

EnergyAustralia Annual Report 1999

Our vision Maximise shareholder value by becoming the leading multi-utility company in the Asia/Pacific region.

Our values In order to achieve our vision, EnergyAustralia pursues the following values: integrity, excellence, respect for people, community commitment, safety and commercial drive.

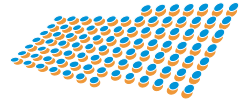
EnergyAustralia is Australia's leading energy services Corporation.

We deliver a safe and reliable electricity supply to the nation's largest customer network and provide a range of products and services nationally and internationally. The Corporation, through its Network business, supplies electricity to over 1.3 million customers, or 2.9 million people.

EnergyAustralia was incorporated on 1 March 1996 as a State Owned Corporation under the Energy Services Corporations Act 1995. It operates under the Electricity Supply Act 1995 and performs all functions related to energy distribution and the supply of cost-competitive energy services that satisfy customer requirements. EnergyAustralia operates under distribution and retail licences in NSW, while holding retail licences in ACT, Victoria, Queensland and an interim licence in South Australia. It also now maintains a Gas Supplier's Authorisation licence in NSW with an application pending in Victoria.

EnergyAustralia services a wide span of customers, ranging from rural communities to Australia's largest central business district, residential to commercial, as well as servicing industries which include mining, manufacturing, oil refining, shipping, light to heavy engineering and agriculture. The nature and scope of the main business activities undertaken by EnergyAustralia are the management of the electricity network within its licenced area and private network facilities; the purchase and supply of electricity and the connection of customers to the network; and the provision of customer services.

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



EnergyAustraliaTM

570 George Street
Sydney NSW 2000
Australia

Dear Treasurer,

Annual Report for EnergyAustralia for the year ended 30 June 1999.

We are pleased to submit the Annual Report covering the performance, operations and financial results for the year ended 30 June 1999.

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

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

John C. Conde AO
Chairman

Paul A. Broad
Managing Director

Sydney – 29 October 1999

Chairman's Report

The 1998/99 financial year saw the continued rollout of electricity reform across Australia. While reform of the industry has taken place over the last few years, the industry took a significant step towards becoming truly national this financial year with the commencement of the National Electricity Market on 13 December 1998. The pace of change within the Australian electricity industry is unprecedented anywhere else in the world. While we have closely monitored the developments and learnt from the experiences of similar moves taking place overseas, there have been issues and challenges which have been unique to Australia and which we have been meeting successfully.

We have accepted that change within the industry is a constant feature of the environment in which we work. We are continuing to develop an organisational structure that is effective and functional, yet flexible. The ability to continually adapt within a dynamic environment will be the key to the success of EnergyAustralia in the future.

Strong financial results and delivery of the highest business standards are two of the key objectives of the Board. An improved commercial focus of the organisation has again seen all our financial targets met or exceeded. Our operating profit before tax and abnormals was \$298 million with an after tax dividend of \$139 million provided for.

Maintaining the strong performance of the last two years is the challenge we now face. The continued rollout of retail electricity contestability to include residential customers, our move into the telecommunications and gas markets, and our continued expansion into the electrical contracting and construction industry, will all play a fundamental role in our ability to achieve this. The market is fast maturing and customers are increasingly exercising their ability to seek prices and services from organisations other than our own. The key to customer retention and acquisition in each of these areas will be our ability to provide a competitive bundle of price, quality and convenience.

At the forefront of providing high quality and cost effective products and services will be the ability of our staff and their continued commitment to customer service excellence. Through the provision of appropriate training and access to world class practices and procedures, we will ensure not only the future success of the organisation but also the development of staff at an individual and professional level. Underpinning this is our fundamental priority of providing a safe, equitable and fulfilling work environment.

The commitment of our staff to our customers is no better demonstrated than by their response to supply interruptions caused by storms, floods and other unfavourable weather conditions and events. Our reliability rates remain among the best in Australia for comparable networks, of which our staff can be proud.

Our performance this year has consolidated our position for the new Millennium. Our continued customer focus and dedication to excellence makes EnergyAustralia well placed for the challenges of this new era.



John C. Conde AO
Chairman

Highlights

- Total electricity sales volumes and total revenue exceeded the Statement of Corporate Intent by 5% and 3% respectively. Revenue from other operating activities and investments grew by \$85m (32%) over 1997/98 levels.
- Safety performance continued to improve. The Lost Time Injury Frequency Rate (injuries per million hours worked) result of 8 for the year was a 22% improvement on the 1997/98 result of 10.2.
- EnergyAustralia is well positioned with the development of a gas market entry strategy.
- Customer satisfaction measures for the year showed a strong base on which to build, with 53% of business customers and 71% of residential customers being at least very satisfied.
- By the end of the 1998/99 financial year, EnergyAustralia achieved a leading position in brand awareness with customers of 82%, ahead of our major competitors. Awareness of EnergyAustralia as an Olympic sponsor also increased by 10%.
- An operating profit after tax of \$181m, was \$36m (25%) higher than the target set in the Statement of Corporate Intent, with distributions to Government of \$226m in line with corporate targets.
- EnergyAustralia is Year 2000 ready for business critical functions.
- In May 1999, EnergyAustralia achieved certification to AS/NZS ISO 14001:1996 for Environmental Management Systems and Quality Assurance Certification AS/NZS 9002:1994.
- EnergyAustralia's Call Centre participated in the 1999 Teleperformance Grand Prix Customer Service Awards competition winning the Public Service / Utilities section.
- Participation in international benchmarking studies showed EnergyAustralia to be an excellent performer compared with NSW peers and at or near world's best practice.

Managing Director's Report

This is the most dynamic era in 100 years of electricity supply in Australia. As we approach the new Millennium, Australia's energy industry is undergoing radical changes that place it at the cutting edge of national economic reform.

As the largest player, EnergyAustralia is at the centre of this transformation. Facing unprecedented change in almost every area of our business, we will continue to deliver high standards of customer service, while preparing ourselves for the many challenges of further competition. In the new national energy market, our goal is to protect our existing customer base – the largest in Australia – while winning new customers outside our traditional geographical boundary.

We are currently preparing for full deregulation from 2001, when all customers in Australia's eastern states, from the smallest domestic user to the largest industrial enterprise, will be able to choose their electricity supplier. Our vision is to become the leading multi-utility company in the Asia-Pacific region. To achieve this vision, we are embracing the multi-utility concept by developing new businesses that will further the potential of our existing skills and resources.

Introduction

EnergyAustralia's commitment to the Sydney 2000 Olympic and Paralympic Games is providing the company with a once in a lifetime opportunity to showcase our abilities as experts in project management, infrastructure development and energy supply.

In our twin roles of Team Millennium Olympic Partner and Official Energy Management Partner, we are playing a key role in the world's biggest sporting event.

We have led Australia's largest ever electricity supply infrastructure project at the Homebush Bay site. This has included the replacement of 46 high voltage towers with an underground cable network, the design and construction of a state-of-the-art zone substation and the electrical fit-out of the SuperDome – the largest covered entertainment venue in the southern hemisphere.

Enerserve, our electrical engineering, contracting and consulting business, has beaten private sector competitors for contracts such as the design and building of Tasmania's \$15 million Hadspen 220/110 kV substation.

EnergyAustralia is striving to improve the reliability of our electricity network, that serves almost 3 million people in a franchise area covering 22,275 square kilometres.

As a community-minded organisation, we take pride in our ability to respond to emergencies. In the massive hailstorm that hit Sydney in April, our crews went beyond the call of duty to restore power to more than 25,000 homes. Just four hours after the storm hit, we had restored power to 23,000 homes. By early the next night, we had repaired all hailstorm damage to our network, restoring availability of supply to the remaining 2,000 affected customers. Our Call Centre also handled a large workload in the aftermath of the hailstorm, answering almost 3,500 telephone calls in the first 12 hours.

EnergyAustralia is confident it will be business as usual over critical Y2K dates for business critical functions.

The battle for customers

Australia is among the first countries in the world to deregulate its energy markets. A new business environment is evolving: a very complex and fast moving marketplace with many large multinationals snapping up opportunities to participate.

The power of choice has shaken the foundations of the electricity industry and the customer is now at the centre of electricity companies' business structures.

We are already in competition with more than 20 energy retailers. Thirteen thousand of the largest customers in New South Wales can now choose their electricity supplier. EnergyAustralia no longer has a monopoly or a guaranteed retail customer base. We have to compete and win on both price and service and if we fail to meet our customers' needs they will go to a competitor that does.

EnergyAustralia has embraced this new culture by making every part of our business more customer oriented.

The successful players in this new competitive environment will be the ones that best meet the needs of customers. This means responding to customers' needs quickly and efficiently, being competitive on price and offering a wider range of services.

We are committed to providing excellent customer service and are constantly seeking ways of improving the way we deal with customers.

In this new retail electricity market, we are doing much more than merely defending our own territory. We are taking on the competition in other parts of NSW, Victoria, Queensland, South Australia and the Australian Capital Territory.

Turning around

While the competition continues to be fierce, there are signs that the momentum is shifting in our favour.

In the early stages of deregulation, EnergyAustralia lost 30 to 40 per cent of our base of larger business customers who entered the new contestable market. Our competitors targeted our most visible customers and several put the quest for market share ahead of profitable business.

We have regained around 10 per cent of the market share we lost and we are retaining more of our existing customers. Major energy customers have returned to us. Some have been less than happy with the service elsewhere. Others have found that the initial prices that tempted them away are no longer available.

This experience is invaluable in helping prepare EnergyAustralia for the final stages of deregulation from 2001 when 2.9 million residential customers in NSW alone will be able to choose their electricity supplier.

EnergyAustralia chose not to buy or retain customers through uneconomic and unsustainable pricing. That decision is slowly being vindicated as the market shifts. Price remains a dominant factor but it is no longer the only one. Customers are now considering issues such as service and the ability of their energy supplier to add value to their business.

EnergyAustralia is doing just that, with a range of services that help our customers to improve their profitability. EnergyFirst is one of them, with our consultants calling on business customers and advising them on ways to reduce their power consumption, manage their energy requirements more efficiently and save on their power bills.

Competition in this market is expected to be tough. However, the barriers to entry and in particular the cost of establishing new brands, will be substantial. We have a head start in the market and intend to build on this advantage. Our target is to retain 90 per cent of our residential customers.

Our determination to meet customers' demands for high standards and low prices will be supported by our ability to secure good wholesale prices and to manage the risks well. This will become increasingly important as retail prices fall in real terms.

On the front foot

As part of our goal to become a multi-utility, we are developing new business ventures in telecommunications, gas and the financial services arena.

This vision is changing the nature of the business we are in. Multi-utilities are an ideal avenue for building brand loyalty and bundling services into special packages that provide convenience for customers.

We are about to enter into a major gas agreement with Duke Energy Australia Trading and Marketing, which is bringing a new source of gas to NSW. This venture is expected to make EnergyAustralia the second largest gas retailer in the state.

We have taken a major step into the telecommunication's market through our share in the PowerTel consortium, which is developing a major communications network along Australia's east coast. The venture will create an efficient, cost effective niche network in a market occupied by the biggest telecommunication players in the country. It is using existing electricity ducts in the CBD's of Sydney, Melbourne and Brisbane to run a fibre optic cable network, providing a range of telecommunication's services.

These new business ventures will benefit from synergies with our traditional electricity services. Our workforce will require relatively little training and we can build upon existing service, billing and repair capabilities.

We are competing successfully with the private sector through our EnergyFix service, which provides all home and small business electrical needs including emergency repairs, safety inspections and laying phone, TV and data cables.

Building our brand

Marketing has become every bit as important as engineering. The way people feel about and perceive our company can influence whether they choose to do business with us.

The building of our brand is a highly visible and critical part of our marketing strategy. We are creating better awareness of who we are, what we do and the part we play in people's lives. Our advertising campaign "Who's Got the Energy?" has raised our profile to the point where EnergyAustralia is top of mind with our customers – we have the highest recognition among all energy providers. Public understanding of our services has increased. The series of television commercials have demonstrated our personality and strengths across customer service, emergency response and involvement with the Sydney 2000 Olympic and Paralympic Games.

Metering

Testing and Certification Australia (TCA) is the business unit of EnergyAustralia that manages metering functions. Metering, like electrical energy retailing, is now open to market competition.

EnergyAustralia is a significant customer of TCA Metering in the National Electricity Market but only one of more than 20 retailers who use TCA Metering.

Metering services offered by metering companies have become extremely competitive, with prices falling by 50 per cent since 1997. A range of value added services are now being offered to customers that builds on the expertise, knowledge and infrastructure of TCA Metering.

There are approximately 13,000 customers registered in the National Electricity Market at present. In 2001 it is likely that several million domestic customers will be able to participate in the contestable electricity market – a quantum increase in the size of the market.

TCA Metering has been very successful with its National Electricity Market activities to date. It has exceeded its market share expectation, achieved a profit for 1998/99 and continues to perform competitively.

Infrastructure

EnergyAustralia is Australia's largest energy services company with over 1.3 million customers, a yearly turnover of almost \$2 billion, over 3,000 staff and \$3.8 billion in assets.

Our network of poles and wires is the biggest in Australia, with over half a million poles and 50,000 kms of mains. We deliver electricity to more people than any other energy services company in Australia. It is a 24 hour job, every day of the year and we do it with outstanding reliability. Our people, our equipment, systems and information technology stand confidently alongside the world's best. Each year we invest around \$200 million to ensure that customers have the power they want, when and where they want it.

As our business changes, so does our information technology requirements. An IT architecture framework is in place that enables information, applications and facilities to be shared across the organisation, without reducing the ability of each of our business units to meet their immediate needs. This is a sound base on which to build our future IT requirements.

We have improved flexible billing technology – we can provide multiple services to customers, introduce new products and allow them to pay the way it best suits them.

Management expertise

EnergyAustralia employs over 3,000 people who do an exceptional job, often working under extreme and hazardous conditions. The transformation from a monopoly electricity company to a provider of multiple services in competitive markets is a significant one for our staff. Many have faced a radical shift in the way they work, have been asked to acquire new skills and embrace a new business culture that focuses on customers.

Seventy five per cent of our \$3.8 billion in assets is in our poles, wires and substations. Our ability to manage these assets effectively goes a long way to determining the levels of efficiency, safety, reliability and customer service we offer.

We manage our assets with great care. We have sound processes and systems in place to maintain the value of our network and we are creating additional value by delivering new services utilising our existing infrastructure.

The future management expertise of the company is assured through schemes like our graduate program, which is attracting new blood to the company, bringing new skills and introducing a sound commercial focus in all divisions.

The Sydney 2000 Olympic and Paralympic Games

Many of the major Sydney Games venues were completed during the year. Our focus now shifts from infrastructure to operations and keeping the lights on during the Games.

Much of the planning has already been completed, covering all aspects from security of our network and equipment, to rostering staff. EnergyAustralia will have response teams at a range of Sydney Olympic venues and sites to ensure that if there are any electricity supply problems, we respond quickly and decisively. Two senior EnergyAustralia employees are on secondment to the Sydney Organising Committee for the Olympic Games (SOCOG) and the Olympic Co-ordination Authority (OCA) to provide high level management and engineering expertise until after the Games.

EnergyAustralia is a supporter of athletes with disabilities. In September 1998 we signed a partnership contract with the Sydney Paralympic Organising Committee. We are now the Official Energy Management Partner for the Sydney 2000 Paralympic Games, which will be held in October 2000.

Y2K – Business as usual

EnergyAustralia is confident it will be business as usual over Y2K dates. The company is Y2K ready for electricity supply to customers, revenue and measurement streams. It expects to be Y2K ready for all critical business operations by mid-October 1999. As part of our preparation we are in constant contact with our major customers to ascertain the status of their own systems and the impact this may have on our network and systems.

EnergyAustralia relies upon its suppliers, in particular power generation, transmission and telecommunication suppliers. While not providing a guarantee of Y2K compliance, they have undertaken major remediation programs for Y2K preparation.

For more information, view EnergyAustralia's web-site at www.energy.com.au

Environment

It is our responsibility to leave the next generation an environment that is better than the one we received from our parents. Many people believe we are not doing this. It is vital that we do. It is time to put a stake in the ground, to open the debate on Greenhouse gasses and ensure that the cost of energy production reflects the cost to our environment.

EnergyAustralia is standing up for what we believe in.

We are making it easier for customers to draw on renewable resources, such as wind, hydro and solar energy. As this type of energy is limited, we have taken the initiative and commissioned and built our own sustainable energy generators. One example is our solar farm at Singleton, comprising 6,500 solar panels making it the largest in the southern hemisphere. Another is the rooftop array of solar panels on the Sydney SuperDome, the largest of its type in Australia.

We are also seeking to increase the number of wind generators, seeking to purchase more hydro sites and to expand the amount of electricity sourced from land fill gas.

Our PureEnergy program, which reduces Greenhouse emissions, is being actively promoted to our customers. We have already attracted more than 7,500 residential customers to the program, and many large business customers have joined as well. These include Stadium Australia, Canon Australia, Estée Lauder and the Sydney SuperDome.

EnergyAustralia has achieved certification to AS/NZS ISO 14001:1996 for its Environmental Management System. As part of this system, EnergyAustralia has developed specific practices and procedures to control and minimise its impact on the environment from its everyday business activities. We have also embarked on more than 100 new environmental improvement projects for the coming year.

More important than anything

One issue takes precedence above all else – safety. Every employee who comes to work has the right to return home safely at the end of the day. No shortcuts are acceptable. Nor are they necessary. The best utility companies in the world, those with the strongest performance, are also the ones with the best safety practices.

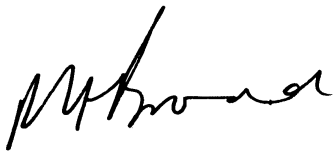
We continually strive to improve our safety record. It is an issue we care passionately about and deploy every possible measure to ensure all our staff are protected all of the time and in all conditions.

We are investing in a substantial upgrade of our safety programs to provide a sound basis for improving our safety performance.

Lost time injuries have improved 42 per cent over the past two years. However, 16 serious injuries – requiring more than 7 continuous days off work – occurred during this year, underlining the need to continually improve our safety performance.

We have come a long way in a short time.

In just two years from now Australia will have the world's most deregulated electricity industry. EnergyAustralia is on par with the best in the world. We are making the most of the reforms in the industry; driving for increased market share across a range of new and traditional services; extracting superior performance from our network and becoming increasingly successful in our subsidiary and associated businesses. We have progressed enormously from our days as a monopoly, and this is only the beginning.

A handwritten signature in black ink, appearing to read 'P. Broad', written in a cursive style.

Paul A. Broad
Managing Director

Business Reports

Retail and Marketing

The Retail and Marketing business is responsible for the sales and marketing of energy and other related products and services to EnergyAustralia's commercial and residential markets. In the last 12 months, the Retail and Marketing group has focused its efforts on realigning the business to meet the needs of our customers, increasing profitability, establishing a strong brand and preparing for further deregulation of the market.

In 1998/1999 EnergyAustralia experienced the highest level of sales activity since the deregulation of the market commenced in 1996. Initiatives taken over the last year, including development of our systems and people, resulted in a smoother processing of customer accounts and a net gain in market share going forward.

In 1999 EnergyAustralia announced its intention to incorporate gas into its sales portfolio. Initially targeting selected larger gas customers, EnergyAustralia intends to expand into the residential customer base as the market becomes fully contestable.

EnergyAustralia's Retail and Marketing business will continue developing its program to create stronger customer relationships, new products, services and sales channels to meet the needs of our customers.

Functions

- Grow market share.
- Increase profitability.
- Develop new products and services.
- Monitor customer satisfaction.
- Manage the smooth transition to a contestable market.
- Manage and build the EnergyAustralia brand.

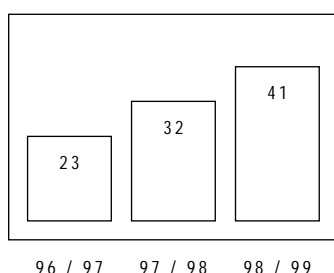
Results and key achievements

- Increased going forward contestable market share.
- Increased customer satisfaction.
- A business market campaign was launched to position EnergyAustralia as the energy expert.
- Increase awareness of EnergyAustralia.
- Launched the "Who's got the Energy?" advertising campaign.
- Launched the EnergyAngels Community Program in the Hunter region.
- EnergyAustralia's Wheelchair Basketball sponsorship was awarded 1998 Australian Poster of the Year, NSW Sports Federation Sports Event of the Year for 1998 and NSW Volunteer Involvement Program of the Year Award.

Issues and future directions

- Development of new sales channels.
- Preparation for full retail contestability in electricity and gas.
- Increased profitability and effectiveness.
- Customer retention and acquisition.
- Ongoing development of a customer focused business.
- Development of new products and services including gas and financial services.
- Continue the development of EnergyAustralia as an environmentally friendly organisation.
- Continue to develop the brand.

Contestability



% of National market load
contestable in GWh

Business Reports

Network

EnergyAustralia's Network business is a core business of the organisation, contributing the major portion of the company's earnings. Its aim is to be the pre-eminent electricity network access provider in Australia.

The Network business is the distributor of electricity (the wires business) separate from the retailing of electrical energy.

The Network business mission is to ensure that the costs of construction, operation and maintenance of the network are minimised and that the technical performance meets or exceeds the expectations of customers, network users, regulators and stakeholders in relation to safety, quality and reliability of supply. This is achieved with minimum impact on the environment.

EnergyAustralia invests around \$150m each year in the electricity network, serving our customers.

The network franchise area covers 22,275 square kms and extends from Muswellbrook in the north to the Royal National Park in the south, west to the municipality of Auburn and north west to the upper Hunter Valley.

Functions

- Asset management including all environmental construction and maintenance standards.
- System Control and reliability including emergency response and disaster recovery planning.
- Network planning for subtransmission and high voltage systems.
- Manage the relationship with regulators on pricing and distribution licencing issues.
- Manage the regulated street lighting business.
- Non regulated use of Network assets.
- Uphold Network access policy.

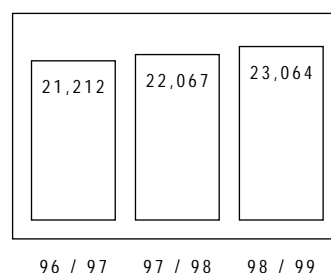
Results and key achievements

- A System Reliability Index of 97 minutes per customer per year (i.e the average amount of time a customer was without supply) was achieved.
- Three new safety plans were prepared, published and implemented including a Public Electrical Awareness Plan to warn the community of the dangers associated with electricity, in particular, overhead mains.
- Issue of the new Customer Contract, combining the former Customer Connection and Customer Supply Contracts.
- Building and commissioning the environmentally friendly Homebush Bay Zone Substation to ensure a high quality supply of electrical energy to Olympic Games venues.
- Successful pre-Olympics trials to test the quality of supply performance during many OCA test events and major promotions at Stadium Australia and the Royal Easter Showground.
- Y2K emergency contingency planning, testing the Electrical Supply systems compliance and stability, ensuring the lights stay on throughout EnergyAustralia's franchise area as we enter the new Millennium.
- Use of an automated electrical distribution system at Olympic venues to ensure a more timely response in the event of a supply interruption, particularly during the Sydney 2000 Olympic and Paralympic Games.
- Issue of the new "ES 2" - Electricity Supply Standards.

Issues and future directions

- The Independent Pricing and Regulatory Tribunal (IPART) will issue a determination in 1999 which will effectively set prices for the next five years.
- Strategic positioning of Network as a premium network service provider.
- Increase in expenditure on asset replacement and refurbishment programs.
- Use of benchmarking and contestability to drive best practice cost levels.
- Impact of full retail contestability.
- Y2K readiness "Keeping the lights on"
- Continuous supply of electricity for the Sydney 2000 Olympic and Paralympic Games.

Supply of Electricity



GWh delivered through the network

Business Report

Customer Service

The Customer Service business is the primary customer interface for the organisation and provides a comprehensive range of products and services to two major customer groups – customers connected to the EnergyAustralia network and customers external to EnergyAustralia's franchise network boundary.

The objectives of the business are to enhance EnergyAustralia's customer relationships by providing seamless and consistent service delivery that will differentiate EnergyAustralia in the market.

Customer Service offers value added products and services at competitive prices through businesses such as Testing and Certification Australia, Energy Services and Customer Supply. Customer Service also supports EnergyAustralia's regional development activities.

Functions

- Customer billing.
- Call Centre.
- Customer connections.
- Emergency response.
- Field operations.
- Local network planning and design.
- EnergyFix home electrical services.
- Customer complaints and claims.
- Standards of Service and Customer Contracts.
- Metering and data services.
- Testing and calibration services.
- Sustainable energy.
- Energy Services.
- EnergyAustralia Appliance Retail Centres.

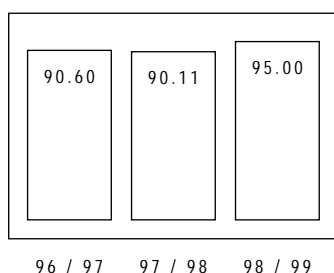
Results and key achievements

- Customer Service responded to 3,142 emergencies and handled more than 10,000 calls as a result of the southern and inner Sydney hailstorm.
- Met 99% of service standard targets.
- Completed 90% of new connections within five days.
- The Call Centre was a winner of the 1999 Teleperformance Grand Prix Customer Service Award in the Public Service/Utilities section.
- The emergency response service restored power to 80% of customers within two hours of loss of supply.
- Customer satisfaction results indicate that 97% of residential and 92% of business customers are satisfied with our service offerings.
- The Call Centre handled over two million calls.
- Service transaction volumes exceeded 10 million.
- The bi-monthly Consumer and Industrial Consultative Forums provided advice and feedback on operations.

Issues and future directions

- Develop Call Centre capability and customer service response by investing in new technology.
- Expand market share of Energy Services business.
- Continue to develop the metering business.
- Improve safety performance.
- Improve customer satisfaction rating by delivering outstanding service and products.
- Reduce the environmental impact of operations.
- Undertake business process re-engineering to achieve additional efficiencies.
- Best practice costs.

Customer Satisfaction



% completely or somewhat satisfied

Business Report

Enerserve

Enerserve provides customers with a suite of engineering, contracting and consultative services.

The business' largest customer is EnergyAustralia Network for whom it provides network maintenance and operation, design and construction. In addition Enerserve supplies logistics and property services to the whole of EnergyAustralia.

Enerserve has a diverse customer base, ranging from other electricity supply industry members, to mining and heavy industry, manufacturing and telecommunications.

Functions

- Business development including sales, commercial operations and marketing.
- Contract management, project management and planning.
- Construction and maintenance including emergency breakdown maintenance.
- Network switching and technical services.
- Engineering design consulting.
- Fleet, warehousing, distribution, procurement and property services.

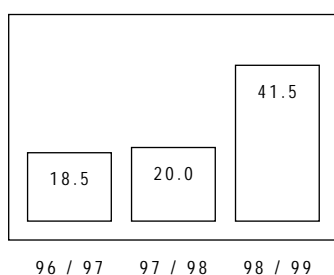
Results and key achievements

- Providing the electrical infrastructure for the Homebush Bay Olympic site has been a substantial undertaking for Enerserve.
 - The last transmission tower was removed in March 1999. A total of approximately 154,000 hours were involved in the transmission cable undergrounding project.
 - A new zone substation, supplying the Homebush, Auburn and Silverwater areas, has been completed.
 - Four substations were built at Stadium Australia.
 - Enerserve won three contracts on the SuperDome site, which culminated in the design and construction of three substations, plus the complete installation of the low voltage reticulation including around 10,000 general and specialist lights.
- Three months ahead of schedule, Enerserve completed construction of a 220/110 kV substation for Transend in Tasmania. The project was valued at \$15m. NECA NSW has subsequently granted Enerserve with the Award for Excellence for General Contracting – Industry.
- Enerserve was awarded a contract by PowerTel to build the new telecommunications network between Newcastle and Melbourne.
- Construction in Sydney of the new Eastern Distributor necessitated substantial and temporary supply works for Enerserve.
- Enerserve extended its accredited status in respect of quality and environmental management systems to 100% of its operations. In addition, Enerserve became the first Australian electrical engineering business accredited under the draft Australian Standard AS/NZS 4801 for safety.
- Enerserve's commitment to providing a safe working environment is showing tangible benefits to our people. In the year under review the accident rate fell by 36% over that of the previous year.

Issues and future directions

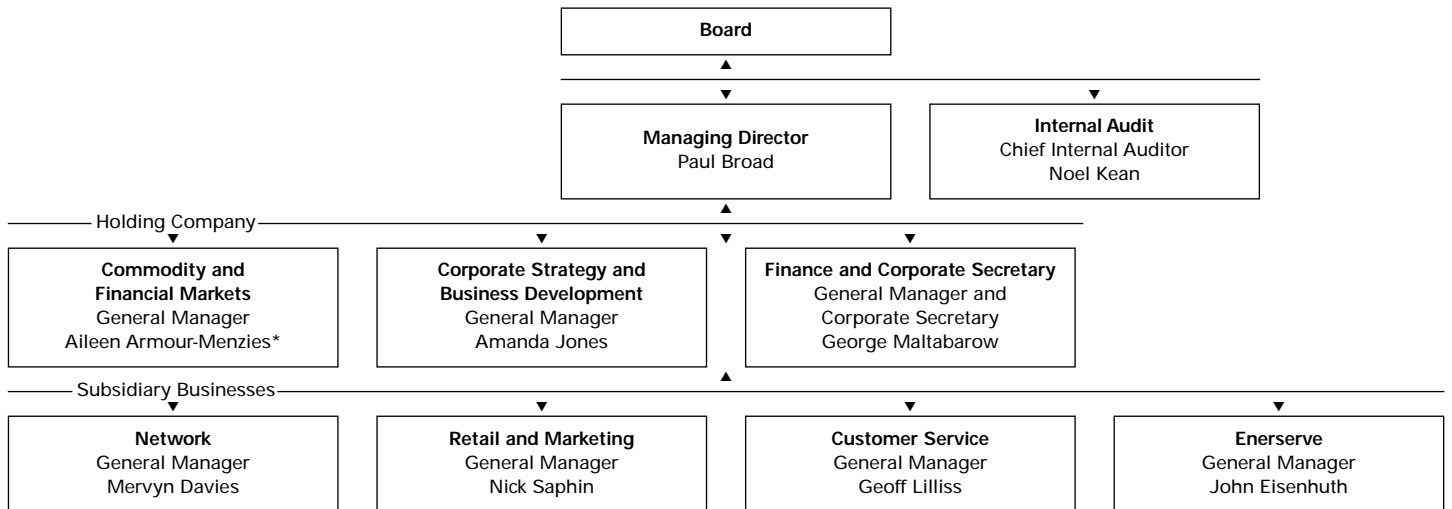
- Maintain customer loyalty and retention.
- Expand market share through new business acquisition.
- Achieve industry best practice performance levels and outsource non-competitive processes.
- Increase the business profile while ensuring that Enerserve is recognised as an environmentally responsible corporate citizen.
- Develop workplace flexibility in skills and capacity thereby providing a challenging and rewarding environment to further enhance a competitive and commercial culture.

External Income Growth



Millions of dollars

Executive Team



*Photograph not shown

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

EnergyAustralia comprises:

A small holding company which holds the distribution network and retail licences, establishes strategic direction and financial parameters, sets performance measures and maintains responsibility for energy trading and EnergyAustralia's involvement in the Sydney 2000 Olympic and Paralympic Games; and

Four core subsidiary businesses:

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

Each of the four core businesses are focused on their profit and loss and balance sheet with performance assessed against key commercial targets.