition risk, including insulated materials, underground solutions for fire-prone areas, and protection system upgrades. See 'Bushfire preparation', page 23 for further details.

We are upgrading our telecommunications infrastructure to keep communities connected during bushfires and storms. During the year, we installed more than 30 fire-resistant composite poles in South Durras to improve resilience during bushfire events. See 'Pillar 4 Enable smart communities and new customer solutions', page 18 for more details.

We also secured an Australian Government grant from the Telecommunications Disaster Resilience Innovation (TDRI) Program, to procure six emergency response Stand Alone Power Systems (SAPS) and complete enabling works to accept 'plug-in backup supply' at a minimum of 12 sites. See 'Resilience', page 57 for details.

Our 2024–29 Regulatory Proposal, finalised by the AER in April 2024, incorporates resilience initiatives for our network and communities. This will include new systems to monitor network performance and further enable increasing Consumer Energy Resources (CER), as well as installing composite poles, a portable community hub, portable streetlights and SAPS for use during significant weather and network events. See 'Resilience', page 57 for more information.

Decarbonising our operations

We furthered our vehicle electrification, with 55 EVs and 24 hybrid vehicles in our fleet, as of 30 June 2024. We have EV charging infrastructure in 15 depots, with plans for more. See 'Transitioning our fleet', page 17 for more details.

We are working to remove sulphur hexafluoride (SF6) from our network. During 2023–24, in an industry first, we installed a SF6-free overhead distribution network switch in collaboration with NOJA Power. The switch is a world-first design, with the ability to replace an end-of-life SF6 switch on an existing pole. It has both manual and remote operation options and could potentially replace the approximately 11,400 SF6 switches on our network at their end of life. Our role as an early adopter of this technology provides cost benefits to Essential Energy and the opportunity to partner with NOJA Power as the switch is refined and enhanced.

Essential Energy's greenhouse gas emissions information is on pages 60 and 61.

Growth in renewables connections over the past year

LARGE-SCALE RENEWABLES CONNECTIONS (AS AT 30 JUNE 2024)

57
total connections –
11 new connections in 2023–24

1.54GW
total capacity –
13.7% increase since 2022–23

3,089GWh
delivered –
11.3% increase since 2022–23

23.1%
energy delivered of total Essential Energy network load –
1.2% higher than 2022–23

SMALL-SCALE RENEWABLES CONNECTIONS (AS AT 30 JUNE 2024)

292,641
total connections –
13.5% increase since 2022–23

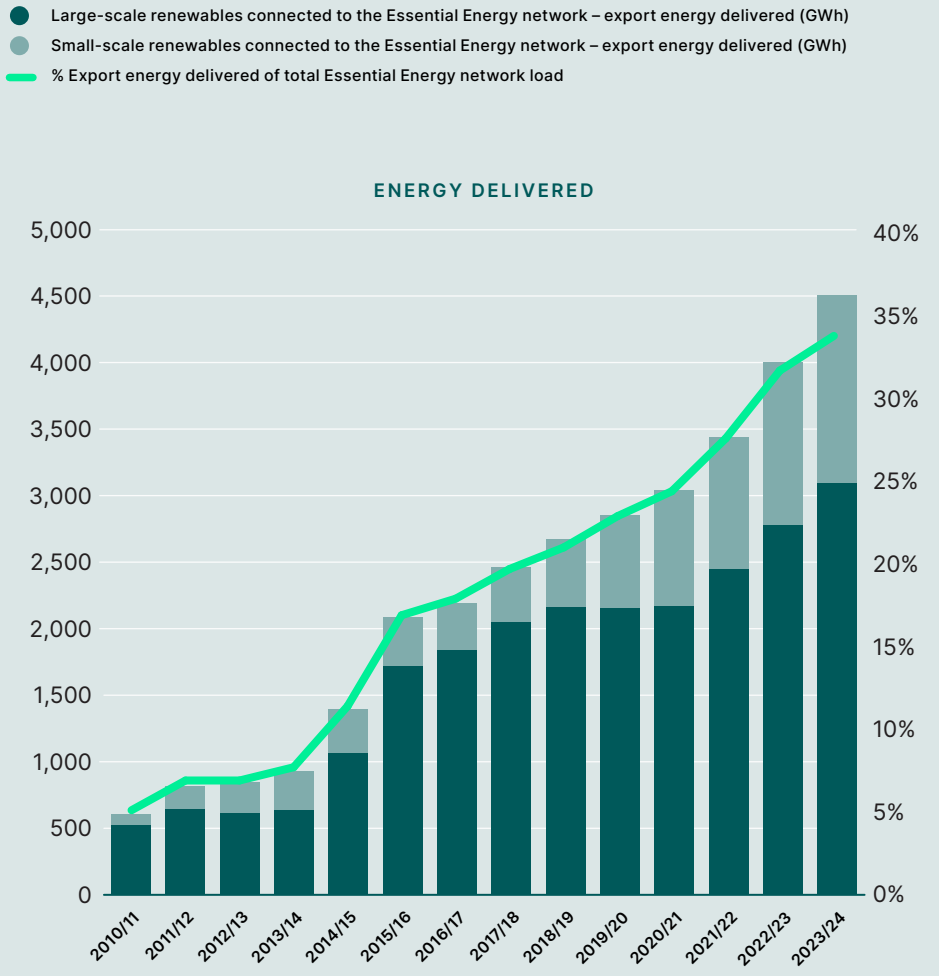
32.6%
of total customers –
3.6% increase since 2022–23

2.08GW
total capacity –
33.5% increase since 2022–23

1,416GWh
delivered –
15.1% increase since 2022–23

10.6%
energy delivered of total Essential Energy network load –
0.9% higher than 2022–23

FIGURE 2. GROWTH IN EXPORT ENERGY DELIVERED TO THE ESSENTIAL ENERGY NETWORK FROM LARGE-SCALE AND SMALL-SCALE RENEWABLES



Pillar 2: Empowering our people

Pillar 2 commitments

- **Ensuring the safety and wellbeing of employees –** through our health and wellbeing program and leading health and safety standards
- **Championing an inclusive, supportive and growth-oriented culture –** by promoting our values and building a diverse and accountable workplace.

Pillar 2 outcomes delivered in 2023–24

Ensuring the safety and wellbeing of employees

Our 2023–24 safety performance was mixed. No Major Lost Time Injuries (LTIs) were recorded, however Serious Claim Frequency Rate (SCFR), Total Recordable Injury Frequency Rate (TRIFR), and High Potential Incidents Frequency Rate (HPIFR) all increased compared with the previous year. Near miss incident reporting also increased slightly. See 'Safety performance', page 28 and 'Company Scorecard', page 26 for details.

We expanded our IGNITE wellbeing program, with health checks, health screening and Mental Health First Aid training introduced to support employees in managing and improving their health. We continued to promote public safety so that everyone can live and work safely around our electricity network. See 'Health and safety', page 27 and 'Public safety', page 35 for details.

Championing an inclusive, supportive and growth-oriented culture

In early 2024, we launched our 2024–27 Inclusion and Diversity Strategy. We also developed our first Accessibility and Inclusion Plan, created a Working Parents Guide, and delivered domestic and family violence information sessions for more than 1,200 employees.

Essential Energy received the 'Pay equity' and 'Mining, resources and energy' awards at the Work180 Equitable Workplace Awards 2024.

We continued to participate in the Champions of Change Coalition, demonstrating our commitment to improving female representation in our workforce.

See 'Inclusion and diversity', page 29 for details.

We advanced our progress towards reconciliation while preparing our next RAP, through career and business opportunities, cultural awareness, and engagement with Aboriginal and Torres Strait Islander people. See 'Reconciliation', page 11 for more information.

We continued to build capability in managing the impacts of the energy transition on our network during 2023–24, with employees engaging with our new future skills training program. More than 1,600 employees completed leadership development programs in 2023-24, with leaders of all levels enhancing their skills as part of our continued focus on building a sustainable pipeline of future leaders.

We welcomed 143 new apprentices, 20 trainees and 21 graduates to Essential Energy in February 2024, bringing the total number of people in Early Talent Pathway roles to 359, at 30 June 2024 – 292 apprentices, 33 trainees and 34 graduates.

See 'Training and development', page 31 for details.

We are continuing to build an inclusive and diverse workforce reflective of the communities we serve.

Pillar 3: Enabling regional development and resilient communities

Pillar 3 commitments

- **Assisting regional business and communities –** through partnerships, advocacy, engagement and tech-enabled solutions, to provide reliable and efficient connections
- **Ensuring sustainable and resilient supply chains –** by responding to social and environmental vulnerabilities in our supply chains and integrating sustainability into our procurement decisions
- **Protecting cultural heritage –** through engagement with Aboriginal and Torres Strait Islander groups, guardians and landowners and managing risks in culturally significant areas.

Pillar 3 outcomes delivered in 2023–24

Assisting regional business and communities

During 2023–24 we commenced hosting regional Future Energy Roadshows to explore the economic benefits of future-proofing energy with residents and business owners. In these we shared the positive impact that rooftop solar, regionally-based large-scale renewable generation, and localised and regionally-based energy storage are having on reducing fossil fuel generated power, as well as electricity infrastructure's role in driving economic benefits for regional communities.

We developed and started using a Customer Segment and Insights Model to help us better understand and serve our customers by grouping them using common characteristics and qualities. This is informing how we research, target and position products and services.

The Smart Energy Communities trial continued, with more than 200 customers using a smart energy management device to monitor energy use and solar generation.

We introduced our first Dynamic Connection Agreement (DCA), which allows us to manage customer inverter settings so they can choose to increase solar exports and generate a better return while improving network's stability. See 'Smart Energy Communities', page 19 for details.

Our telecommunications infrastructure supports our distribution network operations, shares advanced fibre communications with surrounding areas, and supports the renewable energy market. We have more than 1,600 kilometres of fibre across the network, with more than half the capacity available to customers, as well as a vast radio network.

We continued to support community organisations across our network area, donating more than $514,000 to community groups, stakeholders and charity organisations – combined contributions from Essential Energy and our generous employees. See 'Supporting community organisations', page 36 for more information.

We continue to work to keep customers' network charges as low as possible. In real $2023–24 terms, from their peak in 2012–13 of $1,343 per annum, a typical residential customer's annual distribution network charge reduced to $845 in 2023–24 – a saving of $497 per annum, or 37 per cent. Over the same period, a typical small business customer achieved an annual saving of $2,429, or 41 per cent, with a typical small business customer's annual distribution network charge reducing from $5,932 in 2012-13 to $3,503 in 2023-24. See 'Revenue and pricing', page 39 for more information.

Our overall network availability target is 99.95 per cent. During 2023–24, we achieved 99.96 per cent, so above target and above independently audited reliability requirements.

Ensuring sustainable and resilient supply chains

Since May 2023 we have applied sustainability requirements to sourcing activities worth more than $500,000. During 2023–24, we procured $6.38 million worth of goods and services from registered Aboriginal and Torres Strait Islander enterprises and partnered with Supply Nation to identify further opportunities.

To be released in December 2024, our 2023–24 Modern Slavery Statement will outline our performance and outcomes, including:

- 95.0 per cent of addressable expenditure was with suppliers who have completed the Modern Slavery Supplier Assurance qualification, successfully meeting our targeted expectations.
- All new suppliers now complete modern slavery assurance during the registration process, as of March 2024.
- Zero human right violations were reported in our supply chain.

We are continuing to meet key suppliers and collaborate with stakeholders to develop relationships and uncover improvement opportunities across the broader industry.

Protecting cultural heritage

During 2023–24 we incorporated the Aboriginal heritage due diligence process into our environmental impact assessment (EIA) documentation. Following Aboriginal heritage awareness training sessions held during the previous year, policies and guidelines were updated to protect and conserve important heritage values.

We engaged an industrial heritage consultant to review restorative works at the former Lismore power station following the major flood event in 2022. The review will include options and recommendations for the future of the power station.

Sustainability governance

The Essential Energy Board has ultimate accountability for, and oversight of, the Sustainability Strategy. The Executive Leadership Team (ELT) has accountability for specific commitments within the Strategy, supported by the Sustainability Steering Committee (which includes all ELT members). The ELT is in turn supported by the Sustainability Working Group and Climate Working Group, which contain subject experts from relevant business areas. The sustainability function works with business areas to champion sustainability-related issues and opportunities, drive performance and ensure transparent reporting.

Sustainability materiality

Our approach to sustainability materiality

We conduct materiality assessments periodically to inform our Sustainability Strategy, priorities, activities and investment.

We conducted a double materiality assessment during 2023–24. This approach considered both the financial effects and stakeholder impacts of sustainability-related impacts, risks and opportunities (IROs) identified as most important to Essential Energy and stakeholders.

The assessment consisted of four key steps:

1. Initial analysis

Desktop research considered internal and external sources and identified 16 global megatrends most likely to impact our organisation and operating environment, grouped into four overarching themes: clean energy transition; climate change adaptation; social responsibility; and business conduct.

2. Stakeholder engagement

The relevance and importance of these megatrends were tested and discussed with internal and external stakeholders. This involved 11 interviews and three focus groups, as well as 178 employees completing online surveys.

3. Identify material topics

The process identified 106 IROs, which were then assessed for materiality using Essential Energy's risk framework and by incorporating the latest International Sustainability Standards Board (ISSB) and Global Reporting Initiative (GRI) guidance. After evaluating for magnitude/severity and likelihood, 61 IROs were assessed as 'extreme' or 'high' and therefore material to Essential Energy. They were then grouped under eight sustainability priorities representing the most important sustainability-related issues for Essential Energy.

4. Validation

Assessment findings were validated with the Sustainability Working Group and Steering Committee. Implications of the assessment were also explored by the Working Group, such as for our Sustainability Strategy and next steps to incorporate the IROs into the corporate risk register as appropriate.

Sustainability priorities

The eight sustainability priorities identified as material to Essential Energy are summarised below. These will inform a refresh of the Sustainability Strategy during 2024–25.

Adapting our business to the clean energy future

Increased integration of renewables into the electricity grid is changing the way we plan, operate, maintain and invest in the network. Facilitating renewables, supporting EV charging infrastructure, boosting energy storage capacity and managing supply chain resilience are all vital to optimising benefits for regional customers and communities from the energy transition. See 'Strategy', page 12 for details of how we are addressing this topic.

Supporting an affordable and inclusive clean energy transition

As a state-owned utility, operating in alignment with customer and community needs and expectations is essential to ensuring affordable and accessible energy. By investing in our network and developing innovative solutions, we can help to maximise the benefits of the energy transition for all customers. See 'Strategy', page 12 for more information.

Strengthening resilience to climate change

As a critical infrastructure provider, we prioritise network resilience through rigorous inspection and maintenance programs. Prioritised and innovative investment will increase the network's capacity to withstand extreme weather events, alongside managing rising infrastructure costs and evolving energy demands. See 'Vegetation management', page 23, 'Bushfire preparation', page 23 and 'Resilience', page 57 for details.

Minimising our environmental impact

By proactively addressing the ecological impacts of our operations we can minimise environmental impacts and demonstrate sustainability credibility. This includes factoring sustainability into our asset management decisions, managing our resource use and waste, and effectively decommissioning sites. See 'Environmental compliance', page 50 for our current performance.

Protecting the safety and wellbeing of our people and communities

Electricity is an inherently high-risk industry, which means the safety of our people, customers and communities is a top priority, as is the health and wellbeing of our employees. More broadly, we have a responsibility to insist on safe human rights practices throughout our supply chain. See 'Health and safety', page 27, 'Public safety', page 35 and 'Ensuring sustainable and resilient supply chains', page 47 for performance and progress.

Investing in workforce development, retention and agility

With growing competition for skilled workers in the energy industry, Essential Energy offers a differentiated career value proposition through a focus on regional recruitment, training and careers, along with advanced energy transition development opportunities, competitive pay and the development of a diverse workforce reflective of the communities we serve. See 'Our people', page 27 for progress to date.

Modernising and securing digital infrastructure

With evolving customer expectations, increasing cyber security threats and changing regulatory requirements, we continue to invest in the modernisation of our digital infrastructure. This includes advancing cyber security to protect both customers and operations, as well as harnessing benefits from new technologies such as artificial intelligence. See 'Pillar 5: Digital transition', page 19 for details.

Supporting regional communities and First Nations

Meaningful community engagement, including with First Nations peoples, is imperative to our service of regional, rural and remote NSW communities. Enhancing communication, engagement and equitable service access will boost customer satisfaction, foster strong relationships and reduce reputational risks for Essential Energy. See 'Our customers and communities', page 33 and 'Reconciliation', page 11 for highlights from the past year.

Eight sustainability priorities for Essential Energy were identified through a double materiality assessment.

Environmental compliance

Essential Energy's Environmental Management System (EMS) is used to identify the environmental impact of our business activities, ensure compliance with environmental policies and procedures, and improve performance. The EMS applies across our operations and is certified to the international standard ISO14001.

We record and report environmental incidents in accordance with our EMS. Incident severity is categorised using an Incident Classification Rating (ICR), with category one being the highest severity and category five the lowest. Ratings reflect the overall significance of the incident across environmental, people and property impacts. They enable the consistent classification of safety and environmental incidents based on Essential Energy and external regulatory requirements.

There were 448 environmental incidents during 2023-24, of which 446 were either minor in nature (category four or less), near misses or incidents where classification was not required.

One category two incident occurred, involving an oil spill near a stormwater drain, caused by a pole failure. A swift response prevented environmental damage. A category three incident also involved an oil spill from a pad-mounted transformer and was likely caused by a third-party impact on the transformer. Remedial action for oil spills includes replacing impacted soil with clean soil.

TABLE 6. ENVIRONMENTAL INCIDENTS

Incident classification	Number of incidents 2022–23	Number of incidents 2023–24
Category 1 (high)	0	0
Category 2	10	1
Category 3	1	1
Category 4	17	14
Category 5 (low)	457	428
Not applicable	3	4
Total	**488**	**448**

During 2023-24, we completed the final year of our Contaminated Land Management (CLM) program to investigate and remediate priority sites with a higher risk of potential contamination.

We completed five detailed site investigations (DSIs), supplementary investigations at two sites and remediation activities at one site during the year. This concluded the 12-year CLM program, which involved a total of 120 DSIs and remediation activities at 24 sites.

We also upgraded our online chemical management system, introducing enhancements in areas such as inventory management, reporting and security.

Risk profile reviews were completed for 160 of the higher risk chemicals listed in our chemical register, informed by the latest product safety information and our corporate risk matrix.

Over the past year we continued our partnership with the NSW National Parks and Wildlife Service by making a co-contribution of $4,000 to ongoing rainforest restoration activities on Susan Island. Starting in 2020, this partnership is delivering important biodiversity outcomes and protecting remnant island rainforest communities.

Foundational sustainability topics

Foundational sustainability topics such as cyber security, data management, and legal and regulatory compliance underpin the three pillars of our Sustainability Strategy, as well as our actions and decisions as a responsible business.

Energy is a heavily regulated industry, so we must comply with relevant legal and regulatory requirements across our business, including laws concerning data privacy, wages, work health and safety and the environment.

For information about our approach to meeting cyber security and data management requirements, see 'Pillar 5: Digital transition', page 19.

For details of how we are meeting our legal and regulatory compliance requirements related to health, safety and wellbeing, see 'Our people', page 27.

For information about our approach to governance and compliance monitoring, see 'Management and accountability', page 62.

Climate-related financial disclosure

This disclosure describes how climate-related matters affect Essential Energy and its business activities, as the economy moves towards net zero. It details how we are planning for and managing climate-related risks and opportunities – physical risks and transition risks and opportunities.

Essential Energy recognises that this disclosure is an early adoption based on best endeavours, delivered ahead of sector-wide guidance being available, and therefore there may be limitations to the robustness and consistency of reporting.

This is a voluntary disclosure, informed by the Task Force on Climate-related Financial Disclosures (TCFD) and the Reporting Framework for Year One Climate-related Financial Disclosures (Framework) for NSW Government entities.

It builds on Essential Energy's 2021-22 and 2022-23 TCFD reports. The work of the TCFD culminated in July 2023, with the release of International Financial Reporting Standards (IFRS) S1 General Requirements for Disclosure of Sustainability-related Financial Information and S2 Climate-related Disclosures. The draft Australian Sustainability Reporting Standards (ASRS) are the proposed Australian implementation of IFRS S1 and S2. For NSW Government entities, including Essential Energy, the Framework aligns with the draft ASRS, with some NSW Government-specific modifications.

In preparation for mandatory reporting against the Framework in the 2024-25 Annual Report, over the past year a gap assessment and high-level roadmap have been completed – to understand and plan for the required capability and reporting uplift. Some actions will require significant investment, including incorporating robust quantitative climate change scenario analyses into strategic planning, and resulting financial, network and risk management planning. Improving data management and further developing a transition plan will also need focused investment.

> This disclosure describes how climate-related matters affect Essential Energy and its business activities, as the economy moves towards net zero.

Governance

Board role and responsibilities

The Board has ultimate oversight of Essential Energy's strategic response to climate-related risks and opportunities. These are central to the sustainability of the business, meaning that the approaches taken are core to the Corporate Strategy, Regulatory Proposal, Sustainability Strategy and operational strategies – including Essential Energy's Resilience Plan, Bushfire Prevention Strategy and Vegetation Management Strategy.

The Corporate Strategy is approved by the Board and explicitly addresses multiple climate-related transition opportunities, including supporting the uptake of renewable energy solutions, facilitating electric vehicle (EV) adoption, and enabling smart energy solutions for regional communities. External factors relevant to the Corporate Strategy are monitored and reviewed by the Board every six months. Other transition risks and opportunities arising from climate-related regulation, policy or market activity are considered and addressed by the Board as part of business-as-usual strategic and financial planning.

The Board approves the Sustainability Strategy and the metrics and targets that monitor performance across the three sustainability strategic pillars: Responding to climate change; Enabling regional development and resilient communities; and Empowering our people. The 'Responding to climate change' pillar contains three commitments: Building climate resilience; Facilitating the net zero transition; and Decarbonising our operations.

Climate and sustainability topics are specifically discussed by multiple Board sub-committees, including:

- **Safety, Human Resources and Environment Committee –** which reviews performance against the Sustainability Strategy on a quarterly basis
- **Risk and Cyber Security Committee –** which a) ensures an appropriate framework for identifying and managing risks arising from climate change (including physical, transition and liability risks) and b) monitors strategic and business risks, including climate change and other sustainability and environmental risks
- **Audit Committee –** which oversees and reviews climate-related disclosures.

Together with Management, the Board continues to increase its understanding of the implications of climate-related risks and opportunities on our business and the energy industry, including through training and education. This positions the Board to continue steering the organisation towards best practices, including planning and reporting for climate-related risks and opportunities.

Management role and responsibilities

Management is responsible for delivering on the Corporate Strategy, Regulatory Proposal and Sustainability Strategy, as well as operational strategies.

Management reviews performance against the Sustainability Strategy on a quarterly basis. The Sustainability Steering Committee (SSC) is a subcommittee comprised of the entire Executive Leadership Team (Management) and chaired by the Chief Corporate Affairs Officer.

This Committee is responsible for addressing key risks and issues regarding the implementation of the Sustainability Strategy.

During 2023–24, the SSC endorsed the outcomes from the climate reporting gap assessment, the resulting roadmap for capability and reporting uplift, and the formation of the Climate Working Group to oversee roadmap implementation.

The Sustainability Working Group is responsible for the delivery of the Sustainability Strategy and climate-related initiatives. It is chaired by the Head of Sustainability and includes subject matter experts from across the organisation.

The Climate Working Group, formed during 2023–24, will guide the implementation of the climate reporting roadmap and prepare Essential Energy for reporting against the Framework for NSW Government entities. It includes members of the sustainability, finance, strategy, risk management, governance and network planning functions.

Strategy

Essential Energy's Corporate Strategy is delivering critical change to respond to climate-related risks and seize opportunities from the energy transition. It recognises that customer, investor, regulatory and societal expectations of Essential Energy are shifting. Essential Energy is evolving how the distribution network best contributes to the future energy needs of regional, rural and remote communities.

The material climate-related risks and opportunities that shape the Corporate Strategy can be grouped into two broad areas of impact on the business, stakeholders and customers: 1) the physical environment; and 2) the broader market, societal and regulatory landscape.

The physical environment impacts Essential Energy's assets and network management, as well as the prosperity, safety and wellbeing of the communities we serve. To respond, Essential Energy has prioritised investments that add resilience, flexibility, safety and agility to network assets, network control and operations. The business and the communities Essential Energy serves will benefit from more dynamic assets and modern operations that can better predict climate impacts, manage Consumer Energy Resources (CER) and safely withstand major climate events.

The broader market, societal and regulatory landscape affects the value the network generates, its role in the industry and the services offered to customers. Essential Energy's Corporate Strategy affirms a commitment to empower communities to share and use energy for a better tomorrow by evolving the energy platform, developing commercial capabilities to attract new investment into regional communities, and expanding into underserviced, unregulated activities.

Essential Energy refined its Corporate Strategy during 2023–24, broadening the focus to the five strategic pillars described in the 'Strategy' section, page 12. Consistent with previous approaches, this refinement was informed by an extensive external landscape review by the Board and Management, including technological possibilities, economic trends, and enabling regulatory plans and frameworks such as the *Climate Change (Net Zero Future) Act 2023* (NSW) and the NSW Electricity Strategy, NSW Electric Vehicle Strategy and NSW Hydrogen Strategy. The review supported Board and Management discussions of Essential Energy's desired role within the energy transition.

Climate risks and opportunities

Essential Energy undertook a double materiality assessment during 2023–24, determining the sustainability-related topics most likely to impact the business and stakeholders. It included an analysis of the megatrends influencing the current and future operating environment. The process identified 61 sustainability-related impacts, risks and opportunities (IROs) material to Essential Energy's business, including climate-related IROs. Material IROs were then grouped under eight sustainability priorities, four of which are climate-related: 1) Adapting our business to the clean energy future; 2) Supporting an affordable and inclusive clean energy transition; 3) Strengthening resilience to climate events; and 4) Minimising environmental impact. The materiality assessment will inform Essential Energy's corporate, sustainability and operational planning, as well as risk management and sustainability and climate-related reporting – including the risks and opportunities listed in tables 7 to 14. For more information see 'Sustainability materiality', page 48.

Physical climate risks have long been established considerations within Essential Energy's network management planning and processes. A register of physical risks affecting the electricity network is maintained, including those relating to weather events. The impacts of these risks could potentially involve the failure of network assets or an inability to respond to significant network outages due to limited physical access to the network.

During 2021–22, the business undertook a Climate Impact Assessment (CIA), as a detailed quantitative scenario analysis for climate-related physical risks from bushfires, storms and floods. This informed network resilience investment in Essential Energy's 2024-29 Regulatory Proposal and therefore network resilience initiatives over the coming five years.

Tables 7 to 14 provide a shortlist of Essential Energy's material climate-related risks and opportunities, combining both physical and transition risks on the one hand, and transition opportunities on the other. In this context, short term is defined as zero to five years, medium term as five to ten years, and long term as beyond ten years. This aligns with the five-yearly funding cycle via Regulatory Proposals.

TABLE 7. CLIMATE RISK 1: EXTREME WEATHER EVENTS (FLOODS, WINDSTORMS, DROUGHTS, HEATWAVES)

Type: Physical – Chronic and Acute

Time horizon: Short to long term

POTENTIAL IMPACTS

- Asset damage, including reduced life span for assets affected by extreme weather events, and additional insurance costs
- Disruptions and outages of customer services from weather events
- Increased unpredictability of asset and operational performance over time, given changing conditions
- Increasing frequency of impacted working conditions for employees and contractors
- Impacts to supply and reliability, with network safety implications
- Increased risk of asset failure impacting the reliability of services to the community
- Increased reliance on electricity services during times of extreme weather, including heatwaves and bushfires

BUSINESS RESPONSES

- Risks of extreme weather events are managed through standard asset management processes
- Additional advanced modelling of future climate risks through the CIA process, including work to integrate modelling outcomes into business asset management systems to inform ongoing long-term planning
- Plans to increase network and community resilience include investment of $205 million in the final determination of the 2024–29 Regulatory Proposal, as well as $1.88 million for emergency response SAPS for vital telecommunications infrastructure (assisted by an Australian Government grant) (see 'Resilience', page 57)
- Metrics and targets to track performance of the 'Facilitating the net zero transition' and 'Building climate resilience' commitments under the Sustainability Strategy (see tables 15 and 16)
- Support to ensure Essential Energy's employees are fit to deploy to major incidents, including processes and information for fatigue management, hydration and nutrition, as well as regular interaction with the Health team
- Supports for proactive management of mental health through the Employee Assistance Program, including counselling, onsite support where appropriate and access to the wellbeing platform

TABLE 8. CLIMATE RISK 2: BUSHFIRES

Type: Physical – Acute

Time horizon: Short to long term

POTENTIAL IMPACTS

Same as Risk 1.

Additionally:

- Increased risk of Essential Energy's network starting fires, due to contact between the natural environment and the network, with increased frequency and severity of bushfire conditions

BUSINESS RESPONSES

Same as Risk 1.

Additionally:

- Risks of network infrastructure starting bushfires and being impacted by bushfires are managed through standard asset management processes, including bushfire preparation, vegetation management and asset inspection and maintenance programs (see 'Bushfire preparation' and 'Vegetation management', page 23)
- Specific actions to mitigate the risk of the network starting bushfires and being impacted by bushfires include the resilience initiatives in the 2024–29 Regulatory Proposal and emergency response SAPS for vital telecommunications infrastructure (see 'Resilience', page 57)
- Partnering with Melbourne University to complete a detailed review of bushfire modelling across Essential Energy's entire network area, using industry-leading modelling and technical capabilities, in 2022–23. This modelling informs and helps decision making to mitigate the risk of assets being involved in starting fires, such as revised network protection settings at heightened bushfire risk times, helping to maintain a safe and reliable network for our customers

TABLE 9. CLIMATE RISK 3: COMPETITION FOR ENERGY TRANSITION RESOURCES

Type: Transition – Markets

Time horizon: Short to medium term

POTENTIAL IMPACTS

- Competition for skilled personnel, as well as equipment and materials, to build renewable energy infrastructure – resulting in increased costs and delays for network infrastructure projects
- Supply bottlenecks and scarcity of goods, workers and inventory delays projects and work schedules
- Reduced ability to respond to major climate events and outages due to scarcity of replacement parts

BUSINESS RESPONSES

Skills shortages risk mitigation measures:

- Identifying future workforce requirements for the energy transition, to inform training, recruitment and contractor partnering initiatives
- Future skills training programs, introduced during 2023–24, to increase internal capabilities for managing increasing amounts of renewable energy generation (see 'Future skills training', page 31)
- Increasing intake of apprentices, graduates and trainees (see 'Apprentices, trainees and graduates', page 31)
- Increasing capacity to build network infrastructure to support renewable energy generation by partnering with electrical contractors

Materials and equipment shortages risk mitigation measures:

- Classification of supply base according to advanced criteria
- Supplier risk profiling for more than 150 key suppliers using third-party monitoring technologies
- Reducing reliance on sole-sourced products and services
- Improving and increasing inventory holdings
- Monitoring of market and economic conditions
- Strengthening local supply chain through long-term partnerships
- Sustainability risks and opportunities analysis at a procurement portfolio level

TABLE 10. CLIMATE RISK 4: ENERGY INDUSTRY VOLATILITY - EMERGING AND COMPETING TECHNOLOGIES

Type: Transition – Technology

Time horizon: Short to medium term

POTENTIAL IMPACTS

- Increased unpredictability of network performance as traditional generation is removed from the system and replaced by intermittent variable generation
- Faster adoption of CER as customers want greater energy security

BUSINESS RESPONSES

- Expanding visibility and monitoring of network performance
- Development of new flexible solutions, including batteries, to respond to intermittent variable generation and CER
- Development of new services for key customer segments, such as trialling local battery storage solutions to buffer customers from volatile wholesale electricity costs while supporting the effective and efficient integration of renewables

TABLE 11. CLIMATE RISK 5: ENERGY INDUSTRY VOLATILITY - MARKET CHANGES

Type: Transition – Technology

Time horizon: Short to medium term

POTENTIAL IMPACTS

- Increased customer and retailer hardships due to volatile energy markets
- Increased volatility and costs for the energy transition, due to National Energy Market regulations limiting the ability of distribution networks to contribute to the transition – including for SAPS, batteries and EV charging infrastructure
- Increased costs and delays for the energy transition due to concerns from regional communities about local impacts from new infrastructure for the energy transition

BUSINESS RESPONSES

Customer-related:

- Continued focus on keeping customers' network charges as low as possible (see 'Revenue and pricing', page 39)
- Continued focus on supporting customers who are in vulnerable circumstances, including through the Customer Support Policy, partnering with Uniting Financial Counselling (see 'Partnering with and sponsoring community organisations', page 37) and 'The Energy Charter' (see page 33)
- Increasing account management and support for commercial customers

Regulation-related:

- Working with industry partners to trial new technologies and approaches for energy generation, sharing and storage – including SAPS (see page 18), batteries (see CER, page 15) and EV charging infrastructure (page 17)
- Working with regulators and governments on regulatory reforms to remove barriers that limit distribution networks' involvement in the energy transition, to benefit rural and regional customers

Community engagement:

- Developing ways to maximise the use of existing distribution network infrastructure, to mitigate against delays for new infrastructure for the energy transition (see 'Enabling greater exports and network use, page 16)
- Strengthening community and stakeholder engagement resources and processes

TABLE 12. CLIMATE OPPORTUNITY 1: NOVEL TECHNOLOGIES FOR NETWORK RESILIENCE

Type: Resource efficiency/Resilience

Time horizon: Short to medium term

POTENTIAL IMPACTS

- Greater ability to monitor and manage network performance
- Improved ability to forecast and predict network impacts from major events
- Faster response times to outages and to restore energy supply
- Greater safety of personnel and the community
- More affordable technology alternatives to traditional network augmentation
- Improved network utilisation

BUSINESS RESPONSES

Continuing to develop a series of new solutions that add flexibility and resilience to the network:

- Better integration with distributed energy resources using advanced monitoring, communications and control systems
- Developing advanced analytical tools that enable forecasting and supporting real-time decision making and identification of network issues
- Establishment of battery storage as a new asset class and identification of potential sites to aid reliability
- SAPS and microgrids
- Improving asset management (through field service mobility, works management and remote inspection technologies, such as drones)

TABLE 13. CLIMATE OPPORTUNITY 2: ACCELERATED NEW CONNECTIONS AND NET ZERO TRANSITION

Type: Markets, Resource Efficiency

Time horizon: Short to medium term

POTENTIAL IMPACTS

Essential Energy and our customers stand to benefit from the net zero transition as substantial new load and generation connect to the network over the next decade. This will bring new investment and new industry to regional and rural NSW, and improve the utilisation of the existing network, resulting in a broader and more diverse customer base to recover network costs.

BUSINESS RESPONSES

- Proactive business development to attract new customers to the network, highlighting the benefits of investing in regional and rural NSW
- Establishing dedicated teams to assist new types of customers, including a dedicated connections team for EV charging operators and major connections team for new energy generation facilities
- Streamlining the connection process and actively providing key network information to enable customer decisions
- Advocating for a greater role for distribution businesses in facilitating the net zero transition
- Advocating the development of incentives, industry standards and reforms for CER technology, like smart EV charging and supporting industrial electrification

TABLE 14. CLIMATE OPPORTUNITY 3: NEW MARKETS

Type: Markets, Technology

Time horizon: Short to medium term

POTENTIAL IMPACTS

The energy transition is opening the possibility of new business models and new paths to value, which is a significant opportunity in regional and rural NSW. Customers have growing choice in how they connect to the network and consume and generate electricity, which will require the energy industry to evolve the design of the market.

This evolution will likely involve the development or new services, adjacent markets and new commercial arrangements to leverage the existing electricity network for the net zero transition.

BUSINESS RESPONSES

- Introduction of new tariffs, such as Sun Soaker or battery-specific tariffs, to complement higher levels of CER while creating a fairer and sustainable approach to recover network costs
- Continuing the innovation agenda, to trial technology and test new market designs in collaboration with industry participants and communities. For example, Smart Energy Communities and deploying EV charging infrastructure through joint-use arrangements (see 'Research and development', page 24)
- Seeking growth opportunities through Intium, Essential Energy's new unregulated business, to expand into new and adjacent services (see 'Intium', page 41)
- Continuing deployment of technology and services that add flexibility to the network and customers, such as Dynamic Connection Agreements and community batteries

Scenario analysis

Climate scenario analysis helps us to understand the potential future effects of different climate change scenarios on business activities and strategy.

Physical risks

During 2021-22, external specialists developed Essential Energy's Climate Impact Assessment (CIA), which modelled scenarios to quantify the financial and non-financial impacts of physical climate events on network assets. Inputs included the Intergovernmental Panel on Climate Change emission trajectories Representative Concentration Pathways (RCPs) 4.5 and 8.5 over the time horizons of 2050, 2070 and 2090. This work informed the resilience initiatives included in the final determination for the 2024–29 Regulatory Proposal. Essential Energy commenced integrating modelling outcomes into asset management systems during 2023–24, to inform ongoing long-term planning.

Transition risks and opportunities

During 2022–23 scenarios were developed to explore transition risks and opportunities, using internal strategic analysis and resources including the Shared Socioeconomic Pathways (SSPs) and the physical risks identified in the CIA. Senior leaders and subject matter experts mapped these scenarios to help understand the social, technical and economic impacts of a changing climate on Essential Energy's customers and the energy sector. These scenarios were described in the 2022–23 TCFD report.

Resilience

Essential Energy has an integrated approach to business resilience, network resilience and community resilience. This integration is important for consistency of direction and alignment to the Corporate Strategy.

Essential Energy's Resilience Plan 2024–29, developed in early 2023, focuses on network resilience and community resilience. It contains investment and actions to mitigate the effects of climate-related risks on the network and therefore continue to provide safe and reliable power for regional and rural customers and communities.

The plan was informed by the CIA for the physical network, as well as extensive stakeholder engagement for Essential Energy's 2024-29 Regulatory Proposal, in which customers identified improving the resilience of the network as a top priority.

The final determination for the 2024–29 Regulatory Proposal contained $205 million in investments to improve the resilience of the network, including:

- installing 11,000 composite poles in high-risk areas by 2029 (see 'Composite poles', page 18 for details)
- commissioning microgrids, and exploring ways to improve their economic feasibility
- installing SAPS in up to 400 locations, initially targeting hard-to-access and high-cost-to-serve areas (see 'SAPS', page 18 for details)
- relocating the Lismore depot away from flood-prone land

- procuring portable and adaptable assets that can be transported to different locations, including mobile switchboards, streetlights, community hubs, solar panels, batteries and generators
- laying selected powerlines underground in high-risk locations, to minimise exposure to bushfires and storms
- hiring three additional staff to help local government councils, communities and critical infrastructure asset providers develop resilience plans.

Additionally, during 2023–24 Essential Energy secured an Australian Government grant from the Telecommunications Disaster Resilience Innovation (TDRI) Program, to procure six emergency response SAPS and complete enabling works to accept 'plug-in backup supply' at a minimum of 12 sites. The sites house vital telecommunications systems, owned by Essential Energy and emergency services. The total investment will be $1.88 million, with 50 per cent from the grant and 50 per cent from Essential Energy. A further $724,000 from Essential Energy's revenue base has been allocated to installing permanent solar and battery backup systems for approximately 20 critical Essential Energy radio sites.

We are also working to improve network and community resilience for severe weather events through collaboration between essential power and telecommunications providers. During the past year we initiated a joint forum for NSW power, telecommunications and state government agencies, to achieve better service outcomes for customers. This addresses recommendations arising from the 2019–20 Black Summer inquiries.

Alongside network and community resilience, Essential Energy's core business resilience functions and considerations, such as enterprise risk management and physical and cyber security, are addressed in a separate business resilience plan aligned to ISO 22313 – Business Continuity Management Systems.

Risk management

As detailed above, in 2021–22 the CIA modelled the expected impact of the physical impacts of climate change on Essential Energy's network assets and customer experience. It combined historical asset failure data with expert judgement and a literature review. The NSW Government Climate Risk Ready tool was also used, to supplement existing risk assessments and identify risks that may benefit from longer-term quantitative assessments to identify potential impacts and mitigation options.

The assessment produced comprehensive forecast models for bushfires, floods and windstorms, including location-specific data that informed the projected timings and plans for mitigative measures.
In evaluating physical risks, the projected impact of climate-driven sustained power outages on the customer experience was modelled using the industry standard metric Value of Customer Reliability. This generated economic quantification of the impacts of sustained power outages resulting from the increase in climate-driven bushfires, floods and windstorms.

As an electricity network owner, Essential Energy evaluates and addresses physical risks as part of business-as-usual risk management, primarily through the Strategic Asset Management Plan and individual asset management strategies.

Risks are rated according to a common risk matrix identifying likelihood and potential consequences. Through the risk management framework, the possibility of additional organisational impacts from an asset's failure is also assessed – including for safety, reliability, financial performance, the environment, compliance, reputation or community standing.

Essential Energy recognises that it is not practical or efficient to eliminate the potential impacts of natural hazards and extreme weather events. The approach to limiting the impact of these events includes maintaining incident response capabilities that mitigate the physical impacts of climate hazards and disaster events such as floods, storms and bushfires, by restoring power following the outages they cause.

Essential Energy's existing risk register includes risks affected by transition risks as well as physical risks. These are not necessarily tagged as climate-related risks, as both their causes and impacts can be broader. For example, energy volatility could derive from climate-related risks or other factors.

Risks are rated according to a common risk matrix identifying likelihood and potential consequences. These risks are all addressed at Board and Management level, mostly through ongoing monitoring of the factors underpinning the Corporate Strategy and the metrics and targets identified in the Sustainability Strategy (see tables 15 to 17).

Metrics and targets

In 2023–24 the Board approved metrics and targets for the three commitments within the 'Responding to climate change' pillar of the Sustainability Strategy. The metrics and targets are the same as those for 2022–23. See tables 15 to 17.

We are working to improve network and community resilience for severe weather events through collaboration between essential power and telecommunications providers.

TABLE 15. FACILITATING THE NET ZERO TRANSITION

	Performance			
METRIC	2021–22	2022–23	2023–24	TARGET
Number of gigawatts (GW) of renewable assets connected to network (small-scale and large-scale)	2.575GW of renewable assets connected to the network (1.375GW small-scale and 1.2GW large-scale)	2.912GW of renewable assets connected to the network (1.561GW small-scale and 1.351GW large-scale)	3.62GW of renewable assets connected to the network (2.084GW small-scale and 1.536GW large-scale)	4.2GW of renewable assets connected to the network by 2029–30 (2.4GW small-scale and 1.8GW large-scale)
Number of alternative network solution projects commenced (total number of SAPS and microgrids)	2 SAPS 1 microgrid	4 SAPS 1 microgrid	29 SAPS 3 microgrids	400 SAPS projects and 6 microgrid projects delivered by 2028–29
Number of Essential Energy batteries connected to the network	0 batteries	1 battery	3 batteries	29 Battery Energy Storage Systems (BESS) by 2029–30
EV adoption percentage in regional NSW	0.04%	0.19%	0.33%	Tracking only
Number of public EV fast chargers in regional NSW	127	163	288	Tracking only

TABLE 16. BUILDING CLIMATE RESILIENCE

	Performance			
METRIC	2021–22	2022–23	2023–24	TARGET
System Average Interruption Duration Index (SAIDI)	218 minutes	222 minutes	206 minutes	Under or equal to 226 minutes of interruptions per customer per year
System Average Interruption Frequency Index (SAIFI)	1.6 instances	1.579 instances	1.523 instances	Under or equal to 1.71 interruptions per customer per year
Major Event Days (MED) – number of and total duration threshold	12 days 5.79 MED SAIDI threshold	2 days 6.245 MED SAIDI threshold	2 days 6.22 MED SAIDI threshold	Tracking only

TABLE 17. DECARBONISING OUR OPERATIONS[1, 2]

	Performance			
METRIC	2021–22	2022–23	2023–24	TARGET
Scope 1 and 2 emissions – Tonnes of carbon dioxide equivalent (tCO_2-e)	557,516 tCO_2-e	554,040 $tC0_2$-e	537,437 $tC0_2$-e	Scope 1 and 2 emissions reduction of 50% by 2030, from a base year of 2020–21
Scope 3 emissions (tCO_2-e)	Not disclosed	135,310 $tC0_2$-e	126,097 $tC0_2$-e	Tracking only
Total energy consumption (renewable and non-renewable) within organisation (GJ)	2,662,174 GJ	2,864,865 GJ	2,964,646 GJ	Tracking only
Emissions reduction activities	0 EVs	34 EVs	55 EVs	850 light vehicles moved to EVs by 2028–29 104 heavy vehicles moved to EVs by 2028–29
Sulphur Hexafluoride (SF6) on network (kg)	25,680 kg	27,557 kg	27,995 kg	Tracking only

Scope 1, 2 and 3 emissions

Essential Energy annually reports Scope 1 and 2 greenhouse gas (GHG) emissions in accordance with the *National Greenhouse and Energy Reporting Act 2007* (Cth), which provides emissions and intensity ratios for historical periods.

Essential Energy's Scope 1 emissions are from: transport fuel use and stationary fuel use; Sulphur Hexafluoride (SF6) leakage in the electricity distribution network; and Essential Water fuel combustion and emissions of methane and nitrous oxide during wastewater handling.

Much of Essential Energy's emissions profile derives from indirect, Scope 2 emissions. In 2023–24, 93 per cent of Scope 1 and 2 emissions were attributable to distribution loss emissions, which are emissions from the amount of energy lost distributing electricity across the grid before it reaches end users.

As a regional network with more than 183,000km of overhead powerlines, losses on the network are primarily driven by the significant distances needed to distribute energy across regional, rural and remote NSW. The decarbonisation of the NSW generation mix will automatically reduce emissions in the coming years as more coal-fired generation shuts down and more locally-generated renewables are connected to the grid.

In continuing to drive renewable connections, Essential Energy is both helping to facilitate the net zero transition and reducing its emissions. Since 2018-19, distribution network loss emissions from the Essential Energy network have reduced by 17 per cent.

Other Scope 2 emissions sources are electricity consumption for Essential Energy and Essential Water facilities.

TABLE 18. SCOPE 1 AND 2 GREENHOUSE GAS EMISSIONS[1]

	Emissions (tCO_2-e)					
	2018–19	2019–20	2020–21	2021–22	2022–23	2023–24
Total Scope 1	26,921	27,578	25,746	23,868	25,919	26,515
Total Scope 2	623,378	561,498	574,090	533,648	528,121	510,922
Total Scope 1 and 2 emissions	650,299	589,079	599,836	557,516	554,040	537,437

1 The Essential Energy 2022-23 and 2021-22 annual reports and the 2021-22 TCFD contained incorrect figures for total energy consumption, total Scope 2 emissions, and total Scope 1 and 2 emissions, for 2019-20 to 2022-23. Tables 17 and 18 contain the corrected figures. The error was due to the omission of two Essential Water pump sites from the Essential Energy master site list, which is used to calculate total electricity usage. This meant that approximately 1,500 to 2,000 tCO2-e were missing from total Scope 2, each year. An internal review of the master site list in August 2024 identified the omission. This review will now be conducted annually.

2 Total Scope 3 emissions for 2022-23 are restated in table 17, compared to the amounts included in the Essential Energy Annual Report 2022-23. See 'Change of methodology for Scope 3 emissions' (page 61).

FIGURE 3. COMBINED SCOPE 1 AND 2 GREENHOUSE GAS EMISSIONS (tCO_2-e)[3]

3 Figure 3 contains updated amounts for 2019–20 to 2022–23 compared to the Essential Energy Annual Report 2022–23. See note 1 (page 60) for details.

TABLE 19. SCOPE 3 GREENHOUSE GAS EMISSIONS

	Emissions (tCO_2-e)	
SCOPE 3 EMISSIONS CATEGORY	2022–23[4]	2023–24
Category 1: Purchased Goods and Services	85,921	95,826
Category 3: Fuel and Energy-related Activities	40,309	19,543
Category 4: Upstream Transportation and Distribution	3,419	4,476
Category 5: Waste Generated in Operations	1,723	2,119
Category 6: Business Travel	1,174	1,173
Category 7: Employee Commute	2,764	2,960
Total Scope 3 Emissions	**135,310**	**126,097**

Change of methodology for Scope 3 emissions

Scope 3 emissions data for 2022-23 is restated in tables 17 and 19 from the amounts included in the Essential Energy Annual Report 2022-23. This is due to a change of methodology, transitioning emission factors from Environmentally-Extended Input-Output (EEIO) factors to Climate Active factors. This change aligns with current best practices. It enhances the traceability of Essential Energy's emission factors, for future assurance purposes. It also better aligns Essential Energy's reporting to the Australian context and with energy industry peers, with Climate Active factors used more commonly. This adjustment reflects Essential Energy's commitment to transparent, accurate and accountable reporting practices in accordance with industry best practices.

As a result of this change, total 2022-23 Scope 3 emissions are 39 per cent higher compared to the amounts included in the 2022-23 Annual Report. Total Scope 3 emissions decreased by 7 per cent in 2023-24, compared to the restated amount for 2022-23.

Decarbonisation initiatives

Essential Energy continues to develop a transition plan and decarbonisation pathway to address Scope 1, 2 and 3 emissions. As shown in Table 17, in 2022–23 a target was set to reduce GHG emissions by 50 per cent by 2030 (Scope 1 and 2, base year of 2020-21). This target is forecast to be achieved through a reduction of distribution network and electricity emissions from grid decarbonisation, as well as a reduction in fleet emissions from electrification, and a reduction in electricity emissions from installing solar photovoltaic panels on depots. Work is also being done to reduce and eliminate the use of SF6 on the network. We are developing strategies to address Scope 3 emissions, including through purchased goods and services and waste emissions.

4 Total Scope 3 emissions for 2022-23 are restated in table 19, compared to the amounts included in the Essential Energy Annual Report 2022-23. See 'Change of methodology for Scope 3 emissions'.

Management and accountability

Essential Energy maintains the highest standards of governance and accountability to ensure that our business continues to meet the needs of our customers, regulator, communities and other stakeholders.

CONTENTS

Governance

Essential Energy is a State Owned Corporation established under the *Energy Services Corporations Act 1995* (NSW) and the *State Owned Corporations Act 1989* (NSW) to provide services critical to the economy and infrastructure for New South Wales (NSW).

It is governed, principally, by those two statutes and its Constitution, and operates within the terms of the *Electricity Supply Act 1995* (NSW).

Good governance is critical for organisations. It provides a platform for a sustainable future and demonstrates commitment to high standards of business integrity, ethics and professionalism across all activities.

It also underpins the delivery of outcomes sought by shareholders; supports people and business operations; and provides a foundation for sound ethical, financial and risk management practices to benefit customers and shareholders, as well as effective compliance and auditing programs.

Essential Energy's Code of Conduct and Statement of Business Ethics set out expectations for employee behaviour that are fundamental to Essential Energy's success. The Code encourages a culture of responsibility and accountability that promotes ethical and responsible decision making.

> Essential Energy's Code of Conduct and Statement of Business Ethics set out expectations for employee behaviour that are fundamental to Essential Energy's success.

Board of Directors

The Board has a maximum of six non-executive directors plus the Chief Executive Officer (CEO) and is responsible for governance and, ultimately, the performance of Essential Energy. It gives direction and exercises judgement in setting Essential Energy's strategic objectives and is responsible for overseeing the implementation of these.

The CEO is responsible to the Board for the day-to-day management of Essential Energy and leads the Executive Leadership Team (ELT) in delivering the strategy and achieving the performance targets set by the Board.

The Board operates in accordance with its Charter, which provides an overarching statement of authority and accountability for governance and management of Essential Energy, consistent with the Constitution, applicable legislation, government policy and Essential Energy's Code of Conduct and Statement of Business Ethics.

All directors on the Board of Essential Energy, apart from the CEO, are appointed by the voting shareholders – the Treasurer of NSW and the Minister for Finance.

Appointments may be renewed by the voting shareholders, who may appoint other directors at their discretion. Each non-executive director's remuneration is determined by the voting shareholders and is paid out of Essential Energy's funds. The CEO is not entitled to additional remuneration for being an executive director.

Conflicts of interest

The Board considers all current non-executive directors to be independent. To ensure their independent status, all directors of Essential Energy are subject to statutory duties and prohibitions regarding conflicts of interest. Directors identify and disclose issues which may give rise to any conflict of interest.

Terri Benson has declared potential conflicts of interest in relation to her directorship with the Birdon Group. Jennifer Douglas has declared potential conflicts of interest in relation to her directorship with Amotiv and a family member employed as a graduate at Schneider Electric. The Honourable Duncan Gay has declared potential conflicts of interest in relation to his directorships with Bush Children's Education Foundation. The Board deems that appropriate mitigation measures are in place to manage each of the potential conflicts, administered by the Company Secretary, and considers Ms Benson, Ms Douglas, and the Honourable Duncan Gay as independent directors.

The Company Secretary maintains the Register of Interests and Standing Conflicts of Interest, which is reviewed at each Board meeting.

Board committees

The role of the Board is to provide strategic guidance and effective oversight of management. In undertaking this role, the Board has established five committees, as outlined below. Each Committee acts in accordance with a charter endorsed by that committee and approved by the Board setting out matters relevant to the composition, responsibilities, authority and reporting of the Committee.

Audit Committee

The Audit Committee meets at least four times per year. The Committee assists the Board in fulfilling its responsibilities regarding matters relating to Essential Energy's financial statements and reporting, as well as the oversight of internal and external audits and internal controls. In addition, the Committee examines any other matters referred to it by the Board.

Board Regulatory Committee

The Board Regulatory Committee meets at least four times per year. The Committee assists the Board in fulfilling its responsibilities in seeking strong and sustainable customer and shareholder outcomes in regulatory-related matters, monitoring regulatory risk in its oversight of regulatory strategy, compliance and stakeholder engagement activities, and regulatory proposals and submissions.

In addition, the Committee examines any other matters referred to it by the Board.

Gavin Dufty, Executive Manager Policy and Research, St Vincent De Paul, is an independent remunerated adviser to the Committee, with expertise and insights into the perspective of Essential Energy's customers.

Nominations Committee

The Nominations Committee meets at least once per year. The Committee assists the Board in fulfilling its responsibilities in relation to Board succession planning, particularly regarding the balance of skills, knowledge, experience, independence and diversity on the Board, director induction, and professional development programs and succession planning for the CEO and ELT.

Risk and Cyber Security Committee

The Risk and Cyber Security Committee meets at least four times per year. The Committee assists the Board in fulfilling its responsibilities regarding matters relating to Essential Energy's risk management, compliance, governance practices, litigation, and probity, ethics, and corruption prevention. In addition, the Committee examines any other matters referred to it by the Board.

Michelle Price is an independent remunerated adviser to the Committee, with particular expertise in cyber security matters.

Safety, Human Resources and Environment Committee

The Safety, Human Resources and Environment Committee meets at least four times per year. The Committee assists the Board in fulfilling its responsibilities regarding work, health, safety and environmental practices, and in its oversight and corporate governance in relation to people, safety and wellbeing, and environmental matters. In addition, the Committee examines any other matters referred to it by the Board.

Trevor Brown is an independent remunerated adviser to the Committee, with a particular expertise in safety matters.

Directors' Remuneration

Under the *State Owned Corporations Act 1989* (NSW), the voting shareholders determine the remuneration of State Owned Corporation Chairs and directors. At the Premier's request, the Statutory and Other Offices Remuneration Tribunal (SOORT) recommends such remuneration as set out in Table 20 below, which is based on the SOORT 2007 determination. The fee amounts have been unchanged since 1 July 2016, and are the same as the amounts specified for Essential Energy's predecessor company, Country Energy, in 2007 by the SOORT at that time.

TABLE 20. DIRECTORS' REMUNERATION

Chair/member subcommittee remuneration	Annual fee
Board Chair[1]	$106,900
Director[1]	$60,600
Chair, Audit Committee and Chair, Risk and Cyber Security Committee[2]	$7,460
Members, Audit Committee and Risk and Cyber Security Committee[2]	$5,330
Chairs, Other Committees[2]	$5,330
Members, Other Committees[1]	$3,000

1 Base fee.
2 Additional fee.

Essential Energy Board of Directors

Doug Halley
BCom MBA, FAICD
Chair

Commenced: 25 August 2020
Current Term: 28 August 2024 to 27 August 2027

Committees:
- Chair, Nominations Committee
- Member, Audit Committee

Other Directorships:
- Nil

Terri Benson
BBus (Act), CPA, GAICD
Non-Executive Director

Commenced: 28 April 2022
Current Term: 28 April 2022 to 27 April 2025

Committees:
- Chair, Audit Committee
- Member, Nominations Committee
- Member, Risk and Cyber Security Committee

Other Directorships:
- Birdon Group, Managing Director

Robyn Clubb AM
BEc CA FFin MAICD
Non-Executive Director

Commenced: 15 March 2018
Concluded: 14 March 2024
Term: 15 March 2018 to 14 March 2024

Committees:
- Chair, Risk and Cyber Security Committee
- Member, Nominations Committee
- Member, Safety, Human Resources and Environment Committee

Other Directorships:
- Australia Post, Director
- Elders Limited, Director
- FCFA Management Leasing Pty Ltd, Chair
- Pro Ten Limited, Chair
- RAS Foundation Ltd, Chair
- Royal Agricultural Society of NSW Foundation, Councillor

Jennifer Douglas
BSc/LLB LLM MBA GAICD
Non-Executive Director

Commenced: 15 March 2018
Current Term: 15 March 2021 to 14 March 2025

Committees:
- Chair, Board Regulatory Committee
- Member, Nominations Committee
- Member, Risk and Cyber Security Committee

Other Directorships:
- Judo Bank Pty Ltd, Director
- Amotiv Limited, Director
- Peter MacCallum Cancer Foundation, Director
- St Kilda Football Club, Vice President

The Honourable Duncan Gay AM
Non-Executive Director

Commenced: 25 August 2020
Current Term: 28 August 2023 to 28 August 2026

Committees:
- Chair, Safety, Human Resources and Environment Committee
- Member, Nominations Committee
- Member, Board Regulatory Committee

Other Directorships:
- National Heavy Vehicle Regulator, Chair
- Bush Children's Education Foundation, Director
- Ministerial Advisory Committee on Freight, Chair
- Sir Earle Page Trust, Director
- MU Group, Executive Advisor

Grant Every-Burns
BE (Hons), FAICD
Non-Executive Director

Commenced: 31 October 2023
Current Term: 31 October 2023 to 30 October 2026

Committees:
- Chair, Risk and Cyber Security Committee
- Member, Nominations Committee
- Member, Audit Committee
- Member, Safety, Human Resources and Environment Committee

Other Directorships:
- Nil

John Cleland
BEc DipFinMan CA FFin, GAICD
CEO and Executive Director

Commenced: 18 July 2016

Committees:
- Member, Board Regulatory Committee

Other Directorships:
- Energy Networks Australia, Chair
- Intium, Chair

Indemnity and insurance

Under the NSW Treasury Commercial Policy Framework, section 7 of TPP18-04 Directors and Officers Indemnity Policy for State Owned Corporations provides that State Owned Corporations must disclose indemnity and insurance details for directors and officers in their Annual Reports.

All directors are indemnified by Essential Energy to the extent permitted under their existing indemnities, all of which were approved by NSW Treasury at the time they were granted.

Essential Energy maintains Directors' and Officers' insurance cover in relation to legal liabilities that may be incurred by its directors and senior officers.

Board and Board committee meetings held in 2023–24

TABLE 21. DIRECTORS' ATTENDANCE SCHEDULE (1 JULY 2023 TO 30 JUNE 2024)

	Board of Directors' meetings		Audit Committee meetings		Board Regulatory Committee meetings		Nominations Committee meetings		Risk and Cyber Security Committee meetings		Safety, Human Resources and Environment Committee meetings	
Director[1]	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
D Halley	9	9	6	6	–	4	3	3	–	4	–	4
T Benson	9	9	6	6	–	–	3	3	4	4	–	–
R Clubb	6	5	–	–	–	–	2	2	3	3	3	3
J Douglas	9	7	–	–	4	4	3	3	4	4	–	–
D Gay	9	9	–	–	4	4	3	3	–	1	4	4
G Every-Burns	5	5	3	3	–	1	2	2	1	2	2	3
J Cleland[2]	9	9	6	6	4	3	3	3	4	4	4	3

A. Indicates number of meetings held during the period the director was entitled to attend as a member of the Board or relevant Committee.
B. Indicates the number of meetings attended by the director during the period.
1. All directors have the right to attend all Committee meetings, as per the Committee Charters, except when the Committee Chair determines conflict of interest in relation to matters to be discussed by the Committee.
2. The CEO is a member of the Board Regulatory Committee and attends all other Committee meetings.

Executive Leadership Team

Organisation structure as at 30 June 2024

Essential Energy's Executive Leadership Team (ELT) as at 30 June 2024

John Cleland
BEc DipFinMan CA FFin, GAICD
Chief Executive Officer

Martin English
BFA LLB (Honours Class 1), FGIA, GAICD
General Counsel and Company Secretary

Luke Jenner
BEng (Hons), EMBA, GAICD
Chief Operating Officer

Annie Pearson
BA LLB (Hons), GAICD
Chief Corporate Affairs Officer

Charlie Boyes
BBus (Acc/HRM), MAppFin, CA
Chief Financial Officer

Justin Hillier
BBus, CA, GDipAppFinInv, FINSIA, GAICD
Chief Commercial Officer

Sarah McCullough
GradCertMgt(InfoTech), MBA(Comp), GAICD
Chief Digital Officer

Amalie Smith
MBA (Log&SupChaMgt), GradCertBusMgt, GAICD
Chief People Officer

The management of Essential Energy is led by the CEO and ELT.

The CEO has the authority and responsibility for managing Essential Energy in accordance with the strategy, plans, practices, delegations and policies approved by the Board to achieve agreed objectives. In doing so, the CEO is accountable to the Board for the governance of the operations of the company, delivery of the agreed strategy and reform initiatives, and leads the ELT.

The ELT provides management and oversight for matters of significance in relation to policy, strategy and governance frameworks for Essential Energy.

Senior Managers

At the end of the reporting period, Essential Energy employed 356 officers. Total remuneration packages are outlined in table 22.

General principles for remuneration of senior managers

Essential Energy's remuneration strategies are designed to achieve the following objectives:

- attract, retain and motivate top calibre talent
- ensure high standards of behaviour are in line with Essential Energy's values
- align executive rewards to drive business performance.

This approach incorporates the following points:

- Essential Energy's Senior Managers are employed on individual, performance-based employment contracts
- total remuneration for on-target performance is positioned to the market in consideration of performance and position criticality. Mercer CED methodology is used to grade positions and establish benefit levels and broad banded ranges
- remuneration consists of the following components:
  - Fixed Annual Remuneration (base and superannuation)
  - Variable (at risk) Remuneration – annual Short Term Incentive.

Fixed remuneration

As a condition of employment, fixed remuneration of Senior Managers is reviewed in line with market trends annually effective 1 July and is based on a performance assessment of each Senior Manager. Variations are also occasionally made at other times of the year in response to market and job scope adjustments. In approving increases to the fixed remuneration of Senior Managers, the Board considers economic conditions, energy sector employment market, market benchmarks, the movement in the superannuation guarantee rate and outcomes of performance assessments.

Annual Short Term Incentive payments

Annual Short Term Incentive Payments are made to eligible Senior Managers based on assessed performance against agreed measures and targets aligned to Essential Energy's Corporate Plan and Statement of Corporate Intent (SCI). Payment is contingent on achieving minimum quantitative threshold organisational Key Result Areas, assessment of individual leadership performance and the delivery of Priority Actions.

The Board reviews the performance assessments and approves all annual performance payments for the CEO and ELT. The remaining Senior Managers are reviewed by either the CEO or relevant Executive. All payments are subject to Board discretion, with payment outcomes approved in consideration of organisational and individual performance.

Remuneration percentages

From 1 July 2023, Senior Manager fixed remuneration was increased overall by 4.2 per cent. The fixed annual remuneration review is completed in consideration of equal pay. Total remuneration for Senior Managers, including Short Term Incentive payments, accounted for 15.1 per cent of Essential Energy's employee-related expenditure in 2023–24, compared with 12.0 per cent in 2022–23.

TABLE 22. SENIOR MANAGERS BY BAND (GENDER AND AVERAGE REMUNERATION)

	Gender 30 June 2023		Gender 30 June 2024		Average remuneration 30 June 2023	Average remuneration 30 June 2024
Band	**F**	**M**	**F**	**M**		
Above Band 4	–	3	3	5	$814,098	$809,744
Band 4	3	–	–	1	$524,013	$569,617
Band 3	–	5	5	12	$422,798	$410,770
Band 2	6	20	14	43	$317,764	$312,834
Band 1	49	144	72	201	$231,762	$233,629
Totals	**58**	**172**	**94**	**262**		

Risk management and compliance

Code of conduct

Essential Energy's Code of Conduct sets out the corporate values and behaviours expected of employees. Supporting the Code is the Statement of Business Ethics, which sets out the business principles for Essential Energy's dealings with suppliers. Both documents are available online at Essential Energy's website.

Continued communications via internal publications provide employees with an understanding of ethical behaviour, their obligations and rights in reporting behaviour that is not in keeping with Essential Energy's Code of Conduct, and of the protections available to them if their report is assessed to be a Public Interest Disclosure pursuant to the *Public Interest Disclosures Act 2022* (NSW) (PID Act). This encourages a positive reporting culture and a workforce that is well educated on behavioural and ethical expectations.

Summary of 'if not, why not' reporting

The NSW Treasury Commercial Policy Framework: Guidelines for Governing Boards of Government Businesses TPP17-10 includes recommendations for corporate governance, and a requirement for 'if not, why not' reporting where these recommendations have not been adopted. Essential Energy reviews its practices regularly and has adopted all recommendations.

Risk management

Essential Energy's Risk Management Framework is designed to meet stakeholder expectations for a safe, affordable and reliable electricity supply.

Essential Energy's risk management principles are designed to:

- provide a healthy and safe environment for employees and for the public
- promote a culture which empowers employees to effectively manage safety risks
- provide affordable and reliable electricity to customers through continuous improvement in operations, prioritising allocation of resources to activities that deliver the greatest value
- manage reliability risks through planning
- empower employees to achieve organisational objectives and to attract, retain and develop qualified and commercially capable people
- manage operations and partner with stakeholders to protect and enhance the environment
- develop objectives and plans in response to opportunities and risks in the environment
- embed appropriate governance and monitoring to support the delivery of benefits from initiatives and change programs

- comply with obligations and ensure timely and appropriate action plans are in place to support known regulatory changes or in response to actual or potential compliance and regulatory issues
- proactively engage with stakeholders including customers, the community, suppliers, government and regulators
- ensure the business' priorities appropriately balance stakeholder expectations and concerns
- maintain appropriate controls and reporting to support sound financial management and stewardship of resources and satisfactory returns for shareholders.

Essential Energy's risk management practices are aligned to the NSW Treasury's Risk Management Toolkit for NSW Public Sector Agencies, the Audit Office of NSW Governance Lighthouse Model and AS/NZS ISO 31000:2009 – Risk Management – Principles and Guidelines.

The Risk Management Framework is being progressively linked to the Asset Management System to improve risk quantification, the granularity of risk information used to prioritise rectification of asset defects, and risk-informed investment decision optimisation.

TABLE 23. BUSINESS RISK CATEGORIES

Safety	Fatality/serious injury of employee or member of public
Network	Significant customer impact related to network reliability
Customer	Significant customer impact related to other customer service targets
Finance	Significant unbudgeted financial loss
Compliance	Liability associated with a dispute or material breach of legislation or licence
Reputation	Sustained public criticism of Essential Energy
Environment	Significant environmental incident
People	Failure to deliver performance through people
Strategy	Strategic objectives are not delivered, and business opportunities are lost
ICT	Significant ICT system failure

Incident management and business resilience

Essential Energy is committed to maintaining continuity of supply and business functions during incidents.

Essential Energy has a tiered enterprise incident response structure to ensure an integrated, scalable, enterprise-wide and consistent response to disruptive incidents. The structure applies to all Essential Energy operations and activities, consistent with an organisational Crisis Incident Management Plan.

Essential Energy's Business Resilience Framework (BRF) is aligned to ISO 22313 – Societal security – Business continuity management systems and is a key control for business risk categories including Safety, Network, Customer, Reputation and ICT. The BRF includes assessments to identify critical functions requiring recovery action plans, plans for the management of specific business disruption events and incidents, and plans for the recovery of critical information, communication and technology systems. Essential Energy completes regular exercises and tests to validate and improve the effectiveness of these plans.

Insurance

Essential Energy reviews the adequacy of insurance policy coverage and limits annually, as a key control for the 'Finance' business risk category. Risks are insured through either the commercial insurance market or Insurance and Care NSW where appropriate. Management processes are in place to ensure effective governance of claims.

Compliance

Essential Energy's Compliance Management Plan (CMP) is aligned to the International Standard ISO 37301:2021 Compliance Management Systems – Guidelines, as well as the Audit Office of NSW Governance Lighthouse Strategic Early Warning System, and is a key control for the business risk category 'Compliance'. The CMP documents Essential Energy's approach to compliance management and the minimisation of the risk of non-compliance.

Fraud and corruption management

The Essential Energy Fraud and Corruption Control System (FCCS) is a key control for business risk categories – including Finance, Compliance and Reputation – and sets out the key initiatives for fraud control activities at Essential Energy. These activities are linked to areas of high risk of significant impact as identified in Essential Energy's Fraud Risk Register. The FCCS applies to all employees and any other person undertaking work in the company.

Public Interest Disclosures

Essential Energy is committed to the values, standards and principles outlined in its Code of Conduct, including whistle-blowing protections available to individuals who report wrongdoing. In compliance with the PID Act, Essential Energy has a whistleblowing policy for receiving, assessing and investigating reports of misconduct or Public Interest Disclosures (PIDs).

Employees are informed of the contents of the policy and the protection available under the PID Act through the regular publication of information about Essential Energy's reporting processes.

During 2023-24, Essential Energy received five complaints in relation to corrupt conduct and assessed these as voluntary PIDs under the PID Act. No PIDs were made under a statutory or other legal obligation. There were no PIDs received in relation to government information contravention, serious and substantial waste of public money, or maladministration. Essential Energy finalised three voluntary PIDs during the financial year.

Privacy and personal information protection compliance

Essential Energy is regulated by the *Privacy Act 1988* (Cth). The *Privacy and Personal Information Protection Act 1998* (NSW) does not apply to Essential Energy.

Internal Audit

The Board and ELT are committed to ensuring the independence and effectiveness of the internal audit function.

Internal audits increase management's understanding of, and confidence in, Essential Energy's ability to achieve its objectives by adopting a risk-based approach to evaluating controls and improving processes.

During the year, Essential Energy completed 16 internal audits across the organisation, with suitable actions implemented to address key issues identified. Essential Energy's Internal Audit function undertakes yearly quality reviews in accordance with the function's quality assurance and improvement program, generally confirming conformance to the requirements of the International Professional Practices Framework and the accompanying Standards.

The Audit Committee reviews and approves the outcomes of internal audit activity.

External Audit

The NSW Auditor-General provides independent external audit services through the NSW Audit Office.

The Auditor-General does not provide other services to Essential Energy.

The Audit Committee reviews the NSW Audit Office Annual Engagement Plan, issues raised in the Engagement Closing Report and Management Letter, and the results of the annual audit of financial statements.

Financial performance

CONTENTS

Finance report

TABLE 24. KEY FINANCIAL MEASURES	2023–24 result	2022–23 result	2023–24 SCI[1]	Variation to prior year	Variation to SCI
Revenue ($M)	1,793.7	1,715.4	1,737.1	78.3	56.6
Operating Expenditure ($M)	985.2	936.4	958.3	48.8	26.9
Earnings before interest, tax, depreciation and amortisation (EBITDA) ($M)	808.5	779.0	778.9	29.5	29.6
Earnings before interest and tax (EBIT) ($M)	271.9	319.7	298.9	(47.8)	(27.0)
Operating loss before tax ($M)	(59.6)	(11.6)	(43.1)	(48.0)	(16.5)
Operating loss after tax ($M)	(46.2)	(8.1)	(30.2)	(38.1)	(16.0)
Total Distribution (dividend + current income tax expense + government guarantee fee) ($M)	137.1	105.8	126.3	31.3	10.8
Return on capital employed (%)[2]	2.7%	3.3%	3.1%	(0.6%)	(0.4%)
Return on assets (%)[2]	2.4%	3.0%	2.8%	(0.6%)	(0.4%)
Return on equity (%)[2]	(1.3%)	(0.2%)	(1.0%)	(1.1%)	(0.3%)
Capital Expenditure ($M)[3]	691.8	564.2	654.3	127.6	37.5
Gearing (%)	65.2%	63.8%	68.2%	1.4%	(3.0%)

1 SCI – Statement of Corporate Intent.
2 Return ratios include customer contributions (including gifted assets) and the SCI excludes the revaluation adjustments as at 30 June 2023 ($455M increase in reserves and $650M increase in assets).
3 Capital Expenditure excludes gifted assets.

Performance against prior year

The operating loss after tax for the year was $46.2M, compared to a $8.1M loss in 2022–23. The increased operating loss was primarily a result of:

- Higher operating expenditure of $48.8M, including higher employee costs and increased contractor costs in relation to transformation projects. This was offset by a smaller loss on disposal of property, plant and equipment of $20.2M (2022–23: $43.4M), with the prior year impacted by a $22.7M loss on a single asset.
- Higher depreciation, amortisation and impairment costs of $77.3M, mainly due to additional depreciation following the $650M revaluation of assets at 30 June 2023 and higher impairments of $30.1M in the public lighting business.
- This was partly offset by higher revenue of $78.3M, including increased network revenue of $89.6M, due to tariff increases and a new NSW Electricity Infrastructure Roadmap Contribution recovery $28.4M (2023–23: $0M).

The increase in EBITDA of $29.5M from the prior year was mainly a result of the higher revenue.

Capital expenditure was $127.6M higher than the prior year reflecting significant customer funded ($73.6M) and internally funded ($497.7M) network capital works.

Borrowings

Total borrowings increased by $291.9M over the year (including capitalised indexation and movements in deferred interest, premiums and discounts) to fund the planned capital expenditure program. The gearing ratio, calculated as net debt divided by debt plus equity at year end, increased from 63.8 per cent to 65.2 per cent due to the high capital investment in the year. The debt strategy is to achieve a 10-year trailing average portfolio aligned to the Australian Energy Regulator's allowances. This results in approximately 90 per cent of debt being non-current.

Shareholder return

Return on capital employed, return on assets, and return on equity all decreased compared to the 2022–23 returns due to the decrease in profitability for the year.

Essential Energy's distributions to the NSW Government for 2023-24 increased to $137.1M compared to $105.8M in 2022–23, due largely to income tax impacts.

Distributions consisted of current income tax expense of $29.7M and government guarantee fee on debt of $107.4M. No dividend was paid or provided for in 2023–24.

Performance against Statement of Corporate Intent

Essential Energy is required by legislation to submit a Statement of Corporate Intent (SCI) to the shareholders.

The SCI encompasses the budget and represents the performance agreement between Essential Energy and its shareholders, outlining its objectives and defining its obligations to shareholders.

A key focus for Essential Energy is on achieving best practice levels of efficiency to deliver real and sustainable reductions in network charges and achieving a satisfactory return on capital employed.

Loss after tax of $46.2M against a budgeted loss of $30.2M was a result of:

- Favourable revenue of $56.6M, mainly due to gifted and customer contributed assets, as well as higher consumption in the Residential and Commercial customer segments.
- Unfavourable operating expenses of $26.9M, mainly due to higher employee costs of $23.2M.
- An increase in depreciation, amortisation and impairment of $56.6M due to revaluation impacts and Public Lighting asset impairments.
- Favourable finance costs of $10.5M.

Capital expenditure was $37.5M higher than budget mainly due to higher activity on the electricity network ($26.4M) and higher non-system spend ($23.7M) offset by lower water network expenditure ($21.4M).

Investment and Liability Management Performance

Essential Energy does not have surplus funds invested.

FIGURE 4: TOTAL REVENUE ($M)

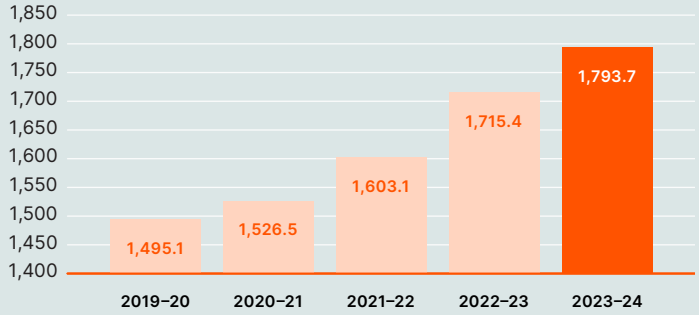


FIGURE 5: EBITDA ($M)

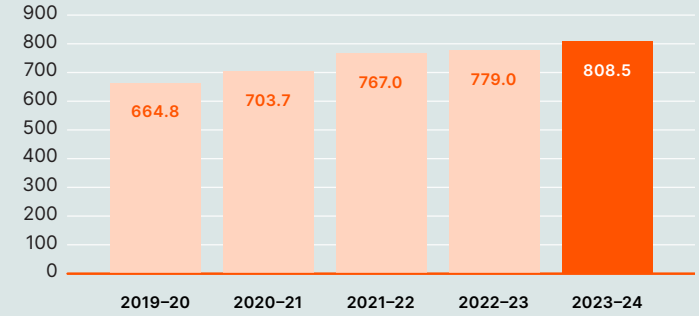
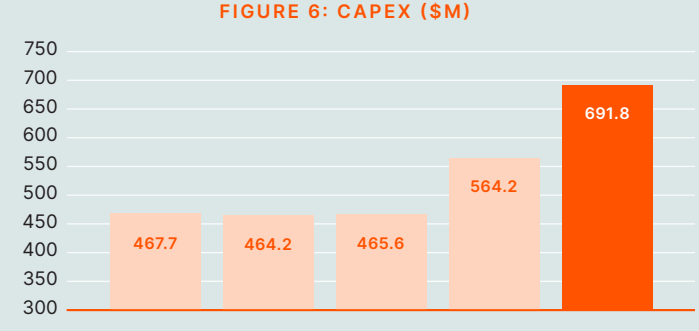


FIGURE 6: CAPEX ($M)



Independent Auditor’s report

INDEPENDENT AUDITOR’S REPORT

Essential Energy

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Essential Energy (the Corporation), which comprise the Statement by Directors, the Statement of Comprehensive Income for the year ended 30 June 2024, the Statement of Financial Position as at 30 June 2024, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including Material Accounting Policies and Significant Changes, and other explanatory information of the Corporation and the consolidated entity. The consolidated entity comprises the Corporation and the entity it controlled at the year’s end or from time to time during the financial year.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the Government Sector Finance Regulation 2024 (GSF Regulation) and the Treasurer's Directions
- presents fairly the financial position, financial performance and cash flows of the Corporation and the consolidated entity

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the ‘Auditor’s Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Corporation and the consolidated entity in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board’s APES 110 ‘Code of Ethics for Professional Accountants (including Independence Standards)’ (APES 110).

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

I have fulfilled my other ethical responsibilities in accordance with APES 110.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Level 19, Darling Park Tower 2, 201 Sussex Street, Sydney NSW 2000
GPO Box 12, Sydney NSW 2001 | t 02 9275 7101 | mail@audit.nsw.gov.au | audit.nsw.gov.au

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements for the year ended 30 June 2024. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters. I have determined the matters described below to be the key audit matters to be communicated in my report.

Key Audit Matter	How my audit addressed the matter
Fair value of system assets	
At 30 June 2024, the Corporation's statement of financial position reported $10.2 billion in system assets, $100.5 million in easements and $302.1 million in land and buildings (collectively 'distribution network assets'). These assets are measured at fair value using the income approach valuation technique. The valuation technique is based on a discounted cash flow (DCF) model, which is assessed at each reporting date. Distribution network assets are highly specialised and accounted for 97% of the total property, plant and equipment balance. We consider this to be a key audit matter because: • Distribution network assets are financially significant • the DCF model is complex and involves significant judgements and assumptions • changes in assumptions, such as the discount rate, the terminal Regulated Asset Base multiple and forecast cash flows, can significantly affect the fair value.	Key audit procedures included the following: • obtaining an understanding of management's approach to estimating the fair value of distribution network assets in the current year • assessing whether the DCF model incorporates all key assumptions and inputs relevant to valuing distribution network assets of an electricity distribution entity and meets the requirements of Australian Accounting Standards • assessing the reasonableness of all the key assumptions and sensitivity of the conclusions to changes in the assumptions • reviewing the model’s mathematical accuracy • assessing the adequacy of the financial statement disclosures against the requirements of applicable Australian Accounting Standards.
Accrued revenue from unread meters	
At 30 June 2024, the Corporation's statement of financial position recorded accrued revenue from unread meters of $180.4 million. Network use of system revenue is recognised when electricity is used by customers. Electricity usage is billed on the basis of periodic meter readings. At 30 June, many customers have electricity usage which has not been subject to a meter read. The Corporation uses a model to estimate the revenue accrual for unread meters. We consider this to be a key audit matter because the model used to estimate the revenue accrual is complex and there are significant judgements and uncertainty involved in calculating this accrual, such as: • the amount of electricity loss in transit between the distribution network and the end customers (Distribution Loss Factors (DLF)) • sensitivity of accrued revenue to minor movements in DLF • different rates and types of revenue charges (for example network access, solar feed-in and	Key audit procedures included the following: • obtaining an understanding of management's approach and key controls to estimate the revenue accrual from unread meters • evaluating management’s key assumptions on energy consumption, charges and DLF used to determine the unbilled network usage charges • assessing the historical accuracy of the estimate against subsequent actual billings • assessing the adequacy of the financial statement disclosures against the requirements of applicable Australian Accounting Standards.

Independent Auditor's report (continued)

Key Audit Matter	How my audit addressed the matter
demand charges) for residential and commercial customers • some inputs including energy consumption are based on historical data trends.	

Directors' Responsibilities for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the GSF Act, GSF Regulation and Treasurer's Directions and the *State Owned Corporations Act 1989*. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the ability of the Corporation and the consolidated entity to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

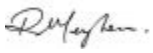
Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar5.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Corporation and the consolidated entity carried out their activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Renee Meimaroglou
Assistant Auditor-General, Financial Audit

Delegate of the Auditor-General for New South Wales

18 September 2024
SYDNEY

Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2024

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2024

	Notes	2024 $M	2023 $M
Profit or loss			
Network revenue from contracts with customers	2(a)	**1,469.7**	1,377.6
Other revenue from contracts with customers	2(b)	**296.3**	306.7
Total revenue from contracts with customers		**1,766.0**	1,684.3
Other revenue	2(c)	**27.7**	31.1
Total revenue		**1,793.7**	1,715.4
Pass-through costs	3(a)	**(312.9)**	(315.5)
Operating expenses	3(b)	**(652.1)**	(577.5)
Loss on disposal or write-off of non-financial assets	3(c)	**(20.2)**	(43.4)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)		**808.5**	779.0
Depreciation, amortisation and impairment	3(d)	**(536.6)**	(459.3)
Earnings before interest and taxation (EBIT)		**271.9**	319.7
Finance costs	3(e)	**(331.5)**	(331.3)
Loss before income tax		**(59.6)**	(11.6)
Income tax benefit	4(a)	**13.4**	3.5
Loss for the year		**(46.2)**	(8.1)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement losses on defined benefit superannuation plans	21(f)	**(8.9)**	(4.1)
Revaluation of assets	7 & 8	**–**	650.0
Reversal of revaluation reserve on disposal of assets		**–**	(2.3)
Income tax expense/(benefit) relating to these items	4(b)	**2.7**	(193.1)
		(6.2)	450.5
Items that will be reclassified subsequently to profit or loss			
Gains on cash flow hedges		**–**	0.4
Income tax expense/(benefit) relating to these items	4(b)	**–**	(0.1)
		–	0.3
Total other comprehensive income for the year		**(6.2)**	450.8
Total comprehensive income for the year		**(52.4)**	442.7

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

AS AT 30 JUNE 2024

	Notes	2024 $M	2023 $M
Assets			
Current assets			
Cash and cash equivalents	5	**3.3**	2.5
Receivables	6	**263.2**	270.2
Inventories		**84.2**	58.1
Income tax receivable		**–**	5.7
Total current assets		**350.7**	336.5
Non-current assets			
Receivables		**0.3**	6.0
Property, plant and equipment	7	**10,856.4**	10,593.4
Intangible assets	8	**176.0**	163.6
Right-of-use assets	19	**32.0**	31.1
Other non-current assets		**0.2**	0.3
Total non-current assets		**11,064.9**	10,794.4
Total Assets		**11,415.6**	11,130.9
Liabilities			
Current liabilities			
Payables	9	**305.0**	297.8
Contract liabilities	10	**47.0**	12.4
Interest bearing liabilities	11	**615.1**	708.5
Current tax liabilities		**14.4**	–
Provisions	12	**218.4**	207.0
Total current liabilities		**1,199.9**	1,225.7

Consolidated Statement of Financial Position (continued)

	Notes	2024 $M	2023 $M
Non-current liabilities			
Contract liabilities	10	**41.0**	28.9
Interest bearing liabilities	11	**6,023.6**	5,638.3
Deferred tax liabilities	4(c)	**567.2**	613.0
Provisions	12	**40.0**	28.7
Total non-current liabilities		**6,671.8**	6,308.9
Total Liabilities		**7,871.7**	7,534.6
Net Assets		**3,543.9**	3,596.3
Equity			
Contributed equity		**130.5**	130.5
Reserves		**2,340.7**	2,341.6
Retained earnings		**1,072.7**	1,124.2
Total Equity		**3,543.9**	3,596.3

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2024

	Contributed Equity $M	Asset Revaluation Reserve $M	Hedge Revaluation Reserve $M	Retained Earnings $M	Total Equity $M
Balance at 1 July 2023	**130.5**	**2,341.6**	**–**	**1,124.2**	**3,596.3**
Loss for the year	**–**	**–**	**–**	**(46.2)**	**(46.2)**
Other comprehensive income					
Actuarial losses on remeasurement of superannuation defined benefits net of tax	**–**	**–**	**–**	**(6.2)**	**(6.2)**
Reclassification on disposal of assets net of tax		**(0.9)**	**–**	**0.9**	**–**
Total comprehensive income	**–**	**(0.9)**	**–**	**(51.5)**	**(52.4)**
Balance at 30 June 2024	**130.5**	**2,340.7**	**–**	**1,072.7**	**3,543.9**
Balance at 1 July 2022	130.5	1,888.2	(0.3)	1,132.8	3,151.2
Loss for the year	–	–	–	(8.1)	(8.1)
Other comprehensive income					
Actuarial losses on remeasurement of superannuation defined benefits net of tax	–	–	–	(2.9)	(2.9)
Net increase in reserves net of tax	–	455.0	0.3	–	455.3
Reclassification on disposal of assets net of tax		(1.6)	–	2.4	0.8
Total comprehensive income	–	453.4	0.3	(8.6)	445.1
Balance at 30 June 2023	130.5	2,341.6	–	1,124.2	3,596.3

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2024

	Notes	2024 $M	2023 $M
Cash flows from operating activities			
Receipts from customers		**1,839.0**	1,706.0
Payments to suppliers and employees		**(1,125.2)**	(1,056.5)
Interest paid		**(275.6)**	(301.5)
Income tax paid		**(9.6)**	(8.8)
Net cash inflow from operating activities	20	**428.6**	339.2
Cash flows from investing activities			
Payments for property, plant and equipment and intangible assets		**(678.3)**	(551.4)
Proceeds from sale of property, plant and equipment		**8.8**	4.2
Net cash outflow from investing activities		**(669.5)**	(547.2)
Cash flows from financing activities			
Proceeds from borrowings		**248.0**	210.2
Payment of principal portion of lease liabilities		**(6.3)**	(2.1)
Net cash inflow from financing activities	11	**241.7**	208.1
Net increase in cash and cash equivalents		**0.8**	0.1
Cash and cash equivalents at the beginning of the year		**2.5**	2.4
Cash and cash equivalents at the end of the year	5	**3.3**	2.5

The accompanying notes form part of these financial statements.

Notes to the consolidated financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2024

1. Reporting Entity, Basis of Preparation, Material Accounting Policies and Significant Changes

Reporting Entity

Essential Energy (the Corporation) is a New South Wales (NSW) statutory state-owned corporation incorporated under the *State-Owned Corporations Act 1989*. The Corporation is controlled by the State of NSW, which is the ultimate parent. Accordingly, the Corporation's financial statements form part of the consolidated NSW Total State Sector Accounts.

The Corporation is classified as a for-profit entity for the purposes of the application of Australian Accounting Standards and after consideration of all factors contained in NSW Treasury Policy *TPP21–7 Distinguishing For-Profit from Not-For-Profit Entities*. The Corporation's principal activities involve the distribution of electricity, mainly in regional NSW and delivery of water services within far west NSW.

The Corporation as a reporting entity, comprises the controlled entity, Intium Pty Limited, which is wholly owned by the Corporation, incorporated in Australia and was dormant until November 2023. In the process of preparing the consolidated financial statements for the economic entity, consisting of the controlling and controlled entity, all inter-entity transactions and balances have been eliminated, and like transactions and other events are accounted for using uniform accounting policies. No separate disclosures of parent entity balances are required as transactions for Intium Pty Limited are not material for both financial years.

Basis of Preparation

The consolidated financial statements comprise a general purpose financial report which has been prepared in accordance with Australian Accounting Standards Board standards (AASBs) (including the Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board, the requirements of the *Government Sector Finance Act 2018,* the *Government Sector Finance Regulation 2024,* and the Treasurer's directions issued under the *Government Sector Finance Act 2018*. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board.

Items of property, plant and equipment and intangible assets are stated at their fair value. Other financial statement items are prepared on a historical cost basis except where specified otherwise.

Unless otherwise indicated, the accounting policies set out below have been applied consistently to all periods presented in the financial statements.

When the presentation or classification of items in the financial statements is amended in respect of changes in the current year, the comparative amounts are reclassified to enhance comparability unless the reclassification is impracticable.

The financial statements are presented in Australian dollars which is the Corporation's presentation and functional currency. The amounts shown in the financial statements have been rounded to the nearest tenth of a million dollars, unless otherwise stated. Foreign currency transactions are converted to Australian currency at the exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted to Australian currency at the exchange rates at the end of the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items measured at fair value in a foreign currency are translated to Australian currency using the exchange rates at the date when the fair value is determined.

Use of Estimates and Judgements

The preparation of financial statements require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of AASBs that have significant effect on the financial statements and estimates with a significant risk of material adjustment are discussed in the respective notes.

Climate Change

The Corporation is committed to supporting the transition to a net zero economy and managing the impacts of climate change. Climate change and its associated transition path to net zero presents the Corporation with a unique portfolio of risks and opportunities. The Corporation's approach to managing the risks and opportunities associated with climate change will be detailed in the Corporation's Climate-related Financial Disclosure.

In preparing the financial report, the key judgements and estimates consider the range of economic conditions that are forecast to exist over the remaining useful lives of assets, including expectations about future operations, the current outlook for commodity prices, discount rates, capital expenditure requirements and market supply and demand profiles.

Notes to the consolidated financial statements (continued)

Climate change may impact those areas of the financial statements that are subject to estimation uncertainties. While no specific measurable impacts have yet been determined, the Corporation will continue to assess the significant judgements and estimates in the following notes to the financial statements:

- Property, plant and equipment – fair value (Note 7)
- Impairment of non-current assets (Note 7(iv))
- Property, plant and equipment – useful lives (Note 7(v))

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the average purchase price of each item.

Share Capital

The Corporation is incorporated under the *State-Owned Corporations Act 1989* with issued capital of two fully paid $1 ordinary shares.

Current shareholders are the Treasurer and the Minister for Finance, Domestic Manufacturing and Government Procurement, and Natural Resources on behalf of the NSW Government. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Corporation. The $2 share capital is included in Contributed Equity in the Statement of Financial Position.

Other Accounting Policies

Material accounting policies that summarise the recognition and measurement basis used and are relevant to an understanding of material information in the financial statements are provided throughout the notes to the financial statements.

New and Revised Accounting Standards and Australian Accounting Interpretations

During the year the Corporation adopted '*AASB 2021–2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*'. The most significant change following the adoption was the requirement to only disclose material accounting policy information and the removal of the requirement to disclose significant accounting policies. The adoption of the standard did not have a significant impact on the reported position or performance of the Corporation.

No other new accounting standards and interpretations apply for the first time in the 2024 financial year.

Notes to the consolidated financial statements (continued)

2. Revenue

	Note	2024 $M	2023 $M
Revenue from contracts with customers			
(a) Network revenue from contracts with customers			
Electricity distribution		**1,445.3**	1,355.7
Water and sewerage		**24.4**	21.9
		1,469.7	1,377.6
(b) Other revenue from contracts with customers			
Ancillary Services		**45.2**	45.3
Metering Services		**30.1**	29.5
Public Lighting		**13.3**	12.2
Gifted assets and customer contributions		**184.9**	205.5
Recognition of prepaid capital contributions	10	**0.5**	1.9
Recoverable capital works		**6.5**	4.2
Other revenue		**15.8**	8.1
		296.3	306.7
Total revenue from contracts with customers		**1,766.0**	1,684.3
(c) Other revenue			
Government grants and subsidies		**24.3**	26.6
Lease revenue		**3.4**	4.5
		27.7	31.1

Notes to the consolidated financial statements (continued)

Recognition and Measurement

Revenue from contracts with customers is recognised when control of the goods and services are transferred to the customer at an amount that the Corporation expects to be entitled to in exchange for those goods or services. The Corporation has concluded that it is the principal in its revenue arrangements. Revenue is measured with reference to the fair value of the consideration received or receivable. There are no material incremental costs of obtaining contracts in any of the arrangements. The Corporation does not adjust the consideration for the effects of a financing component as it receives payment at or shortly after the point of sale. Revenue is recognised for the major business activities as follows:

(i) Electricity Distribution, Ancillary Services, Metering, Public Lighting and Water and Sewerage Treatment ('Water') Revenue

The Corporation derives Electricity Distribution, Ancillary Services, Metering, Public Lighting and Water revenue from the provision of electricity distribution and provision of public lighting, meter reading and servicing, water and other network related services. Tariffs are set by regulators and generally include a fixed component and an amount based on the amount of electricity or water used by the customer. The performance obligation in these arrangements is satisfied over time because the customer simultaneously receives and consumes the benefits as the Corporation provides the service. Sales Revenue is recorded based on the regulatory approved tariff and volumes distributed.

Unbilled electricity distribution and water revenue (unread meters) is estimated based on the historical consumption of customers and prices per customer class. The key assumption applied in calculating the unread meters revenue accrual for electricity is the Distribution Loss Factors (DLF). The DLF is an estimation of energy lost between the Transmission network connection points and the end customer or end use meter.

The determination of inputs used is based on historical trends and revenue accrued is materially sensitive to minor movements in DLF. An increase in half of one percentage point in the DLF will result in a change in accrued revenue of $6.2M (2023: $6.0M).

The Corporation is subject to a regulatory revenue cap and recovery of certain pass-through costs. No liability or asset is recognised for any adjustment that may be made to future prices to reflect any excess or shortfall in revenue as such an adjustment relates to the provision of future services. The following charges within electricity distribution revenue are subject to a revenue cap or a pass-through restriction which may result in an adjustment to future prices:

- Distribution Use of System Revenue: This is the revenue cap pricing framework or Maximum Allowed Revenue the Corporation can charge for services as determined by the Australian Energy Regulator (AER) for each year of a determination period.
- Transmission Use of System Revenue: This relates to transmission charges, which are passed through to customers in relation to actual transmission costs paid to transmission network service providers and embedded generators.
- Climate Change Fund and NSW Electricity Infrastructure Roadmap Revenue: This relates to charges levied in relation to the Corporation's contribution to the Climate Change Fund and the Electricity Infrastructure Fund (Scheme Financial Vehicle Pty Ltd), which operates as a pass-through cost to customers based on the actual contributions paid to the NSW Department of Climate Change, Energy, the Environment and Water and the Electricity Infrastructure Fund.

(ii) Capital Contributions

The Corporation receives cash and non-cash contributions from customers and developers, mainly towards the capital cost of network connections and public lighting.

The performance obligation in these arrangements is satisfied at a point in time, being at the time the customer is connected to the network or the Corporation takes control of the asset. Cash capital contributions are initially recorded as liabilities. Once the network asset is completed or modified and connected to the network as outlined in the terms of the contract, the contribution amount is transferred to revenue.

Contributions of non-current assets are recognised as revenue and an asset when the Corporation gains control of the asset. The fair value of contributed assets is recognised as property, plant and equipment at the date at which control is gained and the assets are ready for use.

(iii) Other Revenue from Contracts with Customers

The Corporation provides other services such as connection services and unregulated meter services. The revenue for one-off services is recognised at a point in time and the revenue for on-going services is recognised over time as the services are performed. The Corporation also sells inventory items and scrap and recovers the cost of certain works from customers. These are recognised at a point in time once the items have been delivered or the construction work is complete.

(iv) Other Revenue

Government Grant Revenue

Government grants represent assistance by NSW Government and NSW Government agencies in cash or non-cash resources in return for past or future compliance with certain conditions. Where government grants are received in advance, they are initially recognised in the Statement of Financial Position as deferred revenue and are subsequently recognised as revenue when the Corporation complies with the conditions attaching to them, in accordance with AASB 120 Accounting for Government Grants and Disclosure of Government Assistance.

Grants that compensate the Corporation for the cost of an asset or revenue foregone are recognised in profit or loss as revenue on a systematic basis over the useful life of the asset.

Grants that compensate the Corporation for expenses incurred are recognised as revenue in profit or loss in the same period in which the expenses are incurred.

Non-cash resources are recognised at their fair value.

Revenue grants of $23.5M (2023: $26.5M) have been received from NSW Treasury which administers the Restart NSW Fund. The grant is for the bulk water supply charge being levied by Water NSW associated with a pipeline from Wentworth to Broken Hill which is not recovered through water tariffs.

Notes to the consolidated financial statements (continued)

3. Expenses

	Notes	2024 $M	2023 $M
(a) Pass-through costs			
Transmission Use of System		**225.2**	258.3
Climate Change Fund contributions		**59.9**	57.2
NSW Electricity Infrastructure Roadmap contributions		**27.8**	–
Total pass-through costs		**312.9**	315.5
(b) Operating expenses			
Employee benefits*			
▸ Defined contribution superannuation		**57.1**	49.1
▸ Defined benefit superannuation		**0.9**	(0.1)
▸ Other employee benefits		**272.3**	240.3
Other costs of distribution of energy and other services		**320.7**	286.6
Debt write-offs and expected credit losses on receivables		**1.1**	1.6
Total operating expenses		**652.1**	577.5
(c) Loss on disposal or write-off of non-financial assets			
Loss on disposal of property, plant and equipment		**19.9**	43.8
Gains/(losses) on modification of leases**		**0.3**	(0.4)
		20.2	43.4
(d) Depreciation, amortisation and impairment			
Depreciation of property, plant and equipment	7	**474.0**	432.3
Depreciation of right-of-use assets	19	**5.0**	4.6
Plant and equipment depreciation capitalised ***		**(20.3)**	(17.6)
Depreciation expense		**458.7**	419.3
Amortisation of intangible assets	8	**17.9**	10.5
Impairment losses ****	7	**60.0**	29.5
Total depreciation, amortisation and impairment		**536.6**	459.3

* Employee benefits expense excludes $254.7M (2023: $221.1M) capitalised during the year as part of property, plant and equipment and intangible assets.
** The expense reflects gains or losses arising from amendment of lease terms and expected option periods.
*** Plant and equipment depreciation capitalised – The depreciation of heavy vehicles and the related plant and equipment used in the construction and maintenance of the electricity network is allocated to cost of construction and maintenance projects through a plant use allocation and where the project is capital in nature the depreciation is capitalised as part of the constructed network assets.
**** The expense reflects the impairment of water and public lighting assets.

Notes to the consolidated financial statements (continued)

Recognition and Measurement

(i) Cloud Computing Arrangements

Cloud computing arrangements are service contracts providing the Corporation with the right to access the cloud provider's application software over the contract period. A right to receive future access to the supplier's software does not give the customer control of the software and the power to obtain the future economic benefits flowing from the software itself and to restrict others' access to those benefits. Therefore, the Corporation does not recognise such software as an intangible asset.

Fees for use of application software and customisation costs are recognised as an operating expense over the term of the service contract. Costs incurred on configuration, data conversion and migration, testing and training are recognised as an operating expense as the service is recognised.

Costs incurred for the development of software code that enhances or modifies, or creates additional capability to, existing on-premises systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets. Refer to Note 8.

The individual circumstances of the arrangement are considered with the primary test being whether the Corporation has control of the software or whether a controlled asset is created from an activity connected with the software. Consideration is given to whether the related costs are separately identifiable and whether the integration software would be migratable to an alternative cloud system.

(ii) Depreciation, Amortisation, and Impairment

Refer to Notes 7, 8 and 19 for recognition and measurement policies on depreciation, amortisation and impairment.

(e) Finance Costs

	2024 $M	2023 $M
Interest and finance charges paid or payable on loans	**221.9**	225.6
NSW Government competitive neutrality fee (Note 16(d))	**107.4**	103.4
Interest expense from lease liabilities (Note 19)	**1.6**	1.5
Unwinding of discount on provisions	**0.6**	0.8
Total finance costs	**331.5**	331.3

Notes to the consolidated financial statements (continued)

Recognition and Measurement

Finance costs are recognised as expenses in profit or loss in the period in which they are incurred:

Interest and finance costs paid and payable on loans include:

- Interest expenses calculated using the effective interest method as described in AASB 9, for example, interest on overdrafts and short-term and long-term borrowings, including amounts paid or received on interest rate swaps, amortisation of discounts or premiums relating to borrowings and indexation adjustments on CPI indexed bonds.
- Amortisation of ancillary costs incurred in connection with the arrangement of borrowings.
- A government loan guarantee fee assessed by NSW Treasury.
- Discount expense applied to provisions and amortised assets.

The amount excludes finance costs relating to qualifying assets, in which case they are capitalised as part of the cost of those assets in accordance with AASB 123 Borrowing Costs. Qualifying assets are assets that take a substantial time to get ready for their intended use. The Corporation considers this to be 12 months or more.

Capitalisation of borrowing costs is undertaken where a direct relationship can be established between the borrowings and the relevant projects giving rise to qualifying assets. These are typically those projects where the expected total project expenditure is approximately $10M or greater. No borrowing costs were capitalised during the year (2023: $nil).

(f) Maintenance expenses (included in (b) above)

	2024 $M	2023 $M
Employee benefits expense	**293.5**	263.7
Contracted labour and other non-employee-related expenses	**245.7**	215.2
	539.2	478.9

Notes to the consolidated financial statements (continued)

4. Income Tax

	2024 $M	2023 $M
(a) Income tax recognised in profit or loss		
Current tax expense		
Current year	**28.2**	1.6
Adjustments for prior years	**1.5**	0.8
	29.7	2.4
Deferred tax expense/(credit)		
Origination and reversal of temporary differences	**(46.0)**	(5.0)
Over-provided in prior years	**2.9**	(0.9)
	(43.1)	(5.9)
Total income tax expense in profit or loss	**(13.4)**	(3.5)
Numerical reconciliation between tax expense and pre-tax net profit		
Loss before tax	**(59.6)**	(11.6)
Income tax at the statutory tax rate of 30 per cent (2023: 30 per cent)	**(17.9)**	(3.5)
Increase/(decrease) in income tax expense due to:		
Over provided in previous years	**4.4**	(0.1)
Non-deductible expenses	**0.1**	0.1
Income tax benefit on pre-tax net profit	**(13.4)**	(3.5)
(b) Income tax recognised in other comprehensive income		
Items not to be reclassified subsequently to profit or loss:		
▸ Actuarial gains or losses on remeasurement of defined benefits superannuation	**(2.7)**	(1.2)
▸ Revaluation of system assets and land and buildings	**–**	195.0
▸ Revaluation reserve reversal	**–**	(0.7)
	(2.7)	193.1
Items to be reclassified subsequently to profit or loss:		
▸ Revaluation of hedge derivatives	**–**	0.1
Income tax charged/(credited) directly to other comprehensive income	**(2.7)**	193.2

Notes to the consolidated financial statements (continued)

	2024 $M	2023 $M
(c) Recognised deferred tax assets and liabilities		
Deferred tax (assets) and liabilities are attributable to the following:		
▸ Property, plant and equipment and intangible assets	**658.5**	692.5
▸ Defined benefit superannuation benefits	**(0.2)**	(1.9)
▸ Other liabilities and provisions	**(79.0)**	(72.8)
▸ Other items	**(12.1)**	(4.8)
Net deferred tax liabilities	**567.2**	613.0

Movement in deferred taxes

	1 July 2023 $M	Recognised in profit or loss $M	Recognised in other comprehensive income $M	30 June 2024 $M
Property, plant and equipment and intangible assets	692.5	(34.0)	–	**658.5**
Defined benefit superannuation liabilities	(1.9)	4.4	(2.7)	**(0.2)**
Other liabilities and provisions	(72.8)	(6.2)		**(79.0)**
Other items	(4.8)	(7.3)	–	**(12.1)**
Net deferred tax liability	613.0	(43.1)	(2.7)	**567.2**

	1 July 2022 $M	Recognised in profit or loss $M	Recognised in other comprehensive income $M	30 June 2023 $M
Property, plant and equipment and intangible assets	502.1	(3.9)	194.3	692.5
Defined benefit superannuation liabilities	(3.3)	2.6	(1.2)	(1.9)
Other provisions	(73.1)	0.3	–	(72.8)
Other items	–	(4.8)	–	(4.8)
Net deferred tax liability	425.7	(5.8)	193.1	613.0

Recognition and Measurement

The Corporation is exempt from federal income tax under the Income Tax Assessment Acts; however, the Corporation is subject to the National Tax Equivalent Regime which is based on the Income Tax Assessment Acts. Tax equivalents are payable to Revenue NSW.

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

5. Cash and Cash Equivalents

	2024 $M	2023 $M
Cash and bank balances	**3.3**	2.5

The Corporation's exposure to interest rate risk and a sensitivity analysis of financial assets and financial liabilities are disclosed in Note 13.

6. Receivables – Current

	2024 $M	2023 $M
Trade receivables	**48.8**	55.8
Less: allowance for expected credit losses	**(1.4)**	(1.0)
	47.4	54.8
Accrued revenue from unread meters	**180.4**	173.9
	227.8	228.7
Prepayments	**17.3**	14.1
Other receivables	**20.1**	30.0
Less: allowance for expected credit losses	**(2.0)**	(2.6)
	263.2	270.2
The movement in the allowance for expected credit losses is detailed below:		
Opening balance at 1 July	**3.6**	4.5
Provision for expected credit losses	**1.1**	1.9
Write-off of debts previously included in the allowance	**(1.3)**	(2.8)
Closing balance at 30 June	**3.4**	3.6

The Corporation's exposure to credit risks related to trade and other receivables is disclosed in Note 13.

Refer to Note 2 for disclosure in relation to estimating the value of unread meters (unbilled revenue).

Notes to the consolidated financial statements (continued)

7. Property, Plant and Equipment

	Notes	Land and buildings $M	System assets $M	Plant and equipment $M	Total $M
Year ended 30 June 2024					
Gross carrying amount		**319.6**	**11,158.7**	**671.6**	**12,149.9**
Accumulated depreciation and impairment		**(17.5)**	**(919.0)**	**(357.0)**	**(1,293.5)**
Net carrying amount		**302.1**	**10,239.7**	**314.6**	**10,856.4**
Net carrying amount at start of year		**301.3**	**10,041.2**	**250.9**	**10,593.4**
Additions		**21.5**	**732.6**	**89.7**	**843.8**
Re-categorisations		**(5.6)**	**(52.2)**	**38.8**	**(19.0)**
Disposals and write-offs		**(0.5)**	**(24.6)**	**(2.7)**	**(27.8)**
Depreciation expense	**3(d)**	**(14.6)**	**(397.3)**	**(62.1)**	**(474.0)**
Impairment	**3(d)**	**–**	**(60.0)**	**–**	**(60.0)**
Net carrying amount at end of year		**302.1**	**10,239.7**	**314.6**	**10,856.4**
Year ended 30 June 2023					
Gross carrying amount		301.3	10,558.0	570.0	11,429.3
Accumulated depreciation and impairment[1]		–	(516.8)	(319.1)	(835.9)
Net carrying amount		301.3	10,041.2	250.9	10,593.4
Net carrying amount at start of year		234.7	9,274.4	218.2	9,727.3
Additions		14.0	664.5	55.8	734.3
Re-categorisations		42.7	(69.7)	25.6	(1.4)
Disposals and write-offs		(0.7)	(45.6)	(1.7)	(48.0)
Depreciation expense	3(d)	(7.6)	(375.4)	(49.3)	(432.3)
Revaluation		18.2	622.5	2.3	643.0
Impairment	3(d)	–	(29.5)	–	(29.5)
Net carrying amount at end of year		301.3	10,041.2	250.9	10,593.4

1 Accumulated depreciation on system assets and land and buildings was eliminated against gross carrying value on revaluation in accordance with NSW Treasury Policy TPP21–05. Valuation of Physical Non-Current Assets at Fair Value.

Notes to the consolidated financial statements (continued)

	2024 $M	2023 $M
Assets under construction		
Expenditure on construction in progress at the end of the year	**646.2**	488.0
Historic cost of revalued assets		
The carrying amount of assets had they been carried under the cost model is:		
▸ Land and buildings	**236.2**	232.0
▸ System assets	**8,183.9**	7,895.1
▸ Plant and equipment	**306.8**	248.6
Total carrying amount	**8,726.9**	8,375.7

Land and buildings include assets where a third party has an operating lease or licence to use or access a property, for example for radio towers or land surrounding a substation, but not the exclusive use of the asset. These are generally incidental to the Corporation's use of the asset. The Corporation has no material assets under exclusive operating lease arrangements.

Recognition and Measurement

(i) Initial Recognition

Items of property, plant and equipment purchased or constructed are initially recognised at cost. Such costs include the cost of replacing part of the plant and equipment. Cost includes expenditures directly attributable to the acquisition and/or construction of the asset including materials, services, and direct labour. This also includes the initial estimate, where relevant, of costs of dismantling and removing items and restoring the site on which they are located and an allocated proportion of supporting overhead costs. Capitalised costs also include borrowing costs where appropriate. Non-system assets purchased below $1,000 are expensed as acquired.

Judgement is required in the assessment of the types of costs that are directly attributable to the construction of the Corporation's property, plant and equipment. Satisfying the directly attributable criteria requires an assessment of those unavoidable costs that, if not incurred, would result in the property, plant and equipment not being constructed. Directly attributable overheads are allocated to the cost of construction of an asset based on the direct costs of capital projects.

Property, plant and equipment transferred from customers, developers or Government agencies is initially measured at fair value at the date on which control is obtained.

Notes to the consolidated financial statements (continued)

(ii) Measurement after Initial Recognition

After initial recognition as an asset, items of property, plant and equipment are measured at fair value.

System Assets and Land and Buildings

System assets comprise physical assets which make up infrastructure used directly for the distribution of electricity, provision of public lighting, and water and sewerage infrastructure.

System assets and land and buildings are stated at fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. The fair value of system assets and land and buildings is determined using an income approach.

The valuation methodology reflects a discounted cash flow methodology to value the Corporation, and a calculation to subtract the value of other business assets and liabilities to arrive at a value for the Corporation's system assets and land and buildings.

The income approach is based on a discounted cash flow model using the following methods and assumptions:

- An estimate of likely future cash flows for five years to be derived based on financial forecasts.
- The time value of money, represented by the current market risk-free rate and the price for bearing the uncertainty inherent in the asset, as encapsulated in the discount rate.
- A multiple of the forecast regulated asset base (RAB) at the end of the forecast period used as a proxy for the terminal value. The terminal RAB multiple is determined with reference to market observable multiples.

The Corporation continues to assess the potential impacts of climate change and the transition towards a net zero economy. The five-year cashflow forecasts include expected revenue and expenditure resulting from these impacts.

System assets and land and buildings are comprehensively valued at least every three years. In other years an interim management valuation is performed at each reporting date to ensure the net carrying value of system assets and land and buildings does not differ materially from their fair value. An interim formal valuation is undertaken where there is an indication that the valuation may differ materially from the carrying value. The latest comprehensive valuation was completed as at 30 June 2022. Annually the finance department of the Corporation performs the valuation of system assets and land and buildings required for financial reporting purposes.

The distribution network, comprising system assets, land and buildings, and easements, as a whole is considered to be a 'single asset' for the purposes of valuation. This is because all components within the network must work together to reliably supply electricity. Further, due to the specialised nature of the Corporation's network, system assets, land and buildings and easements cannot be readily sold to third parties for different uses.

Plant and Equipment

Plant and equipment assets comprise non-specialised assets with short useful lives, including motor vehicles, tools, Information Technology hardware, communications equipment and furniture and fittings. These assets are deemed to be stated at fair value which is equivalent to their depreciated historical cost.

Notes to the consolidated financial statements (continued)

(iii) Revaluations

Revaluation increments are recognised in other comprehensive income and credited directly to the asset revaluation reserve, except where an increment reverses a revaluation decrement in respect of that asset class which was previously recognised as an expense in net profit or loss, the increment is recognised immediately in profit or loss. Revaluation decrements are recognised in profit or loss, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same asset, they are debited directly to the asset revaluation reserve. Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Gains and losses on disposal of revalued assets are included in profit or loss for the year. Any related revaluation increments in the asset revaluation reserve are transferred to Retained Earnings upon disposal.

(iv) Impairment of Property, Plant and Equipment and Intangible Assets

The Corporation assesses the carrying amounts of non-financial assets at the end of each reporting period by evaluating conditions that may indicate potential impairment of assets. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units or CGUs).

The recoverable amount of the Water CGU was estimated to be $nil as at 30 June 2024 (2023: $nil) as the business is not forecast to generate positive cashflows within the foreseeable future. Accordingly, no value is carried in the books of the Corporation in respect of the Water CGU assets. All assets acquired or constructed are fully impaired immediately after initial recognition. The impairment for the year was $4.4M (2023: $4.1M) which was recognised in profit or loss.

The recoverable amount of the Public Lighting CGU's system assets was estimated at $nil as at 30 June 2024 (30 June 2023: $29.6M) as the business is not forecast to generate positive cashflows within the foreseeable future. An impairment charge of $55.5M (2023: $25.4M) has been recognised in profit or loss during the current period. The valuation processes are described in Note 14.

The Corporation has considered the potential impacts of climate change in relation to impairment assessments with no specific impacts identified.

(v) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. Land is not depreciated. Depreciation methods and useful lives are reviewed at each reporting date and adjusted prospectively, if appropriate.

The estimated useful lives are as follows:

Buildings	40 years
Leasehold improvements	Lesser of term of lease or useful life[1]
System assets	10 to 55 years[2]
Plant and equipment	3 to 20 years

The Corporation has considered the potential impacts of climate change in determining the estimated useful lives of assets. At this stage the Corporation has not changed the useful lives of its assets but will continue to review this assumption in future periods.

1 The leases greater than 5 years are mainly leases with no fixed term contract and are expected to continue for an indefinite period.

2 Extended by up to 20 years on each refurbishment where the asset has less than 20 years of useful life remaining, limited to a maximum total life of 100 years.

8. Intangible Assets

	Notes	Easements $M	Computer software $M	Other $M	Total $M
Year ended 30 June 2024					
Gross carrying amount		**100.5**	**98.9**	**80.8**	**280.2**
Accumulated amortisation		**–**	**(65.6)**	**(38.6)**	**(104.2)**
Net carrying amount		**100.5**	**33.3**	**42.2**	**176.0**
Net carrying amount at start of year		**100.3**	**33.7**	**29.6**	**163.6**
Additions		**–**	**7.0**	**15.0**	**22.0**
Re-categorisations		**0.2**	**4.7**	**4.3**	**9.2**
Amortisation	**3(d)**	**–**	**(11.2)**	**(6.7)**	**(17.9)**
Write-off of assets		**–**	**(0.9)**	**–**	**(0.9)**
Net carrying amount at end of year		**100.5**	**33.3**	**42.2**	**176.0**
Year ended 30 June 2023					
Gross carrying amount		100.3	103.7	61.6	265.6
Accumulated amortisation		–	(70.0)	(32.0)	(102.0)
Net carrying amount		100.3	33.7	29.6	163.6
Net carrying amount at start of year		91.6	29.7	34.7	156.0
Additions		–	8.1	1.6	9.7
Re-categorisations		1.7	0.4	(0.7)	1.4
Amortisation	3(d)	–	(4.5)	(6.0)	(10.5)
Revaluation		7.0	–	–	7.0
Net carrying amount at end of year		100.3	33.7	29.6	163.6

Notes to the consolidated financial statements (continued)

	2024 $M	2023 $M
Intangible Assets under Construction		
Expenditure on development or purchase of intangible assets in progress at the end of the year:	**26.6**	33.5
Historic cost of revalued assets		
The carrying amount of assets had they been carried under the cost model is:		
▸ Easements	**82.4**	82.2
▸ Computer Equipment	**33.3**	33.8
▸ Other	**42.2**	29.5
Total carrying amount	**157.9**	145.5

Recognition and Measurement

Intangible assets that are acquired externally or internally generated by the Corporation are stated at cost less accumulated amortisation and impairment losses.

Refer to Note 3(i) for the accounting policy for cloud computing costs.

Easements, which are an interest in land allowing access to network assets, are not amortised as they are granted for an unlimited time. Easements are valued annually together with system assets and land and buildings as described in Note 7(ii).

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are tested for impairment at each reporting date. Amortisation methods and useful lives are reviewed at each reporting date and adjusted prospectively, if appropriate.

The estimated useful lives in the current and comparative periods are as follows:

Easements	Indefinite
Computer software	4 to 10 years
Other intangibles	10 years

9. Payables

	2024 $M	2023 $M
Trade payables	**35.1**	41.5
Interest payable	**154.5**	148.7
Accruals	**80.9**	71.3
Payroll related payables	**25.0**	27.7
Other payables	**9.5**	8.6
	305.0	297.8

Details regarding liquidity risk including a maturity analysis of the above payables are disclosed in Note 13(f).

10. Contract Liabilities

	2024 $M	2023 $M
Contract Liabilities		
Current	**47.0**	12.4
Non-current	**41.0**	28.9
	88.0	41.3

Contract Liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Corporation has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Corporation transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Corporation satisfies the performance obligation under the contract.

Contract liabilities include amounts invoiced to customers for the construction of assets where the Corporation has yet to perform all contract obligations. Also included are contributions by public lighting customers up to 30 June 2009 intended to fund the replacement of assets at the end of their life $0.5M (2023: $1.0M). For public lighting the revenue is recognised once the Corporation has replaced the asset.

11. Interest Bearing Liabilities

	Notes	2024 $M	2023 $M
Current liabilities			
TCorp borrowings		**608.1**	702.2
Lease liability	19	**7.0**	6.3
		615.1	708.5
Non-current liabilities			
TCorp borrowings		**5,987.8**	5,603.0
Lease liability	19	**35.8**	35.3
Non-current portion of borrowings		**6,023.6**	5,638.3

	2024 $M	2023 $M
Changes in liabilities arising from financing activities		
Total interest-bearing liabilities at beginning of year	**6,346.8**	6,115.3
Net cash flows from proceeds from and repayments of borrowings and lease liabilities	**241.7**	208.1
Capitalisation of indexed bonds indexation	**20.5**	33.1
Movement and settlement of deferred interest	**29.7**	(9.5)
Movement in forward rate contracts	**–**	(0.2)
Total interest-bearing liabilities at end of year	**6,638.7**	6,346.8

Borrowings are unsecured and repayable in full on various maturity dates. For more information about the Corporation's exposure to interest rate risk and liquidity risk see Note 13.

Recognition and Measurement

Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. This includes capital indexed bonds where the carrying amount is restated at each reporting date by way of an indexation adjustment based on the Consumer Price Index (CPI) in Australia.

Amortised cost is calculated by accounting for any discount or premium on settlement. The difference between the face value and the capital value of these debt securities is amortised over the life of the specific instrument. Interest associated with these instruments is brought to account on an accrual basis. Indexation adjustments on CPI indexed bonds are also recognised as part of finance costs in profit or loss.

Gains and losses are recognised in profit or loss when the liabilities are de-recognised as well as through the amortisation process.

Borrowings shown as a current liability are nominally due for repayment within 12 months. Due to the availability of roll-over facilities supported by the NSW Treasury approved core debt limit and the liquidity of the underlying debt instruments, the Corporation may not necessarily need to repay these borrowings within 12 months.

12. Provisions

	Employee benefits $M	Environmental and asset remediation $M	Workers' compensation $M	Other $M	Total $M
At 1 July 2023	202.8	25.3	5.1	2.5	235.7
Additional provisions	62.0	8.8	6.0	3.7	80.5
Amounts used	(45.3)	(4.3)	(1.0)	(5.2)	(55.8)
Amounts reversed	–	(0.3)	(2.2)	(0.1)	(2.6)
Unwinding of discount	–	0.6	–	–	0.6
At 30 June 2024	219.5	30.1	7.9	0.9	258.4
30 June 2024					
Current	205.4	6.2	5.9	0.9	218.4
Non-Current	14.1	23.9	2.0	–	40.0
30 June 2023					
Current	193.3	7.0	4.2	2.5	207.0
Non-Current	9.5	18.3	0.9	–	28.7

Recognition and Measurement

A provision is recognised in the Statement of Financial Position when the Corporation has a present legal or constructive obligation because of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the obligation can be reliably measured. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The Corporation applies the market yields on high quality corporate bonds (HQCB) for employee related provisions and Government Bond rates for other provisions matching the expected duration of the provision. The following reflects specific policies and other information regarding the key provisions:

(i) Employee Benefits

All liabilities for employee benefits that are expected to be paid for services provided up to the reporting date by employees represent present obligations and are fully provided for in the financial statements.

Liabilities for employee benefits for wages, salaries, annual leave, preserved sick leave and long service leave that are expected to be wholly settled within 12 months of the reporting date are calculated at undiscounted amounts based on remuneration wage and salary rates that the Corporation expects to pay as at reporting date including related on-costs, such as workers compensation, insurance and payroll tax.

Notes to the consolidated financial statements (continued)

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments using the projected unit credit method (an actuarial technique). Consideration is given to expected future wage and salary levels, experience of employees' departures and periods of service.

Expected future payments (over 12 months) are discounted using market yields on HQCBs as at reporting date with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Actuarial assessment of preserved sick leave, annual leave and long service leave was calculated in May 2022 by Cumpston Sarjeant Pty Ltd. This was used as a basis for calculating the current year's provision by applying a methodology supplied by the actuary. Long service leave and the component of annual leave not expected to be wholly settled within 12 months have both been discounted using HQCB yields as at reporting date. Employee benefits are recorded in the Statement of Financial Position as current liabilities where the Corporation has no unconditional right to defer settlement. Amounts provided for in relation to defined benefit superannuation obligations are based on an actuarial assessment. All other employee benefit amounts expected to be settled within 12 months have been measured at the amounts expected to be paid when the liabilities are settled.

The current provision for employee benefits includes accrued annual leave, preserved sick leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision for accrued annual leave, vesting sick leave and unconditional entitlements to long service leave of $205.5M (2023: $193.3M) is presented as current, since the Corporation does not have an unconditional right to defer settlement for any of these obligations. However, based on experience, the Corporation does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts, included in the current provision for employee benefits, reflect leave that is not expected to be taken or paid within the next 12 months.

	2024 $M	2023 $M
Current employee entitlements which are expected to be settled after 12 months	**157.1**	147.2

The non-current provision for employee benefits includes $1.2M (2023: $0.4M) relating to the defined benefit superannuation liability.

(ii) Environmental and Asset Rectification

This provision category includes three main items:

- A provision to remediate meters which are no longer compliant with current regulations of $27.6M (2023: $21.7M). The provision is based on one of several options which assumes a completion date of 2029 with a discount rate of 3.95 per cent applied (2023: 3.95 per cent).
- Provision for lease make good costs expected to be incurred on termination of existing leases of $2.5M (2023: $2.5M).
- Provisions for various environmental rectification works which are expected to be settled within the next two years of $nil (2023: $1.1M).

(iii) Workers Compensation

The Corporation is on a Loss Prevention and Recovery Scheme for its workers compensation insurance. The scheme structure involves a premium calculation which is finalised over a four-year period finishing in 2027 for the 2024 financial year cover period. The calculation includes a hindsight adjustment mechanism taking into account the Corporation's claims experience (incurred cost of claims) over the four-year period. A discount rate of 5.2 per cent (2023: 5.2 per cent) has been applied.

13. Financial Risk Management

(a) Financial Risk Management Objectives and Policies

Financial instruments comprise cash, trade debtors, trade creditors, short-term deposits, borrowings and derivatives. The main purpose of borrowings and short-term deposits is to raise finance or invest surplus cash for the Corporation's operations while derivatives are used to manage exposure to price movements.

The Corporation's treasury function, leadership team and Board manage the Corporation's exposure to key financial risks including credit risk, currency risk, interest rate risk, liquidity risk and commodity price risk, in accordance with the Board's financial risk management policies. The Board sets policies for managing each of the key financial risks.

Derivative financial instruments can be used to hedge exposure to fluctuations in foreign exchange rates, commodity prices and interest rates.

(b) Credit Risk

Credit risk is the risk of financial loss arising if counterparties fail to meet their financial obligations to the Corporation under a financial instrument or customer contract.

The exposure to credit risk on trade and other receivables, and accrued income from unread meters of the Corporation that have been recognised in the Statement of Financial Position, is generally the carrying amount, net of any provision for expected credit losses.

The Corporation manages the credit risk of trade receivables through requiring customers to pay in accordance with agreed payment terms. The payment terms are generally 15–30 days. The credit risk related to distribution network customers (retailers) is the risk of a retailer defaulting on their obligations. The Corporation operates in accordance with the National Electricity Rules under the National Electricity Law which provides credit support guidelines. Under these guidelines the Corporation can obtain credit support from a retailer in certain circumstances where the retailer defaults. In the event of significant retailer failure, an application to recoup such losses under general pass-through provisions available through the AER would be considered. As at 30 June 2024 the Corporation had trade receivables of $48.7M (2023: $52.7M) from retailers. Three retailers represented 72.3 per cent (2023: 62.5 per cent) of these trade receivables.

The Corporation's credit risk on other assets is minimised as it transacts predominantly with other government owned entities. Where the counterparty is a non-government owned corporation its credit worthiness is established in accordance with the Corporation's risk management policies which includes the use of external credit ratings which are used to derive risk limits as approved by the Board.

Set out below is information about the credit risk exposure of the Corporation's trade and other receivables using a provision matrix:

	2024		2023	
Days past due	Carrying Amount $M	Expected Credit Loss $M	Carrying Amount $M	Expected Credit Loss $M
Current	**58.0**	**–**	73.6	–
Less than 30 days	**5.0**	**0.3**	4.1	0.9
30–90 days	**0.6**	**0.1**	3.0	0.3
91–180 days	**0.6**	**0.2**	1.4	0.3
Over 180	**4.7**	**2.8**	3.7	2.1
Total	**68.9**	**3.4**	85.8	3.6

Notes to the consolidated financial statements (continued)

An impairment review is performed at each reporting date considering the days past due for the groupings of customer segments with similar loss patterns, for example, retailers and sundry debtors. The review considers the probability of collection, and reasonable and supportable information that is available at the reporting date. Most receivables relate to regulated retailers with payments required within 30 days of billing, with defaults being unpredictable at the time of billing, therefore expected credit losses for retailers are assessed based on observable default events. For non-retail receivables the ageing of the debtors is the key indicator of credit risk and the Corporation's historical credit loss experience is used to determine the expected credit loss. Normal fluctuations in economic conditions are not viewed as a factor that has an observable impact on the expected losses, however abnormal changes in economic conditions, such as significant increases in electricity prices, are considered. As such the Corporation's historical credit loss experience may not be representative of customers' actual default in the future.

(c) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Corporation considers using forward exchange contracts to hedge its foreign currency risk for all committed foreign exchange exposures that exceed A$500,000 in value. At reporting date the Corporation had no foreign currency denominated hedges in place.

There are no other significant assets or liabilities denominated in currencies other than Australian dollars.

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Corporation adopts a policy of ensuring that its debt portfolio is managed within a Board approved risk management framework. Interest rate risk is managed through a combination of fixed rate long-term duration debt, inflation linked securities, floating rate debt and interest rate derivative instruments.

The interest rate profile for the Corporation's interest-bearing financial instruments at the reporting date was:

Carrying amount

	2024 $M	2023 $M
Fixed rate		
Financial liabilities	**(6,033.3)**	(5,766.3)
Floating rate		
Financial assets	**3.3**	2.5
Financial liabilities	**(11.2)**	(8.5)
	(7.9)	(6.0)
Inflation Indexed		
Financial liabilities	**(594.2)**	(572.0)

Notes to the consolidated financial statements (continued)

The Corporation does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. The Corporation had $3.3M (2023: $2.5M) of floating rate financial assets at year end and it is estimated that a change in interest rates by one percentage point at reporting date in relation to these assets would have an immaterial impact on the Corporation's profit before tax.

In addition, the Corporation had $11.2M (2023: $8.5M) floating rate financial liabilities at year end, and it is estimated that a change in interest rates by one percentage point in relation to these liabilities at reporting date would have an immaterial impact on profit before tax. Changes in inflation also affect the Corporation's finance costs due to its holdings of indexed financial liabilities. A change in inflation rates of half of one percent is estimated to impact the annual profit before tax by $3.0M (2023: $2.9M).

(e) Capital Risk Management

The Corporation's objectives are to establish and maintain an efficient capital structure based on a target credit rating. The target capital structure to achieve the target credit rating over the medium term is negotiated between Shareholders and the Corporation as part of the Statement of Corporate Intent process.

The Corporation monitors debt levels using the gearing ratio. The gearing ratio is calculated as net debt divided by total capital as shown below.

	2024 $M	2023 $M
Total borrowings	**6,638.7**	6,346.8
Less: cash at bank	**3.3**	2.5
Net debt	**6,635.4**	6,344.3
Total equity	**3,543.9**	3,596.3
Total capital	**10,179.3**	9,940.6
Gearing ratio	**65.2%**	63.8%

(f) Liquidity Risk

Liquidity risk is the risk of difficulty in ensuring the availability of sufficient funds to meet obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Corporation's liquidity risks are managed by the Corporation's treasury function considering cashflow forecasts against the availability of readily accessible standby facilities and other funding arrangements.

As at 30 June 2024 the Corporation had an approved core debt borrowing limit of $7,110.0M (2023: $7,110.0M) of which $525.3M was not utilised as at 30 June 2024 (2023: $813.2M). The Corporation also has an approved New South Wales Treasury Corporation (TCorp) Come and Go Facility limit of $250.0M (2023: $250.0M). An offset banking arrangement exists with NSW Treasury which allows for the account to be overdrawn without penalty, but this is not considered to be available funding. Planned future capital expenditure will be funded through TCorp borrowings. Future committed expenditure is disclosed in Note 18.

While current liabilities are greater than current assets at 30 June 2024 the Corporation continues to trade as a going concern. The TCorp Come and Go Facility had $238.8M (2023: $241.5M) not utilised at 30 June 2024. The core debt and Come and Go Facility borrowing limits have no expiry date.

The Corporation's funding requirement and strategy is reviewed annually and monitored on an ongoing basis. There were no defaults or breaches on any borrowings payable and no assets have been pledged as collateral. The Corporation maintains a balance between continuity of funding and flexibility using bank overdrafts and debt. The Corporation manages debt using a portfolio approach.

Notes to the consolidated financial statements (continued)

The contractual maturity of the Corporation's fixed and floating rate financial liabilities, including lease liabilities, are shown in the following table.

	Carrying amount $M	Contractual cash flows Total $M	1 year or less $M	1 – 5 years $M	More than 5 years $M
30 June 2024					
Fixed rate borrowings	**6,033.3**	**7,220.4**	**689.4**	**2,840.6**	**3,690.4**
Floating rate borrowings	**11.2**	**11.2**	**11.2**	**–**	**–**
Inflation indexed borrowings	**594.2**	**688.8**	**82.2**	**419.1**	**187.5**
Trade and other payables (excluding statutory payables)	**282.2**	**282.2**	**282.2**	**–**	**–**
Financial Liabilities	**6,920.9**	**8,202.6**	**1,065.0**	**3,259.7**	**3,877.9**

	Carrying amount $M	Contractual cash flows Total $M	1 year or less $M	1 – 5 years $M	More than 5 years $M
30 June 2023					
Fixed rate borrowings	5,766.3	6,711.0	845.8	2,463.6	3,401.6
Floating rate borrowings	8.5	8.5	8.5	–	–
Inflation indexed borrowings	572.0	701.9	17.6	493.6	190.7
Trade and other payables (excluding statutory payables)	278.3	278.3	278.3	–	–
Financial Liabilities	6,920.9	8,202.6	1,065.0	3,259.7	3,877.9

The amounts disclosed above for borrowings are the contractual undiscounted cash flows. These disclosed contractually committed cash flows will not differ from the timing and the amounts expected to be incurred for these liabilities, however liabilities will change for floating rate borrowings and inflation indexed borrowings due to changes in market rates and CPI inflation rates.

(g) Derivatives Financial Instruments

The Corporation had no derivatives at 30 June 2024 or 30 June 2023.

(h) Derecognition of Financial Instruments

The Corporation derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Corporation retains substantially all the risks and rewards of ownership of a transferred financial asset, the Corporation continues to recognise the financial asset and the associated liability.

The Corporation derecognises a financial liability when, and only when, its obligation specified in the contract is discharged, cancelled or expired.

14. Fair Value Measurements

This note provides information about how the Corporation determines fair value of all assets and liabilities for which fair value is measured or disclosed in the financial statements.

The Corporation measures items of property, plant and equipment and intangible assets at fair value at reporting date and the fair value of financial instruments measured at amortised cost are disclosed.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Corporation.

The fair value of an asset or liability is measured using assumptions that market participants would use when pricing the asset or liability if market participants act in their economic best interest.

A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Corporation uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described below, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Corporation determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(a) Recognised Fair Value Measurements

The Corporation measures and recognises the following assets and liabilities at fair value on a recurring basis:

- System assets (including related communications equipment)
- Land and buildings
- Easements

System assets, land and buildings and easements are valued using techniques described in Note 7. All resulting fair value estimates for system assets and land and buildings are included in Level 3.

Notes to the consolidated financial statements (continued)

(b) Fair Value Measurements Using Significant Unobservable Inputs (level 3)

(i) Transfers between Levels 2 and 3 and Changes in Valuation Techniques

There were no transfers between Level 2 and 3 and no changes in valuation techniques during the current and prior year. The movements and balances for Level 3 items, being land and buildings, system assets and easements, are disclosed in Note 7 and Note 8.

(ii) Valuation Processes

Annually the Corporation performs an internal valuation of system assets and land and buildings required for financial reporting purposes. A comprehensive independent valuation is performed and reviewed at least every three years. The most recent comprehensive valuation was performed as at 30 June 2022, in which the Corporation engaged external, independent and qualified valuers to review the valuation prepared by management. An interim formal valuation is undertaken where there is an indication that the valuation may materially differ from the carrying value.

The main level 3 inputs used by the Corporation for the 30 June 2024 valuation were as follows:

- A discounted cash flow model was used to perform a value in use calculation using assumptions to derive future cash flows over a five-year period, including revenue, operating expenditure and capital expenditure, inflation rates and discount rates to determine fair value. A terminal value based on a RAB multiple was also derived in year five. There is uncertainty in forecasting future cashflows used for the valuation.
- The cash flows were discounted using a discount rate of 5.5 per cent (2023: 5.5%) which is based upon several inputs, primarily the risk-free rate, market risk premium, debt to equity ratio and debt risk premium. The risk-free rate is observable data based on government bond rates, the market risk premium is determined from analysis of comparable listed corporations and the debt risk premium data is obtained from observable data of corporate bond yields and spreads and is adjusted as required for use in the model. There is greater uncertainty on the discount rate to be applied due to the significant volatility in risk-free rates, market equity prices and debt risk premiums that resulted from inflationary pressures experienced in 2024 and expected in future years.
- The terminal RAB multiple is determined with reference to market observable multiples.

(iii) Valuation Inputs and Relationships to Fair Value

The following table summarises the quantitative information about the significant unobservable inputs used in Level 3 fair value measurements of system assets, land and buildings and easements which had a fair value of $10,642.3M.

Unobservable Inputs	Range of Inputs (probability weighted average)	Relationship of Unobservable Inputs to Fair Value
Discount rate	+/–50 basis points	The higher the discount rate, the lower the fair value. A 50 basis point movement in the discount rate results in a $292.3M change in the fair value.
Consumer Price Index (CPI)	+/–50 basis points	The higher the CPI rate, the higher the fair value. A 50 basis point movement in the CPI rate results in a $176.1M change in the fair value.
Five-year forecast revenue	+/–10 per cent	The higher the revenue the higher the fair value. A 10 per cent movement in the revenue results in a $519.8M change in the fair value.
Five-year forecast operating expenditure	+/–10 per cent	The higher the operating expenditure the lower the fair value. A 10 per cent movement in the operating expenditure results in a $217.3M change in the fair value.
Five-year forecast capital expenditure	+/–10 per cent	The higher the capital expenditure the lower the fair value. A 10 per cent movement in the capital expenditure results in a $19.6M change in the fair value.
Forecast terminal RAB multiple	+/–5 basis points	The higher the terminal RAB multiple, the higher the fair value. A 5 basis point movement in terminal RAB multiple results in a $463.2M change in fair value.

Notes to the consolidated financial statements (continued)

(c) Disclosed Fair Values

The Corporation also has financial assets and liabilities which are not measured at fair value, but for which fair values are disclosed.

The carrying amounts and fair values of financial assets and liabilities are materially the same other than interest bearing liabilities which are shown below:

		2024		2023	
	Note	Carrying Amount $M	Fair Value $M	Carrying Amount $M	Fair Value $M
Financial liabilities carried at amortised cost					
Interest bearing liabilities	11	**6,638.7**	**6,306.2**	6,346.8	5,985.9

Fair value of borrowings is calculated based on discounted expected future principal and interest cash flows at the current market interest rates that are available to the Corporation for similar financial instruments. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant (Level 2).

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

(d) Interest Rates used for determining Fair Value

The Corporation uses the NSW Treasury Corporation (TCorp) yield curve as at 30 June 2024 to discount financial instruments. The interest rates used are in the following ranges:

	2024	2023
Borrowings	**3.8%–13.4%**	4.2%–9.8%

(e) Other Non-financial Assets

The carrying amounts of non-financial assets, other than inventories, derivatives and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated annually irrespective of any indication of impairment. The recoverable amount of an asset or cash generating unit (CGU) is the greater of their fair value less costs to sell and value in use. Refer to Note 7 for the method of calculation of the recoverable amount. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the previous revaluation with any excess recognised through profit or loss.

Impairment losses recognised in respect of a CGU are applied to the carrying amount of the system assets and land and buildings and indefinite life intangible assets of the CGU on a pro rata basis.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss has been recognised for the asset in prior years.

15. Key Management Personnel Disclosure

Key management personnel comprise members of the Board and the Corporation's leadership management team. The shareholding ministers, the NSW Treasurer and the Minister for Finance, Domestic Manufacturing and Government Procurement and Natural Resources, and the portfolio minister, Minister for Energy, Climate Change, Environment and Heritage are also considered to be key management personnel.

Key Management Personnel Remunerations

In addition to their salaries, the Corporation also provides post-employment benefits to directors and executive officers. Post-employment benefits for directors relates to compulsory superannuation contributions.

The shareholding ministers and the portfolio minister receive no remuneration from, or on behalf of, the Corporation for their services to the Corporation.

The key management personnel compensation included in employee benefits expense (Note 3(b)) is as follows:

	2024 $M	2023 $M
Short-term employee benefits	**5.9**	5.7
Long-term benefits	**0.3**	0.3
Post-employment benefits	**0.2**	0.1
Termination benefits	**–**	0.4
	6.4	6.5

16. Related Party Transactions

(a) State Owned Parties

The Corporation is an NSW Government owned corporation, with shares held by the shareholding ministers on behalf of the State of NSW. All State of NSW controlled entities, and entities in which the State of NSW has significant influence over, are considered to be related parties of the Corporation.

(b) Directors and the Corporation's Leadership Management Team

Some directors of the Corporation are also directors of other companies or have an interest in other companies or entities that may have undertaken transactions with the Corporation during the year. A Register of Directors' interests is maintained by the Company Secretary and updated as required during the year. In particular, in accordance with the Board Charter and the Corporation's Code of Conduct, directors have declared any potential conflicts of interest in matters discussed at the meetings. The members of the leadership management team are also required to declare any interests including related party transactions. All transactions with directors and the leadership management team and their related parties that occurred during the current year were insignificant and were under normal commercial terms.

Notes to the consolidated financial statements (continued)

(c) NSW Premier and NSW Cabinet Ministers

The NSW Premier and the NSW Cabinet Ministers, as well as any companies that they have control or significant influence over, and their close family members, are related parties of the Corporation. Any identified material transactions between the Corporation and these related parties are disclosed. Enquiries are made of the Premier and Cabinet Ministers by NSW Treasury for this purpose.

(d) Transactions with Related Parties

The following related party transactions occurred with state-owned entities or entities over which the State had significant influence:

NSW Treasury

NSW Treasury provides an NSW Government guarantee on the borrowings of the Corporation allowing the Corporation to borrow at lower interest rates. NSW Treasury levies a competitive neutrality fee at a fixed rate on the borrowings for which it has provided the guarantee. This is paid annually in September. The fee relating to the current year was $107.4M (2023: $103.4M). NSW Treasury also administers the Climate Change Fund. The Corporation is required to contribute a gazetted annual amount to NSW Treasury for the Climate Change Fund. An expense of $59.9M was recognised for the current year (2023: $57.2M) for the Climate Change Fund contribution, with $nil owing at 30 June 2024 (2023: $nil).

NSW Treasury Corporation (TCorp)

TCorp is a wholly owned entity of the state of NSW and is the central financing agency for the NSW public sector. TCorp provides debt and investments and provides other financial services to the NSW public sector. TCorp has also provided guarantees relating to workers compensation insurance and prudential requirements for the Australian Energy Market Operator. Details of borrowings are disclosed in Note 11, interest costs on these borrowings were $221.9M (2023: $225.6M) of which $47.1M (2023: $45.3M) was owing at year end. Borrowing facilities provided by TCorp are disclosed in Note 13.

Restart NSW Fund

Revenue grants from the NSW Government which operates the Restart NSW fund of $23.5M (2023: $26.5M) have been recognised with $2.0M owing by NSW Government at 30 June 2024 (2023: $2.0M). The grant is for the bulk water supply charge levied by Water NSW associated with the water pipeline from Wentworth to Broken Hill which is not recovered through water tariffs.

Water NSW

Water NSW, an NSW State Owned Corporation, operates and maintains a pipeline originating in Wentworth supplying water to Broken Hill. Since completion in April 2019 Water NSW has charged the Corporation for the bulk water supplied to Broken Hill through the pipeline. A bulk water supply expense of $22.2M was recognised in 2024 (2023: $26.0M) of which $3.6M (2023: $2.0M) remained owing to Water NSW at 30 June 2024.

Other NSW Government-Related Entities

The Corporation has transactions and balances with other NSW Government-related entities, as both a supplier and purchaser. These include supply of power and water services, audit services, state taxes, licence fees, levies, rates, grants for capital and other works, and lease rental income and expenses. Other than grants, these transactions and their settlement are on terms and conditions consistent with normal commercial terms and conditions.

Receivables and payables exist at reporting date in respect of some of the above related party transactions. No impairment provision in respect of receivables has been raised in relation to any outstanding balances, and no other expense has been recognised in respect of impaired receivables from related parties. Amounts receivable and amounts payable are unsecured and made on normal commercial terms and conditions.

17. Remuneration of Auditor

	2024 $M	2023 $M
Audit Office of New South Wales		
Audit of financial statements	**0.5**	0.5

18. Capital Commitments

	2024 $M	2023 $M
Commitments for the acquisition of property, plant and equipment contracted for at the reporting date but not recognised as liabilities (including GST)	**68.7**	34.4
GST credits	**6.2**	3.1

19. Leases

(a) The Corporation as a Lessee

The Corporation leases various properties, including land, buildings and radio sites (classified as land and buildings), and transmission lines. Lease contracts vary from one to 100 years and may have extension options, mainly between one and five years. Most leased sites are occupied by the Corporation for long periods of time. Extension options on higher value leases allow the Corporation flexibility to manage the portfolio to align with business needs. Lease terms for the higher value contracts are negotiated on an individual basis. Extension and termination options are included in several property leases and are generally exercisable by the Corporation and not by the respective lessor. Extension options, generally between one and five years, are included in the lease term unless the Corporation has a specific plan to not continue the lease. Many of the leases have contingent rentals either based on CPI or other fixed percentage. The assessment of lease term is reviewed at least annually. No changes were made to the lease term assumption during the year.

The Corporation has many low value leases, mainly comprising licence arrangements for the non-exclusive right to erect radio equipment on a site. The Corporation has elected to recognise payments for short term leases and low value leases as expenses on a straight-line basis, instead of recognising a right-of-use asset and lease liability.

AASB 16 Leases (AASB 16) requires a lessee to recognise a right-of-use asset for most leases. The right-of-use asset and corresponding liability are initially measured at the present value of the future lease payments. The right-of-use assets are subsequently measured at cost. Right-of use assets are generally depreciated over the lease term which is one to fifteen years. The impairment review of right-of-use assets is performed as part of the impairment reviews at the CGU level (refer to Note 7).

Notes to the consolidated financial statements (continued)

Right-of-use Assets under Leases

The following table presents right-of use assets under leases.

	Land and buildings	
	2024 $M	2023 $M
Balance at start of year	**31.1**	33.1
Additions	**5.5**	1.7
Retirements and lease modifications	**0.4**	0.9
Depreciation expense	**(5.0)**	(4.6)
Balance at end of year	**32.0**	31.1

Lease Liabilities

The following table presents liabilities under leases.

	2024 $M	2023 $M
Balance at start of year	**41.7**	43.8
Additions	**5.5**	1.7
Interest expense	**1.6**	1.5
Lease modifications	**0.3**	0.5
Payments	**(6.3)**	(5.8)
Balance at end of year	**42.8**	41.7

The following amounts were recognised in the Statement of Comprehensive Income in respect of leases where the Corporation is the lessee:

	2024 $M	2023 $M
Depreciation expense of right-of-use assets	**5.0**	4.6
Interest expense on lease liabilities	**1.6**	1.5
Total amount recognised in the statement of comprehensive income	**6.6**	6.1

Notes to the consolidated financial statements (continued)

The Corporation has total cash outflows for leases of $6.3M for the year ended 30 June 2024 (2023: $5.8M).

The future minimum lease payments under non-cancellable leases are as follows:

	2024 $M	2023 $M
Within twelve months	**7.4**	6.2
Twelve months or longer and not longer than five years	**25.8**	22.5
Longer than five years[1]	**22.0**	25.5
Total (including GST)	**55.2**	54.2
GST credits	**5.0**	4.9

(b) The Corporation as Lessor

The Corporation leases out its properties, including premises, land and communications towers and fibre network, under operating lease agreements at market rentals, predominantly on a fixed term basis. The future minimum lease payments under non-cancellable leases are as follows:

	2024 $M	2023 $M
Within twelve months	**2.2**	1.7
Twelve months or longer and not longer than five years	**2.3**	1.9
Longer than five years[1]	**0.4**	1.0
Total (including GST)	**4.9**	4.6
GST debits	**0.4**	0.4

During the year ended 30 June 2024 $3.4M (2023: $4.5M) was recognised as lease income in profit or loss.

1 The leases greater than five years are mainly leases with no fixed term contract and are expected to continue for an indefinite period.

20. Reconciliation of Cash Flows from Operating Activities

	2024 $M	2023 $M
Loss for the year	**(46.2)**	(8.1)
Add/(less) non-cash items:		
Depreciation, amortisation, impairment and write-off of owned non-financial assets	**536.6**	459.3
Gifted assets and capital grants	**(173.9)**	(179.7)
Unrealised losses on foreign currency balances and derivatives	**–**	0.2
Non-cash superannuation expenses	**(2.4)**	(3.7)
Net loss on disposal and write-off of property, plant and equipment	**20.2**	43.4
Amortisation of deferred interest (income)/expense	**29.7**	(9.5)
Capitalisation of indexed bonds indexation	**20.4**	33.1
Changes in assets and liabilities:		
Decrease/(increase) in accrued revenue from unread meters	**(6.5)**	13.0
Increase in other receivables	**13.0**	(5.2)
Increase in inventories	**(16.4)**	(12.7)
Increase in accrued operating expenditure	**7.2**	8.1
Increase/(decrease) in current tax balances	**20.1**	(6.6)
Increase/(decrease) in deferred taxes liabilities[1]	**(43.1)**	(5.9)
(Decrease)/increase in other provisions	**23.2**	0.5
Increase/(decrease) in contract liabilities	**46.7**	15.1
Decrease in deferred revenue	**–**	(2.1)
Net cash from operating activities	**428.6**	339.2

1 Adjusted for items taken directly to reserves.

21. Superannuation – Defined Benefit Plans

The Corporation has defined benefit superannuation plans covering a significant number of current and past employees, which requires contributions to be made to separately administered funds.

The net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

The discount rate is the market yields on HQCBs that have maturity dates approximating to the terms of the Corporation's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

All remeasurements arising from defined benefit plans are recognised in other comprehensive income in the year in which they occur.

Where the calculation results in a benefit to the Corporation, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

The Corporation has classified the defined benefits schemes wholly as a non-current asset or liability to reflect the appropriate timing of the obligation.

(a) Nature of the Benefits Provided by the Funds

In 1997 predecessor entities now forming part of the Corporation contributed to three defined benefits schemes, namely the State Authorities Superannuation Scheme (SASS), the State Authorities Non-Contributory Superannuation Scheme (SANCS) and the State Superannuation Scheme (SSS). On 1 July 1997 the bulk of employees' benefits were transferred from these superannuation schemes to three divisions of the Energy Industries Superannuation Scheme (EISS) as follows:

- SASS – Division B
- SANCS – Division C
- SSS – Division D

The Energy Industries Superannuation Scheme (EISS) was divided into seven divisions, of which Divisions B, C and D provide defined benefits, that is at least a component of the final benefit is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal. Divisions B, C and D are closed to new members except for members of eligible schemes who can transfer their entitlements into the Scheme.

On 12 May 2023, EISS merged with the Construction and Building Unions Superannuation fund (Cbus). As a result, all EISS members transferred to Cbus and all EISS products closed. Members of Division B, C and D of EISS were transferred to Division B, C and D under the Pool B subdivision of the defined benefits section of Cbus under a 'successor fund' arrangement, which ensured that the defined benefit members' benefits were carried over to Cbus on an equivalency basis. Cbus's trustee is United Super Pty Ltd.

In addition, the Corporation has some employees remaining in defined benefit superannuation plans through SASS, SSS, and SANCS.

The SAS Trustee Corporation (STC) Pooled Fund (the Pooled Fund) holds in trust the investments of the above closed NSW public sector superannuation schemes. These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal.

The Corporation has determined that no separate disclosure of movements in plan assets and obligations and details of plan assets of the defined benefit schemes of SASS, SANCS, and SSS (11 members) will not materially influence the users of the financial statements.

These schemes together with the Cbus schemes are referred to collectively as 'the Schemes' hereafter.

Notes to the consolidated financial statements (continued)

(b) Description of the Regulatory Framework

Cbus

Cbus is regulated primarily by the *Superannuation Industry (Supervision) Act 1993* (Cth) (the SIS Act) but is also subject to regulation under the *Superannuation Administration Act 1996* (NSW).

The SIS legislation governs the superannuation industry and provides the framework within which superannuation plans operate. The SIS Regulations require an actuarial valuation to be performed for each defined benefit superannuation plan every three years, or every year if the plan pays defined benefit pensions, unless an exemption has been obtained.

The prudential regulator, the Australian Prudential Regulation Authority (APRA), licenses and supervises regulated superannuation plans. Actuarial investigations are required annually unless an exemption is obtained from APRA. The actuarial valuations are managed by the Trustee and are generally available by December each year. The next investigation will be performed to cover the year ended 30 June 2024. The APRA required actuarial valuations are performed on a different basis to an actuarial valuation performed in accordance with AASB 119 *Employee Benefits* for financial reporting purposes.

SASS, SSS and SANCS

The schemes in the Pooled Fund are established and governed by the following NSW legislation: *Superannuation Act 1916, State Authorities Superannuation Act 1987, Police Regulation (Superannuation) Act 1906, State Authorities Non-Contributory Superannuation Scheme Act 1987*, and their associated regulations.

The schemes in the Pooled Fund are exempt public-sector superannuation schemes under the SIS legislation. The SIS Legislation treats exempt public-sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

Under a Heads of Government agreement, the New South Wales Government undertakes to ensure that the Pooled Fund will conform with the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that members' benefits are adequately protected.

The New South Wales Government prudentially monitors and audits the Pooled Fund and the Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation. These provisions are in addition to other legislative obligations on the Trustee Board and internal processes that monitor the Trustee Board's adherence to the principles of the Commonwealth's retirement incomes policy.

An actuarial investigation of the Pooled Fund is performed every three years as required by APRA. The last actuarial investigation was performed as at 30 June 2021. The next actuarial valuation is due to cover the year ended 30 June 2024.

(c) Risk Exposure

There are several risks to which the Funds expose the Employer. The more significant risks relating to the defined benefits are:

- Investment Risk – The risk that investment returns will be lower than assumed and the Employer will need to increase contributions to offset this shortfall.
- Longevity Risk – The risk that pensioners live longer than assumed, resulting in pensions being paid for a longer period and thereby requiring additional employer contributions.
- Pension Indexation Risk – The risk that pensions will increase at a rate greater than assumed, increasing future pensions and thereby requiring additional employer contributions.
- Salary Growth Risk – The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
- Legislative Risk – The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit fund assets are invested with independent fund managers and have a diversified asset mix.

(d) Description of other entities' responsibilities for the governance of the funds

The Schemes' Trustees are responsible for the governance of the Schemes. The Trustees have a legal obligation to act solely in the best interests of the Schemes' beneficiaries. The Trustees have the following roles:

- Administration of the Scheme and payment to the beneficiaries from Scheme assets when required in accordance with the Scheme rules
- Management and investment of the Scheme assets
- Compliance with other applicable regulations, and
- Compliance with the Trust Deed.

(e) Description of significant events

There were no significant events in the current financial year. A curtailment gain arose during the prior year due to a higher level of exits (contributing members leaving the fund) than expected over the year.

(f) Net Defined Benefit (Liability)/Asset and reconciliation of movements in balances

The following tables summarise the net asset/(liability) recognised in the Statement of Financial Position within non-current assets and non-current provisions.

	30 June 2024			30 June 2023		
	Present Value of Obligation $M	Fair Value of Plan Asset $M	Scheme Surplus/(Deficit) $M	Present Value of Obligation $M	Fair Value of Plan Asset $M	Scheme Surplus/(Deficit) $M
Cbus	(281.6)	280.7	(0.9)	(261.7)	267.3	5.6
SASS	(5.0)	5.3	0.3	(5.6)	6.1	0.5
SANCS	(0.3)	–	(0.3)	(0.3)	(0.2)	(0.5)
SSS	(1.5)	1.5	–	(1.4)	1.4	–
Total	(288.4)	287.5	(0.9)	(269.0)	274.6	5.6

Notes to the consolidated financial statements (continued)

The following tables summarise the components of net benefit expenses recognised in the profit or loss, actuarial gains and losses recognised in other comprehensive income, and funded status and amounts recognised in the Statement of Financial Position for all the plans.

	2024			2023		
	Present Value of Obligation $M	Fair Value of Plan Asset $M	Net Surplus/ (Deficit) $M	Present Value of Obligation $M	Fair Value of Plan Asset $M	Net Surplus/ (Deficit) $M
At 1 July	**(269.0)**	**274.6**	**5.6**	(295.2)	301.2	6.0
(Expense)/income recognised in profit or loss						
Current service cost	**(1.3)**	**–**	**(1.3)**	(1.4)	–	(1.4)
Gains arising from curtailment settlement	**–**	**–**	**–**	11.5	(10.4)	1.1
Interest (expense)/income	**(14.6)**	**15.0**	**0.4**	(14.8)	15.2	0.4
	(15.9)	**15.0**	**(0.9)**	(4.7)	4.8	0.1
Income/(expense) recognised in other comprehensive income						
Remeasurements						
Return on plan assets, excluding amounts included in interest (expense)/income	**–**	**6.1**	**6.1**	–	(2.3)	(2.3)
Gain/(loss) from change in demographic assumptions	**(1.4)**	**–**	**(1.4)**	–	–	–
Gain/(loss) from change in financial assumptions	**(9.1)**	**–**	**(9.1)**	3.4	–	3.4
Gain/(loss) from change in liability experience	**(10.3)**	**–**	**(10.3)**	1.8	–	1.8
	(20.8)	**6.1**	**(14.7)**	5.2	(2.3)	2.9
Adjustment for effect of asset ceiling[1]	**–**	**5.8**	**5.8**	–	(7.0)	(7.0)
	(20.8)	**11.9**	**(8.9)**	5.2	(9.3)	(4.1)
Contributions by Fund participants						
Employers	**–**	**3.3**	**3.3**	–	3.6	3.6
Plan participants	**(1.4)**	**1.4**	**–**	(1.5)	1.5	–
	(1.4)	**4.7**	**3.3**	(1.5)	5.1	3.6
Benefits paid	**17.6**	**(17.6)**	**–**	25.8	(25.8)	–
Taxes, premiums and expenses paid	**1.2**	**(1.2)**	**–**	1.4	(1.4)	–
At 30 June	**(288.3)**	**287.4**	**(0.9)**	(269.0)	274.6	5.6

1 The asset ceiling is the present value of any economic benefits avaliable in the form of refunds from the plan or reductions on future contributions to the plan or other plans. The adjustment for the effects of asset ceiling has been determined based on the change in the maximum economic benefit available to the Corporation in the form of reductions in future employer contributions.

Notes to the consolidated financial statements (continued)

(g) Fair Value of Fund Assets

The Fund's assets are invested in four reserves (an Employer Reserve, a Contributor Reserve, a Deferred Reserve and an Other Reserve). The Trustee decides on the investment strategy for the Employer Reserve (i.e. by formulating a Strategic Asset Allocation (SAA) for these assets). The SAA is essentially a long-term 'benchmark' allocation, which also allows for minor short-term deviations from the benchmark. The current SAA of the Employer Reserve reflects a benchmark exposure of 55 per cent to growth-type assets and 45 per cent to defensive-type assets (see asset class table below for the percentages invested in each asset class at 30 April 2024).There are no Employer 'sub-funds' in the Fund; however, the Fund's administrator maintains a notional defined benefit asset account in respect of each Employer, which facilitates tracking of each Employer's funding status and contribution requirements. The bulk of the assets held in the other reserves are invested in accordance with members' investment choices.

The percentage invested in each asset class at the reporting date is:

As at	30 June 2024	30 June 2023
Australian listed equities	**17%**	14%
Overseas listed equities	**22%**	23%
Property	**11%**	16%
Global Credit	**8%**	3%
Infrastructure	**13%**	10%
Alternatives	**–**	13%
Fixed income	**22%**	11%
Cash and short-term securities	**7%**	10%
Total	**100%**	100%

The significant change in percentages by asset classes shown above is due to the change in the administrator and Trustee on the transition from EISS to Cbus.

The trustees invest all scheme assets at arm's length through independent fund managers.

For Cbus derivatives can be used by investment managers, however strict investment guidelines detail all limits approved on the use of derivatives. The use of derivatives is governed by the investment policies, which permit the use of derivatives to change the Fund's exposure to particular assets. The Trustee requires derivative financial instruments are not entered into for speculative purposes or to gear the Fund, and that all derivatives positions are (a) fully cash covered; (b) are offset to existing assets; or (c) are used to alter the exposures in underlying asset classes. Compliance with policies and exposure limits are reviewed by the Trustee on a continual basis. As such the investment managers make limited use of derivatives.

(h) Fair Value of the Corporation's own Financial Instruments

The fair value of Plan assets includes no amounts relating to:

- any of the Corporation's own financial instruments
- any property occupied by, or other assets used by, the Corporation.

Notes to the consolidated financial statements (continued)

(i) Significant Actuarial Assumptions at the Reporting Date

	2024	2023
Expected salary increase rate (excluding promotional increases)	**5.0% for 2024/25, 4.0% for 2025/26, 3.5% for 2026/27 then 2.66% p.a. thereafter**	3.0% for 2023/24 then 2.5% p.a. thereafter
Rate of CPI increase	**4.25% for 2024/25, 3.0% for 2025/26, 2.75% for 2026/27 then 2.50% p.a. thereafter**	6.65% for 2023/24 3.50% for 2024/25 3.00% for 2025/26 then 2.50% p.a. thereafter
Discount rate	**5.48% p.a.**	5.57% pa
Pensioner mortality	**Mercer standard pensioner mortality tables have been used. These rates are based on the mortality experience of Australian Public Sector pensioners over the years 2012 to 2017, including improvement rates based on Australian Life Tables 2015–17.**	The pensioner mortality rates used are as per the triennial valuation of the scheme as at 30 June 2021

(j) Sensitivity Analysis

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, while retaining all other assumptions. The sensitivity of the Corporation's total defined benefit obligation as at 30 June 2024 to the significant actuarial assumptions is presented below. The impacts shown are with other assumptions being retained.

Actuarial Assumption	Scenario of Change in Assumption	Relationship of Unobservable Inputs to Defined Benefit Obligation
Discount rate	+/–100 basis points	The higher the discount rate the lower the defined benefit obligation. A 100 basis point increase in discount rate results in a $16.5M reduction in defined benefit obligation. A 100 basis point decrease in discount rate results in a $22.3M increase in defined benefit obligation.
CPI	+/–50 basis points	The higher the CPI rate the higher the defined benefit obligation. A 50 basis point increase in CPI rate results in a $6.6M increase in defined benefit obligation. A 50 basis point decrease in CPI rate results in a $5.4M decrease in defined benefit obligation.
Salary increases rate	+/–0.5%	The higher the salary increase the higher the defined benefit obligation. A 0.5 per cent increase in salary increase results in a $5.2M increase in defined benefit obligation. A 0.5 per cent decrease in salary increase rate results in a $4.3M decrease in defined benefit obligation.
Pensioner mortality	+/–5%	The higher the pensioner mortality rate the lower the defined benefit obligation. An increase in pensioner mortality rate using the assumption that the short-term pensioner mortality improvement factors for years 2018–2024 also apply for years after 2025 results in a $0.9M increase in defined benefit obligation with a similar decrease resulting in a $0.2M decrease in defined benefit obligation.

Notes to the consolidated financial statements (continued)

(k) Asset-Liability Matching Strategies

The Employer Reserve assets are managed via a framework designed to gradually reduce investment risk as the defined benefit liabilities mature over time.

In respect of the STC Pooled Fund the Trustee monitors its asset-liability risk continuously in setting its investment strategy. It also monitors cashflows to manage liquidity requirements. No explicit asset-liability matching strategy is used by the Trustee.

(l) Funding Arrangements

Funding arrangements are reviewed yearly, with the most recent review occurring as at 30 June 2023, following completion of Cbus's first actuarial investigation of the Fund. Contribution rates are set after discussions between the Employers and the Trustee. In the case of the STC Pooled Fund, NSW Treasury is consulted.

Funding positions are reviewed annually, and funding arrangements may be adjusted as required after each annual review.

Surplus/(Deficit)

The following is a summary of the 30 June 2024 financial position of the Fund calculated in accordance with AASB 1056 Superannuation Entities:

	Cbus		Other		Total	
	2024 $M	2023 $M	2024 $M	2023 $M	2024 $M	2023 $M
Net market value of Fund assets	**280.7**	273.8	**12.2**	11.5	**292.9**	285.3
Accrued benefits	**(268.6)**	(254.3)	**(6.0)**	(6.6)	**(274.6)**	(260.9)
Net surplus	**12.1**	19.5	**6.2**	4.9	**18.3**	24.4

Contribution Recommendations

Recommended contribution rates for the Corporation to the main scheme (Cbus) are:

Division B Multiple of Member Contributions	Division C Per Cent Member Salary	Division D Multiple of Member Contributions	Additional Lump Sum $M per Annum
1.9	2.5%	1.64	nil

Recommended contribution rates for the Corporation to the Pooled Fund are $nil.

Notes to the consolidated financial statements (continued)

(m) Significant Actuarial Assumptions at the Reporting Date

The economic assumptions adopted for the AASB 1056 financial position calculations are:

Weighted-Average Assumptions

	Cbus	Other
Expected rate of return on Fund assets backing current pension liabilities	5.9% p.a.	7.0% p.a.
Expected rate of return on Fund assets backing other liabilities	5.9% p.a.	6.2% p.a.
Expected salary increase rate	3.3% for 2024/25; 3.4% for 2025/26; 3.5% p.a. thereafter	4.56% for 2024/25; 3.80% for 2025/26; 3.78% for 2026/27; 3.80% for 2027/28; 3.70% p.a. thereafter
Expected rate of CPI increase	3.5% for 2024/25; 2.5% p.a. thereafter	3.70% for 2023/24; 2.50% p.a. thereafter

The above economic assumptions were adopted for the 30 June 2024 annual funding update.

(n) Sensitivity Analysis – AASB 1056

The assumptions for CPI, Salary and demographics are broadly the same under both AASB 119 and AASB 1056. While the underlying liability amounts for AASB 1056 are lower than for AASB 119, the sensitivity of results under AASB 119 gives an indication to the directional and proportional impact of the changes in these assumptions.

The one assumption that differs substantially under the two standards is the expected rate of return on the fund assets (discount rate). Due to this variation and the potential for material variation in the rate of return on Cbus's assets in current financial conditions, sensitivities to this assumption for the 30 June 2024 AASB 1056 results are presented below.

Actuarial Assumption	Scenario of Change in Assumption	Relationship of Unobservable Inputs to Defined Benefit Obligation
Expected rate of return on Fund assets backing current pension liabilities and other liabilities (discount rate)	+/– 50 basis points	The higher the discount rate the lower the defined benefit obligation. A 50 basis point increase in discount rate results in a $7.8M reduction in defined benefit obligation. A 50 basis point decrease in discount rate results in a $8.4M increase in defined benefit obligation.

Notes to the consolidated financial statements (continued)

Expected contributions

	Financial Year to 30 June 2024 $M
Expected employer contributions	
▸ Cbus	**3.1**
▸ Other	**–**

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 9 years (2023: 9 years) for the Cbus scheme, while it is 10.9 years (2023: 11.2 years) for the Pooled fund.

(o) Nature of Asset/Liability

If a surplus exists in the employer's interest in the Fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of Fund assets and the defined benefit obligation.

22. Events Subsequent to Reporting Date

The financial statements of the Corporation for the year ended 30 June 2024 were authorised for issue in accordance with a resolution of the Board on 16 September 2024.

There are no known events that would impact on the state of affairs of the Corporation or have a material impact on these statements at this date.

End of audited financial statements.

Statement by Directors

FOR THE YEAR ENDED 30 JUNE 2024

Pursuant to Section 7.6(4) of the *Government Sector Finance Act 2018*, we state that in the opinion of the directors of Essential Energy:

a. The accompanying financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (including Australian Accounting interpretations adopted by the Australian Accounting Standards Board), requirements of the *Government Sector Finance Act 2018, the Government Sector Finance Regulation 2024, the State Owned Corporations Act* and the Treasurer's Direction issued under the *Government Sector Finance Act 2018*. The financial statements of the Corporation also comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board and presents fairly the financial position of the Corporation as at 30 June 2024, and its financial performance and cash flows for the year ended on that date.

b. At the date of this statement, there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable; and

c. We are not aware of any circumstances at the date of this statement that would render any particulars included in the financial statements to be misleading or inaccurate.

This declaration is made in accordance with a resolution of the Board.

John Cleland
Chief Executive Officer

Dated: 16 September 2024

Doug Halley
Chair

16 September 2024

Appendices

CONTENTS

Summary of overseas travel 2023–24

Purpose of travel	Names of employees	Organisation visited	Cities	Countries	Date of departure from Australia	Date of return into Australia
WIRED Octopus Energy Technology Summit	Alex Au, Joshua Cowdrey	Kraken Technology	London	England	9/09/2023	18/09/2023
Supplier factory acceptance testing	Graeme Barnewall, Daniel Kelly, Johnathan Munro	Prysmian, Cable Grid, Nexans/Olex, Jubatus, Taihan	Yixing, Tianjin, Liaocheng, Qingdao, Seoul, Ho Chi Minh City	China, South Korea, Vietnam	19/09/2023	4/10/2023
Pacific Power Association Conference	Daniel Baker, Morgan Coelli	Pacific Power Association	Saipan	United States of America	23/09/2023	30/09/2023
International Electricity Summit 2023 and business meetings	John Cleland	Con Edison (New York) National Grid (Boston)	San Francisco, Washington DC, Dallas, New York, Boston	United States of America	28/09/2023	8/10/2023
Bentley Global Conference	Matthew Turvey	Bentley	Singapore	Singapore	9/10/2023	14/10/2023
Strategic Leadership Programme	Annie Pearson	Institute for Strategic Leadership	Queenstown	New Zealand	4/11/2023	12/11/2023
Step-Up Leadership Programme	Chris Dhu	Institute for Strategic Leadership	Queenstown	New Zealand	18/11/2023	24/11/2023
Step-Up Leadership Programme	Alex Au	Institute for Strategic Leadership	Queenstown	New Zealand	2/12/2023	8/12/2023
Enterprise Asset Management (EAM) implementation preparation	James Firman, Cassie Pelley	Accenture	Manila	Philippines	9/12/2023	18/12/2023
EAM implementation preparation	Michael Pelley	Accenture	Manila	Philippines	9/12/2023	22/12/2023
Step-Up Leadership Programme	David Shepherd	Institute for Strategic Leadership	Queenstown	New Zealand	10/02/2024	16/02/2024
Distributech International Conference and utility site visits	Luke Jenner, Brendon Neyland	Deloitte, Georgia Power, Camlin Group, TECO, Centerpoint, Oncor Energy	Orlando, New Orleans, Houston, Dallas	United States of America	22/02/2024	8/03/2024

Purpose of travel	Names of employees	Organisation visited	Cities	Countries	Date of departure from Australia	Date of return into Australia
Asia Pacific EV Charging Infrastructure 2024 Conference	Ian Armstrong, Joshua Thomas	Asia Pacific EV Charging Infrastructure 2024	Singapore	Singapore	27/02/2024	2/03/2024
Strategic Leadership Programme	Charlie Boyes	Institute for Strategic Leadership	Queenstown	New Zealand	9/03/2024	16/03/2024
Global Electrification Forum	Marc Thiebaut, Cory Urquhart	Edison Electric Institute	Washington	United States of America	12/04/2024	21/04/2024
Australian Fleet Management Association Electric Vehicle fact finding tour	Michael Mills, Andrew Hillsdon, Mathew Rogers	BYD Company Ltd, Nio Inc	Shenzen, Changzhou, Shanghai	China	14/04/2024	20/04/2024
EAM Project – fast track delivery of critical reports required for EAM go-live that were being delivered by the Accenture offshore reporting team	Cassie Pelley	Accenture	Manila	Philippines	15/04/2024	29/04/2024
EAM Project – fast track delivery of critical reports required for EAM go-live that were being delivered by the Accenture offshore reporting team	Shane Southwell	Accenture	Manila	Philippines	15/04/2024	7/05/2024
Onsite defect resolution meetings with EAM Project resources	Justin Burke	Accenture	Manila	Philippines	18/04/2024	24/04/2024
EAM Project – fast track delivery of critical reports required for EAM go-live that were being delivered by the Accenture offshore reporting team	Bradley Thomas	Accenture	Manila	Philippines	18/04/2024	24/04/2024
Copperleaf Summit	Aaron Pisani	Copperleaf	Whistler	Canada	19/05/2024	26/05/2024
Accenture International Utilities and Energy Conference (IUEC)	Luke Jenner	Accenture	Lisbon	Portugal	31/05/2024	6/06/2024

Workforce statistics

TABLE A1. NUMBER OF OFFICERS AND EMPLOYEES BY CATEGORY

Category	30 June 2020		30 June 2021		30 June 2022		30 June 2023		30 June 2024	
Gender	**M**	**F**	**M**	**F**	**M**	**F**	**M**	**F**	**M**	**F**
Executive Leadership Team	6	2	7	2	6	3	5	3	5	3
Non-executives	2,490	520	2,510	525	2,536	539	2,693	578	2,945	694
Total	**2,496**	**522**	**2,517**	**527**	**2,542**	**542**	**2,698**	**581**	**2,950**	**697**

TABLE A2. WORKFORCE DIVERSITY TARGETS AND PROGRESS AS AT 30 JUNE 2024[1]

Workforce diversity group	Benchmark	2020	2021	2022	2023	2024
Women	50%[2]	17.6%	17.6%	17.9%	17.7%	19.4%
Aboriginal and/or Torres Strait Islander People	3.3%[3]	4.3%	4.2%	4.5%	4.9%	4.1%
People whose First Language Spoken as a Child was not English	23.2%[4]	2.1%	1.9%	1.8%	1.7%	2.3%
People with Disability	5.6%[5]	1.6%	1.6%	1.5%	1.3%	1.1%
People with Disability Requiring Work-Related Adjustment	N/A	0.4%	0.4%	0.4%	0.7%	0.1%

TABLE A3. TRENDS IN THE DISTRIBUTION OF WORKFORCE DIVERSITY GROUPS (DISTRIBUTION INDEX SCORES)[1]

Workforce diversity group	Benchmark	2020	2021	2022	2023	2024
Women	100[6]	99	101	104	106	106
Aboriginal and/or Torres Strait Islander People	100	82	83	84	84	86
People whose First Language Spoken as a Child was not English	100	115	113	116	119	119
People with Disability	100	96	98	98	102	104
People with Disability Requiring Work-Related Adjustment	100	N/A[7]	N/A	N/A	N/A	N/A

1 Workforce diversity statistics the same as those provided to the Public Service Commission, which uses the reference period 23 June 2023 to 20 June 2024.
2 The benchmark of 50% for representation of women across the sector is intended to reflect the gender composition of the NSW community.
3 The NSW Public Sector Aboriginal Employment Strategy 2014-17 introduced an aspirational target of 1.8% by 2021 for each of the sector's salary bands. If the aspirational target of 1.8% is achieved in salary bands not currently at or above 1.8%, the cumulative representation of Aboriginal employees in the sector is expected to reach 3.3%.
4 A benchmark from the Australian Bureau of Statistics (ABS) Census of Population and Housing has been included for People whose First Language Spoken as a Child was not English. The ABS Census does not provide information about first language, but does provide information about country of birth. The benchmark of 23.2% is the percentage of the NSW general population born in a country where English is not the predominant language.
5 In December 2017 the NSW Government announced the target of doubling the representation of people with disability in the NSW public sector from an estimated 2.7% to 5.6% by 2027. More information can be found at: Jobs for People with Disability: A plan for the NSW public sector. The benchmark for 'People with Disability Requiring Work-Related Adjustment' was not updated.
6 A Distribution Index score of 100 indicates that the distribution of members of the Workforce Diversity group across salary bands is equivalent to that of the rest of the workforce. A score less than 100 means that members of the Workforce Diversity group tend to be more concentrated at lower salary bands than is the case for other staff. The more pronounced this tendency is, the lower the score will be. In some cases, the index may be more than 100, indicating that members of the Workforce Diversity group tend to be more concentrated at higher salary bands than is the case for other staff.
7 The Distribution Index is not calculated when the number of employees in the Workforce Diversity group is less than 20 or when the number of other employees is less than 20.

Consultants[8]

TABLE A4. PAYMENTS TO CONSULTANTS COSTING EQUAL TO OR GREATER THAN $50,000 DURING 2023–24

Consultant	Project/activity	2023–24 costs
PricewaterhouseCoopers Securities Ltd	Project COMET – to accelerate the connection of renewables to the Essential Energy network	$1,324,387
LEK Consulting Australia Pty Ltd	Distributed Storage Strategy development assistance	$380,000
LEK Consulting Australia Pty Ltd	Intium business plan development support	$288,470
Gartner Australasia Pty Ltd	HR Leaders Individual Access Advisor and HR News and Insights	$282,240
Gartner Australasia Pty Ltd	ICT policy industry advisory services, including access to Gartner's Research Library and Research Analysts	$215,700
Accenture Australia Pty Ltd	Meter to Cash program procurement assurance	$195,000
Ernst & Young	Commercial Readiness project to support the establishment of Intium	$170,832
Deloitte Touche Tohmatsu	Enterprise Agreement (EA) 2024 – performance and management services for EA strategy and readiness assessment	$130,382
Scyne Advisory Pty Ltd	Project COMET – technical support and advise on generation/storage opportunities for the Essential Energy network	$95,000
McGrathNicol Advisory	Asset and Works Management capability uplift	$95,000
Arcblue	Inventory Strategy – address requirements from the scope document	$85,110
Deloitte Touche Tohmatsu	Climate reporting gap assessment	$75,000
KPMG	Climate impact modelling to 2070 – extension to include property assets	$62,100
Cutler Merz Pty Ltd	Review of Essential Energy's shared network augmentation options	$58,748
Total		**$3,457,969**

Payments less than $50,000 were made to 11 consultants, for 14 projects/activities, with a total cost of $292,546 during 2023–24.

8 A consultant is defined as a person or organisation engaged under contract on a temporary basis to provide recommendations or professional advice to assist decision making by management. Generally, it is the advisory nature of the work that differentiates a consultant from other contractors.

Government Information (Public Access) Act 2009

The *Government Information (Public Access) Act 2009* (NSW) (GIPA Act) establishes a comprehensive system for public access to government information. Essential Energy is subject to the requirements of the GIPA Act, and is committed to complying with the Act in a fair and objective manner when dealing with external requests for access to company information.

The business supports the proactive release of information where it is in the public interest to do so.

In addition to information published in compliance with the GIPA Act, Essential Energy makes a range of information publicly available through our website to support members of the public in understanding our operations, particularly those of interest to the community.

This includes information about Essential Energy's assets and networks, policies and standards, customer connections, and public safety around electricity assets. Our website also includes a document library and approved materials list to support customers and businesses in understanding and complying with our policies, standards and requirements.

Where information is not publicly available, Essential Energy supports the informal release of information where appropriate and consistent with the GIPA Act, and reviews informal requests for information and formal applications in considering its program for release of information as per section 7(3) of the GIPA Act. There were no material changes to this program as a result of this review during financial year 2023–24.

Total number of access applications received during the year

In 2023–24 Essential Energy received 20 formal access applications for information pursuant to the GIPA Act. The formal applications received were from members of the public (or their legal representatives) and private sector businesses.

In response to the formal access applications received in 2023–24, 19 applications were finalised in 2023–24 and one application was in progress at 30 June 2024. Full access was also provided for one application received in 2022–23 and finalised in 2023–24. Of the 20 finalised applications in this reporting period, access was provided in full on 17 occasions, in part on one occasion, already available to the applicant on one occasion, and not held on one occasion.

In the course of determining access applications during the financial year, Essential Energy relied on conclusive presumptions of overriding public interest against disclosure (as set out in schedule 1 of the GIPA Act) on one occasion.

Statistical information about access applications

As required by Section 8 and Schedule 2 of the *Government Information (Public Access) Regulation 2018* (NSW), the following tables provide a summary of the decisions made pursuant to the GIPA Act during the reporting year 2023–24.

TABLE A. NUMBER OF APPLICATIONS BY TYPE OF APPLICANT AND OUTCOME

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/ deny whether information is held	Application withdrawn
Media	0	0	0	0	0	0	0	0
Members of Parliament	0	0	0	0	0	0	0	0
Private sector business	1	0	0	1	0	0	0	0
Not-for-profit organisations or community groups	0	0	0	0	0	0	0	0
Members of the public (application by legal representative)	9	1	0	0	1	0	0	0
Members of the public (other)	7	0	0	0	0	0	0	0

More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. This also applies to Table B.

TABLE B. NUMBER OF APPLICATIONS BY TYPE OF APPLICATION AND OUTCOME

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/ deny whether information is held	Application withdrawn
Personal information applications[9]	0	0	0	0	0	0	0	0
Access applications (other than personal information applications)	16	1	0	1	1	0	0	0
Access applications that are partly personal information applications and partly other	1	0	0	0	0	0	0	0

9 A personal information application is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

TABLE C. INVALID APPLICATIONS

Reason for invalidity	Number of applications
Application does not comply with formal requirements (section 41 of the Act)	1
Application is for excluded information of the agency (section 43 of the Act)	0
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	1
Invalid applications that subsequently became valid applications	0

TABLE D. CONCLUSIVE PRESUMPTION OF OVERRIDING PUBLIC INTEREST AGAINST DISCLOSURE: MATTERS LISTED IN SCHEDULE 1 OF THE ACT

Number of times consideration used[10]	
Overriding secrecy laws	0
Cabinet information	0
Executive Council information	0
Contempt	0
Legal professional privilege	1
Privilege generally	0
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0
Information provided to High Risk Offenders Assessment Committee	0

10 More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table E.

TABLE E. OTHER PUBLIC INTEREST CONSIDERATIONS AGAINST DISCLOSURE: MATTERS LISTED IN TABLE TO SECTION 14 OF THE ACT

Number of times consideration used[11]	
Responsible and effective government	0
Law enforcement and security	0
Individual rights, judicial processes, and natural justice	1
Business interests of agencies and other persons	0
Environment, culture, economy, and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

TABLE F. TIMELINES

Number of applications	
Decided within the statutory timeframe (20 days plus any extensions)	20
Decided after 35 days (by agreement with applicant)	0
Not decided within time (deemed refusal)	0
Total	**20**

11 Includes applications where access is granted in part, or refused in full.

TABLE G. NUMBER OF APPLICATIONS REVIEWED UNDER PART 5 OF THE ACT (BY TYPE OF REVIEW AND OUTCOME)

	Decision varied	Decision upheld	Total
Internal review	0	0	0
Review by Information Commissioner[12]	0	1	1
Internal review following recommendation under section 93 of Act	0	0	0
Review by NSW Civil and Administrative Tribunal (NCAT)	0	0	0
Total	**0**	**1**	**1**

TABLE H. APPLICATIONS FOR REVIEW UNDER PART 5 OF THE ACT (BY TYPE OF APPLICANT)

Number of applications for review	
Applications by access applicants	2
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0

TABLE I. APPLICATIONS TRANSFERRED TO OTHER AGENCIES UNDER DIVISION 2 OF PART 4 OF THE ACT (BY TYPE OF TRANSFER)

Number of applications transferred	
Agency-initiated transfers	0
Applicant-initiated transfers	0

12 The Information Commissioner does not have the authority to vary decisions but can make recommendation to the original decision maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made.

Legal changes

Summary of the substantial legislative changes for 1 July 2023 to 30 June 2024

Material changes to Commonwealth legislation

Protecting Worker Entitlements

The *Fair Work Legislation Amendment (Protecting Worker Entitlements) Act 2023* (Cth) amended the *Fair Work Act 2009* (Cth) (FW Act). As a result:

- From 1 July 2023, the FW Act was amended to:
  - clarify that migrant workers in Australia, regardless of their immigration status, are entitled to the benefits of the FW Act; and
  - introduce greater flexibility for employees taking unpaid parental leave, including that the maximum amount of flexible unpaid parental leave which employees can take during the 24 month period after birth or placement was increased to 100 days, pregnant employees became eligible to access flexible unpaid parental leave up to 6 weeks before the expected date of birth of their child, employees were no longer prevented from taking more than 8 weeks of unpaid parental leave at the same time as their spouse or de facto partner (known as concurrent leave), and both parents became entitled to take up to 12 months unpaid parental leave at any time within 24 months of their child's birth or placement, and to apply for an extension of up to 12 months beyond the initial 12 month leave amount.
- On 30 December 2023, employees became able to authorise regular, beneficial payroll deductions with a single written authorisation, regardless of variations in deduction amounts.
- On 1 January 2024, the National Employment Standards changed to require employers to contribute to employees' superannuation funds to avoid Superannuation Guarantee Charge liabilities, with the right to pursue court action for breaches unless already initiated by the Commissioner of Taxation.

Closing Loopholes in Employment

Closing Loopholes Act 2023

The *Fair Work Legislation Amendment (Closing Loopholes) Act 2023* (Cth) amended the FW Act and conferred new functions on the Fair Work Commission (FWC). Key amendments effective from 15 December 2023 included:

- empowering the FWC to consider applications related to some labour hire workers (same job, same pay for labour hire arrangements);
- strengthening protections for employees who have experienced or are facing family and domestic violence by amending the general protections provisions;
- introducing a general protection for workplace delegates when carrying out their roles;
- allowing the FWC to create a model term for modern awards related to delegate rights; and
- amending provisions regarding protected action ballot order conferences.

A particularly important update was the 'Same job, same pay' changes in relation to labour hire arrangements. In order to "close the labour hire loophole", the act introduced provisions which aim to prevent bargained rates in enterprise agreements from being undercut by the use of labour hire workers. Under the new regime, labour hire workers, unions, host businesses, and employees of host businesses, can apply to the FWC for a regulated labour hire arrangement order requiring that hosted labour hire employees are paid no less than what they would receive if they were directly employed by the host business, and paid in accordance with an applicable enterprise agreement (or other employment instrument, such as a workplace determination).

Closing Loopholes No. 2 Act 2024

The *Fair Work Legislation Amendment (Closing Loopholes No. 2) Act 2024* (Cth) further amended the FW Act and conferred new functions on the FWC. Key amendments included:

- changes to the definition of 'casual employee' and changes to casual conversion, effective from 26 August 2024;
- changes to the definition of employment (which re-establish the multi-factorial test for determining whether a person is an employee or contractor) effective from 26 August 2024;
- changes to intractable bargaining provisions effective from 27 February 2024;
- changes to enterprise bargaining provisions relating to multi-enterprise agreements and franchisees effective from 27 February 2024;
- powers to register collective agreements relating to regulated workers, effective from 26 August 2024;
- functions relating to a right to disconnect including a new dispute function and a process for the Commission to make a model term for awards, effective from 26 August 2024; an 'unfair contracts' dispute resolution function for independent contractors (below a high-income threshold), effective from 26 August 2024; and
- workplace delegates' rights for regulated workers, effective from 26 August 2024.

Unfair Contract Terms

With effect on and from 9 November 2023, the *Treasury Laws Amendment (More Competition, Better Prices) Act 2022* (Cth) amended the *Competition and Consumer Act 2010* (Cth) to impose monetary penalties on corporations and individuals for proposing and/or relying, or purporting to rely, on unfair contract terms (UCTs).

The expanded UCT regime applies to 'consumer contracts' and 'small business contracts' that are 'standard form contracts', which are:

- entered into on or after 9 November 2023 (therefore contracts entered into prior to this date are not affected);
- renewed on or after 9 November 2023 (with effect from the day on which the renewal takes effect); or
- varied (to amend or add new terms) on or after 9 November 2023, but only in respect of the term or terms that have been varied or added (with effect on and from the day on which the variation takes effect).

An organisation may be subject to a monetary penalty (at a minimum of $50 million) and other enforcement action if it:

- makes a consumer contract or small business contract; and
- that contract is a standard form contract; and
- a term of that contract is unfair; and
- the organisation is responsible for proposing the unfair term.

Such penalty will apply to each term proposed by the organisation that is unfair. An organisation may be subject to a further monetary penalty if it applies or relies on, or purports to apply or rely on, a term of a standard form consumer contract or small business contract that is unfair.

Under the expanded UCT regime, a contract may now be determined to be a standard form contract despite the existence of one or more of the following:

- an opportunity for a party to negotiate changes, to terms of the contract, that are minor or insubstantial in effect;
- an opportunity for a party to select a term from a range of options determined by another party; or
- an opportunity for a party to another contract or proposed contract to negotiate terms of the other contract or proposed contract.

Further, the definition of a 'small business' has been expanded to capture a business that employs fewer than 100 persons (previously, the number had been capped at 20 people) OR had less than $10 million in annual turnover in the previous income year.

Material changes to New South Wales legislation and regulations

Key Amendments to the *Work Health and Safety Amendment Act 2023*

The *Work Health and Safety Amendment Act 2023* (NSW) introduced a number of changes to the *Work Health and Safety Act 2011* (NSW) (WHS Act). Key amendments include:

- clarifying that an officer of a person conducting a business or undertaking (PCBU) can commit a Category 1 offence involving gross negligence or reckless conduct;
- increasing the maximum penalties for Category 1 offences, raising fines to $10,424,983 for a body corporate, $2,168,029 for individuals, and $1,041,992 for other individuals, while doubling the maximum gaol term from 5 to 10 years. Additionally, penalties for Category 2 and 3 offences will rise by approximately 40 percent;
- modifying the WHS Act to allow for the aggregation of conduct by a PCBU's officers, agents, or employees to be imputed to the PCBU, broadening liability beyond individual actions;
- inserting the offence of industrial manslaughter; and
- providing new requirements for managing sexual and gender-based harassment that must be complied with.

Material changes to Queensland legislation

***Work Health and Safety Act 2011* (Qld) amendments**

On 21 March 2024, the Queensland Parliament passed significant amendments to the *Work Health and Safety Act 2011* (Qld) through the Work Health and Safety and Other Legislation Amendment Bill 2024. These changes prohibit insurance and indemnity arrangements for monetary penalties under the WHS Act and prevent businesses from obstructing the election of health and safety representatives. The amendments align anti-discriminatory provisions with the *Industrial Relations Act 2016* (Qld) and grant powers to Workplace Health and Safety Queensland to share specific information with health and safety representatives and WHS entry permit holders.

Australian Energy Regulator (AER) determinations

AER published its final revenue decision for Essential Energy for the 2024–29 regulatory period

On 30 April 2024, the AER published its final revenue decision for Essential Energy for the 2024–29 regulatory period, in which it determined that Essential Energy could recover over $6.3 billion in 2024–29.

National electricity rules and national energy rules

Incorporating an emissions reduction objective into the national energy objectives

The *Statutes Amendment (National Energy Laws) (Emissions Reduction Objectives) Act 2023* (Cth) integrates emissions reduction and energy policy in the national energy laws. The AEMC can now consider the new emissions reduction component alongside the existing criteria for price, quality, safety, reliability, and security. The long-term interest of consumers now extends to the achievement of Commonwealth, State and Territory targets for reducing Australia's greenhouse gas emissions, or that are likely to contribute to reducing Australia's greenhouse gas emissions.

Implementation of Emissions Reduction Objective by AER and AEMC

The AER issued guidance on the implementation of an Emissions Reduction Objective, which was effective from 21 November 2023. The guidance will apply to ongoing and future regulatory processes and highlights how the AER will focus on decarbonisation for electricity providers, such as Ausgrid and Essential Energy, in the 2024–29 regulatory period. The AEMC will also integrate emissions reduction into its rule-making and review processes. Consequently, emissions reduction will become a central factor in AER's decision-making, directly influencing regulatory actions to align with long-term consumer interests and internalising the impact of emissions.

To support this change, the AEMC has released its guide on how it will apply this new objective in its rule-making process and has released a targets statement, which is a list of jurisdictional targets to be considered by the three market bodies, and others, when applying the national energy objectives.

The AEMC has made a final rule to improve the operation of the feedback loop process

On 14 March 2024, the Australian Energy Market Commission published version 207 of the National Electricity Rules, which incorporates National Electricity Amendment (Improving the workability of the feedback loop) Rule 2024 No. 4 and National Electricity Amendment (Resetting Powerlink's System Strength Unit Prices) Rule 2024 No. 5.

Under the improved process:

- AEMO is able to assess feedback loop requests using the latest modelling assumptions;
- the AER must provide guidance on when transmission businesses should request a feedback loop assessment;
- AEMO must complete assessments within 40 business days, with extensions possible for complex projects; and
- assessments and contingent project applications can run concurrently where suitable.

Final rule to accelerate grid connections for renewable energy projects

On 27 June 2024, AEMC published a final rule that creates a more clear and pragmatic process to speed up grid connections for new renewable energy generation and storage.

The R1 assessment requires generators and large-scale storage providers to demonstrate they can meet performance standards before being registered in the NEM. Additionally, there is an increased focus on transparency during the R1 assessment, that will require AEMO to update its registration information resource and guidelines. The rule will commence on 11 July 2024, with AEMO required to update its registration information by no later than 1 March 2025.

Summary of significant judicial decisions between 1 July 2023 to 30 June 2024

Bingman Catchment Landcare Group Incorporated v Bowdens Silver Pty Limited [2024] NSWLEC 17

These proceedings involved a judicial review application by Bingman Catchment Landcare Group Inc (Bingman) challenging the NSW Independent Planning Commission's (IPC) grant of consent to Bowdens Silver Pty Limited's State significant development (SSD) application for a silver, lead and zinc mine. Bingman contended that the IPC did not consider or assess the environmental impacts of the construction of a 66kV transmission line.

Approval for these works was intended to be obtained under Part 5 of the *Environmental Planning and Assessment Act 1979* (NSW) (EP&A Act) by Endeavour Energy and the works did not form part of the development application.

The Court was required to determine whether the transmission line formed part of a single proposed development and whether the offsite impacts of the transmission line were required to be considered in the determination of the development application. The Court found that:

- the transmission line works did not form part of the development application and that there is no statutory requirement for State significant development to be comprised in a single proposal to permit holistic assessment of environmental impacts.
- the impacts of the works did not meet the threshold of being considered "likely" and could not be considered as such unless the route of the infrastructure was determined first. The potential impacts remained speculative at the time of determination and so could not be understood as a mandatory relevant consideration.

This decision provides useful guidance on the staging of Part 5 approvals under the EP&A Act for electricity transmission works which are necessarily part of and/or additional to larger-scale projects which are subject to SSD assessment and approvals.

Munkara v Santos NA Barossa Pty Ltd (No 3) [2024] FCA 9

This case concerned the *Offshore Petroleum and Greenhouse Gas Storage (Environment) Regulations 2009* (Cth) and the acceptance by the National Offshore Petroleum Safety and Environmental Management Authority of an environmental plan submitted by Santos NA Barossa Pty Ltd (Santos) for the construction of a 262km gas export pipeline from the west coast of the Tiwi Islands. Members of the Jikilaruwu, Manupi and Malawu people sought urgent injunctive relief arguing that Santos was obliged to submit a revised environmental plan due to a "significant and new, or increase in an existing, environmental impact or risk" to tangible and intangible cultural heritage.

An interim injunction was granted, however the Court declined to grant a permanent injunction, clearing the way for construction of the pipeline to proceed. The Court was of the view that there was insufficient evidence to prove a communal belief that the burial grounds existed in the vicinity of the pipeline route and ultimately found the asserted risk was not significant.

OS MCAP Pty Ltd ACN 626 224 655 v Construction, Forestry, Maritime, Mining and Energy Union [2023] HCATrans 170 (21 November 2023)

In this case, the High Court of Australia refused special leave for BHP to appeal the decision of the Full Court of the Federal Court in CFMMEU v OS MCAP Pty Ltd [2023] FCAFC 51 which held that OS MCAP had contravened section 114 of the FW Act and the National Employment Standards (NES) by requiring employees to work on multiple public holidays in 2019.

The Full Court of the Federal Court held that the employer's practice of providing a roster and assuming that employees rostered on public holidays would work those days unless they applied for (and were granted) an absence was inconsistent with the employees' NES entitlement to be absent from work on public holidays unless:

- the employer has requested them to work on the public holiday; and
- the request is reasonable or the employee's refusal is not reasonable.

Rather, the employer was required to make proper and reasonable requests of employees which left each employee with a choice to agree or refuse. The matter will return to the single judge of the Federal Court who heard the matter at first instance to determine remedy and penalties.

Charles Gregory Gregory v Maxxia Pty Ltd [2023] FWC 2768 (16 November 2023)

The case concerned a worker who, in support of his request for a flexible work arrangement under which he would remain exclusively working from home, told his employer he was seeking a custody arrangement in which he would care for his school-age child more regularly. He also provided letters from an online medical provider asking the employer to accommodate his request as he was suffering from "a situational crisis" and "inflammatory bowel disease". The employer responded a day later with a proposal to return him to the office just 20 per cent of the time until the end of September, increasing to 40 per cent from October, with his office days confined to the weeks he would not have custody of his son.

The employee lodged an application with the FWC to have the FWC deal with a dispute. The FWC observed that with the worst of the pandemic over, the employer was "within its rights to require its employees to return to the office in accordance with their contracts of employment". The FWC found the employer's requirement for a proportion of the employee's work to be done in the office would boost his employer's ability to observe and improve his productivity and allow others to benefit from his experience.

Accordingly, the FWC found that the employer's reasons for refusing the flexible work request were based on reasonable business grounds and declined to make any other orders.

Lindsay Swift v Highland Pine Products Pty Ltd [2023] FWC 1997

The FWC found that an employer had a valid reason to dismiss a worker for his inappropriate sexual jokes and comments but warned that the employer needed to do more to meet its positive WHS duty to prevent harassment. This decision is a reminder of the positive WHS duty to manage psychosocial hazards, including sexual harassment, under Work Health and Safety Regulations and approved Codes of Practice and guidance material around Australia.

Land disposal

Essential Energy did not dispose of any land with a value greater than $5.0 million in 2023–24.

Exemptions

Essential Energy did not seek any exemptions for this 2023–24 Annual Report.

Cost to produce this report

The external cost to draft, produce and publish this report, including digital PDF document, HTML (web) pages and printed hard copies, was $167,964 excluding GST.

Index

Glossary

Term	Definition
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
AI	Artificial intelligence
ASP	Accredited Service Provider
Capex	Capital expenditure
BESS	Battery Energy Storage System
CAG	Customer Advocacy Group
CER	Consumer Energy Resources
CERM	Customer energy management system
CIA	Climate Impact Assessment
CSP	Contract Service Provider
DCA	Dynamic Connection Agreement
EAM	Enterprise Asset Management
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EGP	Employee Giving Program
ELT	Executive Leadership Team
ENSMS	Electricity Network Safety Management System
ERF	Employee Request for Funding
EV	Electric vehicle
FTE	Full time equivalent

Term	Definition
GHG	Greenhouse gas
HPIFR	High Potential Injury Frequency Rate – frequency of all safety incidents that had a reasonable likelihood of resulting in a major or severe injury to any person per million hours worked
IoT	Internet of Things
IPART	Independent Pricing and Regulatory Tribunal
IRO	Impacts, risks and opportunities (sustainability related)
IVMS	In-Vehicle Monitoring System
LMRP	Legacy Meter Replacement Program
MLTIFR	Major Lost Time Injury Frequency Rate – frequency of major or severe lost time injuries per million hours worked
NECF	National Energy Customer Framework
NEXUS	New Energy Exploration and Utility System
NFR	Network Fatal Risk
SAIDI	System Average Incident Duration Index – average total minutes a customer is without power in a year
SAPS	Stand Alone Power System
SCFR	Serious Claim Frequency Rate – number of accepted workers compensation claims, for an incapacity, that results in a total absence from work of one work week or more (i.e. 40 hrs) per million hours worked
SF6	Sulphur Hexafluoride
TCFD	Task Force on Climate-related Financial Disclosure
TRIFR	Total Recordable Injury Frequency Rate – calculated as the number of recordable injuries per million hours worked
TSS	Tariff Structure Statement

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