empowering networks

Powerlink QUEENSLAND

powerlink annual report 2001/02

empowering through mission, vision and values

Mission

Powerlink Queensland is committed to delivering transmission network and related services at world-class levels of safety, reliability and cost effectiveness.

>> The 2001 International Transmission Operations and Maintenance Study (ITOMS) ranked Powerlink in the top quartile among international transmission service providers for operation of transmission lines and substations, measured across cost and service levels.

Vision

To be the leading transmission network service provider in Australia and one of the best in the world.

>> Powerlink is the first transmission network service provider in Australia to implement live substation work, which, together with bare hand live line work, minimises customer impacts by reducing plant outages for maintenance work.

Values

Reasonable returns for the owners.

>> Powerlink's Return on Asset (ROA) for the year was 7% which was higher than the Statement of Corporate Intent (SCI) target.

Value-for-money services to our customers.

>> The operation of the Queensland-New South Wales Interconnector (QNI) has provided major benefits to customers through lower ancillary services charges, lower pool price volatility, and lower pool prices.

The wellbeing of our employees.

>> Powerlink has been named as one of the 25 'Best Employers to Work For in Australia' for the second consecutive year.

Community recognition as a good corporate citizen.

>> Environmental improvements are among the benefits resulting from Powerlink's partnerships with local governments, environmental agencies and communities in Ipswich, the Lockyer Valley and North Queensland.

Fair and courteous dealings with our suppliers.

>> In benchmark studies with other members of the Asia Pacific Utilities Group (APUG), Powerlink ranks highly for its contract and negotiation processes.

profile

Powerlink Queensland is a government-owned corporation which owns, develops, operates and maintains one of the world's most reliable, high voltage transmission networks. Our $2.5 billion network extends some 1 700 km from north of Cairns to the New South Wales border - approximately half of Australia's eastern seaboard.

In our day-to-day operations, Powerlink strives to deliver increasing value to our diverse electricity industry customers in Australia and overseas. These include 'network customers' connected directly to our transmission grid and customers for Powerlink's specialised consultancy and technical services.

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empowering performance

Financial overview

Profitability

Powerlink's profitability is driven by a mix of regulated and competitive business income. Cost efficiency is the principal driver in making profits from revenues which are capped by an external regulator. Profits from competitive services result from applying specialist skills in markets where we have sustainable competitive advantage.

Business planning

In 2001/02, Powerlink continued to focus on its three major business strategies to enhance Shareholder value.

>> To develop the network we own and manage

>> To meet cost efficiency targets and maintain our position as the most cost-effective Transmission Network Service Provider (TNSP) in the National Electricity Market (NEM).

>> To grow revenues and profits from non-regulated business activities.

Business profitability

Powerlink's consolidated profit before interest and tax (EBIT) result for 2001/02 is $186.3 million, $17.6 million (10.4%) above the Statement of Corporate Intent (SCI) target for the year.

The better than target result was generated from improved non-regulated business performance. This was attributable to revenues from early completion of transmission works for the Tarong North and Swanbank E power stations, increased consultancy and technical services, carry over Cross Border Lease payments from 2000/01, and distributions from Powerlink's investment in ElectraNet SA.

As a result of this improved non-regulated business performance, the Return on Total Assets (ROA) for the year of 7.0% which was higher than the SCI target.

Dividends to Shareholders

The Powerlink Board has approved a 95% dividend payout ratio in line with the SCI. With a profit after tax result of $74.3 million for the year, this equates to an unfranked dividend of $70.5 million.

The dividend is payable to Shareholders in December 2002.

Asset investment

Queensland is a strong growth state, where increasing electricity use is linked to high levels of household formation, business expansion and take-up of residential air-conditioning. This trend is expected to continue. Summer maximum demand delivered from the transmission network is forecast to increase at an average annual rate of 3.7%.

Powerlink's capital expenditure in 2001/02 amounted to $153.9 million. Major construction projects were focused on high local growth areas (such as the Gold Coast, Southern Brisbane and Cairns), and projects to upgrade the transfer capacity along transmission lines from generator locations to population centres.

The value of assets in service at 30 June 2002 is $2.5 billion, plus $104 million of capital works in progress. We anticipate that average annual capital expenditure over the next five years will be approximately $170 million.

Powerlink's capital investment is primarily funded through borrowings from Queensland Treasury Corporation (QTC). New borrowings in 2001/02 totalled $134 million.

Regulation of revenue

Under provisions of the National Electricity Code (NEC), on 1 January 2002 the Australian Competition and Consumer Commission (ACCC) became responsible for determining the allowable revenue applying to Powerlink's regulated transmission assets.

In its Final Determination, handed down in November 2001, the ACCC set a regulated revenue cap of $318.5 million for 2001/02.

Grid support

To meet the growing needs of the State, Powerlink considers both transmission as well as non-transmission solutions. Where it is more economical to adopt a non-transmission solution, Powerlink enters into an arrangement with the solution provider. This is known as 'grid support' when it involves operation of local generators that would not otherwise be dispatched under normal electricity market operation.

Powerlink has been able to enter into these arrangements since 1 January 2002 – the date at which the ACCC became our economic regulator.

empowering performance

Performance indicators

	2001/02	2000/01	1999/00
Revenue – grid services	346.4	315.1	284.2
Total revenue	375.3	362.2	302.8
Operating expenses ($m)	188.9	156.0	143.0
Earnings before interest and tax (EBIT) ($m)	186.3	196.4	159.6
Net profit after tax	74.3	174.4	68.5
Capital works expenditure ($m)	153.9	167.9	244.8

Ratio analysis	**2001/02**	**2000/01**	**1999/00**
Return on assets	7.0%	7.5%	6.8%
Return on equity – post tax	5.8%	6.3%	5.7%

Dividends

Powerlink aims to maximise returns to shareholders whilst maintaining at least an "A" business credit rating. The 2000/01 result includes the 'one-off' effect of the Cross Border Lease accounting transaction in that year.

Dividend	**2001/02**	**2000/01**	**1999/00**
Proposed/paid	$70.5	$165.6	$72.4

Performance statistics

Cost performance

Indicator: Ratio of transmission network maintenance expenses and operating costs to the replacement value of assets in service.

	2001/02	2000/01	1999/00
Network maintenance	0.9%	0.9%	0.9%
Controllable operating cost	1.8%	1.6%	1.6%

System reliability

Indicator: The target level of performance sets a standard relating to the number of interruption events due to Powerlink causes where loss of supply from the transmission grid exceeds 0.2 system minutes, and 1.0 system minutes.

	2001/02	2000/01	1999/00
Energy flowing into the grid (GWh)	42 291	40 211	38 447
Energy delivered to customers (GWh)	40 297	38 561	36 953
Peak maximum demand (MW)	7 003	6 585	6 323
Loss of supply events – Number greater than 0.2	4	19	6
Loss of supply events – Number greater than 1.0	2	2	2

Safety

Indicator: The Accident Consequence Index (ACI) records increasing levels as the length of time increases for employee absences due to work-related injury or illness. The safety performance measure this year is an all-time low result.

2001/02	2000/01	1999/00
0.2	1.3	-

"Powerlink invests in improving the way we develop, operate and maintain our transmission network – 11 076 km of high voltage transmission lines, 92 substations and 159 communication sites.

Equally, we invest in the networks that facilitate and empower our business – our employees, the communities we encounter, National Electricity Market (NEM) participants, our customers and professional affiliates.

Our strength lies in blending the opportunities of our technical, social and professional networks to deliver exceptional business performance."

Else Shepherd
Chairman
Powerlink Queensland

chairman's report

Powerlink's seventh year since incorporation was very successful, in financial terms and business development terms. This comes as a result of our focus on delivering excellent performance from our network and all areas of our business.

Net profit after tax of $74.3 million exceeded expectations. Contributing factors included the final instalments from the Cross Border Lease of assets, which was undertaken in the previous year, increased profitability from non-regulated services and tight cost control. We continued to receive regular distributions from our investment in ElectraNet SA.

Powerlink's solid financial performance resulted in dividends for our owners, the Queensland Government, which exceeded forecasts.

Recognition of excellence

For the second year running, Powerlink was recognised in the *Australian Financial Review* as one of the 25 Best Employers to Work for in Australia. Powerlink was the only electricity business and the only Government Owned Corporation to achieve that distinction which rewards our investment in innovative human resource strategies.

Powerlink also won an Institution of Engineers (Queensland Division) Engineering Excellence Award for our innovative substation monitoring system which delivers improved network availability and cost efficiencies.

Network augmentations deliver for customers

Powerlink's transmission licence requires us to develop the grid to meet the ever-growing electricity load in Queensland, and we continue to invest in network augmentations to ensure that transmission capacity keeps pace with demand from electricity customers and the requirements of the National Electricity Market (NEM). Major augmentations (each greater than $10 million) are presently under way in Central and North Queensland, Southern Brisbane and the Gold Coast.

The Queensland New South Wales Interconnector (QNI) continues to be well utilised with predominant flows in recent months in the southward direction. The transfer levels on the QNI are driven by the market bidding of generators in Queensland and New South Wales, and the high level of its capability during its first full year of operation reinforces the value to the NEM of this major transmission link. With the commissioning of the Millmerran power station, the southwards transfer capability of QNI is expected to increase from the present maximum of 750MW to the expected capability of about 1000MW. Testing is under way to confirm that capability.

Focus on community and environment

An essential ingredient in Powerlink's long-term business success is our commitment to consultation and offsetting the impact of our assets on the community and the environment. Among the key programs we supported during the year were initiatives to provide employment and training opportunities in rural and metropolitan regions, as well as environmental programs resulting in benefits to both wildlife and nearby communities.

The Drewvale to Loganlea project showcased Powerlink's approach to environmental management and community engagement on transmission line construction projects. The project incorporated creative engineering, planning, community consultation and communication while achieving project completion on time and within budget.

Acknowledgements

In July 2001, our Board was pleased to welcome a new Director, Ms Christina Sutherland. Christina brings valued expertise to the Board and its committees.

As always, this year's successes are a tribute to our talented and dedicated people, and the Board records its appreciation for a job well done.

Else Shepherd

chief executive's report

This has been another year of substantial change for Powerlink – with a new economic regulator, significant changes to the National Electricity Code (NEC), major capital investments in the grid, increased demand on our network, and heightened scrutiny from market institutions, market participants and the community.

At the core of Powerlink's ongoing success is our ability to manage our high voltage network efficiently, empowering the National Electricity Market (NEM) to operate in Queensland and across State boundaries. In 2001/02 our approach to managing our business challenges included building on the solid foundations of relationships with those who have a stake in our organisation.

ACCC revenue determination increases certainty

The pivotal event for Powerlink's medium-term future was the determination by the Australian Competition and Consumer Commission (ACCC), in November 2001, of Powerlink's regulated revenue caps for the five and a half year period from 1 January 2002 through 30 June 2007.

The ACCC's analysis, undertaken by its independent consultants, recognised Powerlink as one of the most cost-efficient transmission entities in the NEM.

The outcome provided increased certainty for Powerlink's business including an allowance of $1.04 billion for a capital investment program in the Queensland grid and a greater allowance for the refurbishment of aged assets. Both of these outcomes will deliver efficiencies and improved grid access to NEM participants. However, the ACCC determination also contained a reduction in administrative and corporate costs compared with the previous State-based regulatory regime, and a lower rate of return.

An expanding grid in a growing State

The load on the Queensland power system continues to climb, driven by population growth, industrial development and increased use of air-conditioners. A new record demand of 7003MW on 11 February 2002 was some 6.4% above the previous summer's peak. Our planning and operation of the high voltage network ensured reliable and secure supply to customers during these peak times.

In addition, Powerlink provided grid connection for three new power stations – Millmerran, Swanbank E and Tarong North. The impact of these new generators, combined with the higher customer demand, underpinned a capital investment program of $153.9 million this financial year.

Operating in the National Electricity Market

This year saw a keener focus on the potential impact of network constraints and network capacity reductions on the trading of electricity in the NEM.

Powerlink continued to liaise with NEM participants to minimise the market impact of planned network outages.

Powerlink's inaugural workshop for Queensland's NEM participants examined the impacts and management of various critical points on the State network. We also shared information on our approach to defining the network transfer capability and monitoring constraints.

In an example of our pro-active approach, Powerlink established a grid support contract with the operator of North Queensland power generators to better manage the transfer capability between Central and North Queensland. When assessed, this strategy, in conjunction with a network augmentation, was determined to be the most cost-effective solution for the NEM.

During its first full year of operation, the Queensland-New South Wales Interconnector (QNI) continued to demonstrate its value. During Queensland's record peak customer loads in the 2001/02 summer, the QNI transported significant power flows northwards, and it allowed significant flows southwards to New South Wales during the recent autumn/winter months.

Powerlink was instrumental in facilitating a Co-operation Charter between the transmission entities in the NEM, which aims at optimising the transfer capability of the transmission network across the four States participating in the market.

Finally, Powerlink continued to contribute ideas and input to the various reviews affecting transmission, including submissions to the Council of Australian Governments (COAG) Review of Energy Markets.

Innovation at work

The focus on minimising the impact of network outages on the NEM is a key driver for Powerlink to develop innovative strategies for managing the Queensland network. Our asset monitoring approach, including award-winning computer systems enables us to remotely diagnose problems and re-configure the network plant, minimising outages and maintenance visits to site.

Powerlink is the only network owner in the region to have implemented live high voltage substation work, which again minimises the need for network outages. In addition, we have adopted new work rosters for weekend maintenance work, which both reduce the network outages during the weekday peak load periods and provide flexible work arrangements for the affected employees.

Developing synergies with ElectraNet SA

Powerlink's investment as a part-owner (40.25%) of the South Australian transmission entity, ElectraNet SA, which was acquired in October 2000, contributed to our cash flows during the year.

Powerlink also provided some specialist consulting services to ElectraNet SA over the last year.

Developing relationships with communities

Powerlink undertook a number of community and environmental initiatives, with a particular focus on regions that are important to the strategic development of the Queensland network. Relationships developed through these programs provide Powerlink with a valuable insight and network into the communities impacted by our future development plans.

The social and environmental benefits of programs including Greening Ipswich and Greening Lockyer are already being realised by the community and will continue to increase over the medium to longer term.

Gordon Jardine

Looking ahead

>> Reviews of the NEM including the arrangements for transmission, are expected to be completed in the coming months. These may result in significant changes and challenges for our business.

>> We expect the high load growth to continue in Queensland, driving additional major investment in the Queensland grid.

>> We will continue to drive innovation in the maintenance and operation of the network to minimise the impact of outages on NEM participants.

empowering the market

Millmerran Power Station, on the Darling Downs, is connected to the National Electricity Market (NEM) by the Queensland New South Wales Interconnector (QNI). The energisation of Millmerran's units was completed in 2002 and is expected to produce full commercial load by early 2003.

The changes in Queensland's power system created by the growing maturity of the National Electricity Market (NEM), together with new generation sources, present many challenges for Powerlink and our customers.

We aim to anticipate these market issues, share information with market participants and consistently challenge ourselves to work at the leading edge of transmission performance.

empowering the market

Powerlink contributes to market empowerment by continually improving the performance of our network through best practice maintenance practices, enhanced asset monitoring capabilities, outage coordination and economic augmentations to our grid. In particular, Powerlink's operation of the Queensland New South Wales Interconnector has benefited the market by reducing the pool price and price volatility, as well as reducing ancillary service charges.

Powerlink's role in the NEM

Powerlink is a Transmission Network Service Provider (TNSP) in the NEM. Our network transports electricity from power generators to Distribution Network Service Providers (DNSPs) such as Energex, Ergon Energy, Country Energy and to large directly connected customers such as smelters. As a TNSP, Powerlink is a regulated monopoly business.

Powerlink is required to efficiently operate, maintain and augment our transmission network, and provide all NEM participants with secure, open and non-discriminatory access to our network for the trade of electricity. Powerlink does not buy or sell electricity.

The National Electricity Market Management Company (NEMMCO) manages the NEM under the National Electricity Code (NEC). Under an Operating Agreement, Powerlink acts as an agent for NEMMCO, assisting in the secure operation of the power system.

Powerlink is the Jurisdictional Planning Body for Queensland. In that role, we assess the capability of the network to meet forecast load growth and to facilitate generator competition, including our capability to transfer electricity to and from other States connected to the national electricity network. When we identify emerging limitations, we consult with market participants and interested parties through a transparent process to identify non-network solutions and compare them with the network solutions identified by Powerlink. As required by the ACCC's Regulatory Test, the solution which maximises the market benefit is implemented.

Powerlink must have transmission outages from time to time to maintain and repair its plant and to allow augmentation of the transmission grid. Such transmission outages are managed to minimise impacts on customers connected to the Powerlink network and market participants. Innovations such as live substation maintenance, barehand live line and remote fault diagnosis maintenance complement Powerlink's established procedures for minimising the impact of outages on its customers.

TNSP Co-operation Charter anticipates benefits to the NEM

In December 2001, Powerlink joined with other TNSPs in signing the TNSP Co-operation Charter, a landmark agreement which commits these organisations to working together to further develop and maintain shared approaches to optimise the transmission capabilities of the NEM. This co-operative approach was developed in response to the inaugural NEM Ministers' Forum in June 2001, which identified "a better integration of transmission networks" as a priority issue.

The charter seeks to facilitate co-operation between TNSPs and with other NEM participants. It is anticipated to deliver significant benefits to NEM participants by ensuring the effective operation of the transmission network. This will ultimately lead to improved supply reliability and savings for end users of electricity. The benefits include:

- minimising adverse impacts of operations and maintenance of the grid through improving understanding between trading participants and TNSPs;
- maximising reliability over the short, medium and long term through best practice maintenance and investment practices at the same time maintaining consistently high environmental and safety standards; and
- facilitating access to the most cost-effective energy sources in the NEM.

As part of our aim to improve understanding between trading participants and TNSPs, Powerlink hosted a workshop on transmission constraints for NEM participants in April 2002 to share information on the causes of grid constraints and the actions taken by Powerlink to minimise these impacts.

Contributing to NEM development

In 2001/02, Powerlink contributed to the ongoing development of the NEM through various forums, including the:

>> Market and Systems Operations Review;
>> Network Performance Requirement Review;
>> Ancillary Services Review;
>> Region Boundary Review;
>> 'Beneficiaries pays' proposals for network pricing;
>> ACCC Service Standards; and
>> Review of Integration of the Energy Market and Network Services.

Revenue determination by ACCC

The ACCC assumed the role of Powerlink's economic regulator from 1 January 2002. Its final revenue determination for Powerlink, released in November 2001, has set Powerlink's revenue cap for the five and a half years until 30 June 2007.

During the ACCC's regulatory review process, Powerlink submitted an application, which presented a comprehensive business case to support our request for revenue caps and service standards. Outcomes of the ACCC determination include allowance of about $1 billion for capital expenditure on new assets and additional refurbishment of aged assets, recognition for increased insurance costs following international events, and use of network support arrangements with generators where economic. It also included a reduced allowance for administrative and support functions.

Transmission pricing

As a regulated monopoly, Powerlink's annual revenue was set by our economic regulator, the Queensland Electricity Reform Unit (QERU), until 31 December 2001. Revenue was set at a level that provided a regulated return on investment on Powerlink's asset base and an allowance for efficient operating and maintenance costs. In January 2002, the ACCC became Powerlink's regulator and maintained our revenue cap at its existing level until 30 June 2002.

Ongoing operational and maintenance efficiency gains allowed Powerlink to maintain our Transmission Use of System (TUOS) 2001/02 charges at real 2000/01 levels.

A Transmission and Pricing Review by the National Electricity Code Administrator (NECA) resulted in changes to the NEC, gazetted in December 2001. As a result, the method for determining TUOS 2002/2003 prices was changed.

Consultation on transmission limitations

Powerlink has conducted consultation processes with market participants to identify the most appropriate corrective action to overcome emerging transmission limitations and reliability issues. This is essential to Powerlink's ability to deliver reliable, economic transmission services. These consultations focused on network augmentations planned to meet reliability standards or ameliorate constraints in the grid, including:

>> Transfer limitations into North Queensland – the solution was the construction of new 275kV transmission line between Stanwell and Broadsound combined with the acquisition of network support services from North Queensland generators;
>> Capacity limitation within the Gold Coast area – the solution involves establishment of a 275/110kV substation at Molendinar and a new line from Molendinar to the existing grid at Maudsland;
>> Capacity limitations on 275kV supply to Belmont – the solution was the planned construction of a new 275kV transmission line from Blackwall (near Ipswich) to Belmont.

The consultation process for each of these limitations included release of an initial consultation paper aimed at identifying non-network solutions, a draft recommendation allowing a period for comment, followed by a final recommendation.

Demand for electricity continues to rise

Powerlink's 2002 Annual Planning Report indicates that electricity usage in Queensland is expected to continue to grow strongly during the next 10 years, with highest growth areas including the areas around Brisbane, Logan and the Gold Coast/Tweed region. Annual energy to be delivered by the Queensland transmission grid is forecast to increase at an average rate of 3.25% per annum over the next decade.

This high level of load growth will require substantial augmentation of the capability of the Queensland transmission network to ensure grid capacity keeps pace with demand.

Looking ahead

We plan to:

>> Continue to implement and improve strategies to address emerging constraints to minimise impacts on NEM participants;
>> Continue to improve outage coordination processes to reduce the impact of capacity reductions on customers and the market;
>> Continue to address issues of transmission limitations and reliability issues impacting on NEM participants by implementing our six-year $1 billion capital works program;
>> Continue to monitor the testing and commissioning of the new Swanbank E, Millmerran and Tarong North Power Stations, which have been connected to the Powerlink grid.

empowering communities and the environment

Constructing, operating and maintaining our network to meet the expectations of diverse communities throughout Queensland challenges Powerlink to protect, enhance and respect the environment.

By developing a network of relationships within communities in the vicinity of our transmission assets, and through a shared belief in trust and working together we are building partnership projects that empower local people to achieve real benefits for their communities and for the environment.

Working with communities

During the year, Powerlink continued to work with property owners, Traditional Owners, government agencies, community groups and other stakeholders with an interest in our projects and plans. Our community consultation programs aim to establish open and cooperative working relationships with communities close to planned transmission infrastructure, so that information flows openly. Powerlink also actively seeks to obtain feedback from members of the community, which assists in managing and reducing the impacts of our developments.

A key feature of relationship building is our Community Offsets Program (COP), which provides funding for important community projects for people living near new transmission lines. Our COP aims to assist communities with the social and visual impacts of new transmission lines through funding programs identified by the relevant local communities.

Preserving our ability to construct on easements

In many instances, Powerlink acquires transmission line easements well in advance of anticipated construction programs. To help protect our ability to construct on those easements, Powerlink has implemented strategies to manage the risks arising from development occurring adjacent to transmission line easements.

Local governments play a key role in this process and, through ongoing liaison, we aim to develop mutually acceptable solutions. Powerlink has provided local governments with electronic access to our easements for incorporation into existing Planning Schemes.

Powerlink has also implemented strategies to increase community awareness of easements including the integration of easement locations into Brisbane's metropolitan area street directories. In addition, this year Powerlink conducted a pilot study for notifying nearby property owners of Powerlink's long-term plans for its easements.

We have also targeted property developers by highlighting the potential for innovative treatment of transmission line easements.

>> amy howard

Friends of Sandy Creek

Amy Howard is justifiably proud of the three-kilometre bank of Sandy Creek at Tivoli (near Ipswich). With Powerlink's support, Amy and her workmates have transformed the waterway in less than 12 months. They have removed the tangle of weeds and replanted the creek bank with native species, which will reduce soil erosion, increase the biodiversity of the area and improve the water quality of the creek and the Bremer River.

Amy and her team mates are funded by Powerlink and supported by a partnership with Challenge Employment and Training (CET) and local property owners to protect and restore a waterway which will be traversed by Powerlink's planned Blackwall to Greenbank transmission line project.

Along with four other trainees, Amy, 23, was offered the opportunity to access the benefits of both theory and practical experience by undertaking in a certificate in Australian Land Conservation and Restoration while employed on this project.

"I saw this as an opportunity to try my hand at something new and make a bit of a difference to the environment," Amy said. "I look at the environment differently now. I'm always looking at trees and try to work out what species they are. I never thought I'd know the Latin names of trees."

This project has provided the foundation for the Friends of Sandy Creek, with Powerlink Queensland, CSR Readymix and the Bremer Catchment Association as founding members. The partnership aims to maximise the environmental benefits to Sandy Creek catchment by pooling skills and resources in a co-ordinated approach, and encouraging the participation of local residents, local government and industry.

Amy will be back in years to come to see the project's realisation. "After putting a year of hard work in, I will definitely come back to see how these trees have grown. It's going to be a nice place to visit."

empowering communities and the environment

People of all ages from a cross section of the community have volunteered for Powerlink funded 'Greening Projects' throughout the State.

Greening Ipswich partnership strengthens

Creating and reinforcing community networks has been a key achievement of the continuing Greening Ipswich partnership between Powerlink, Ipswich City Council and members of the Ipswich community. The three-year program, enabled by a $1 million contribution by Powerlink, will result in the revegetation and beautification of 11 public sites near transmission infrastructure.

Greening Ipswich provides tangible environmental benefits and has been strongly supported by Ipswich residents who have joined volunteer community groups at a number of the sites. With a focus on employment and education, the project accesses the resources of unemployed people and offers participants the opportunity to achieve accredited qualifications.

Work on six sites has been completed, three are in progress and work will begin shortly on the remaining two sites. The most significant site is the 228 hectare Goolman Conservation Estate which is destined to become Ipswich City's first major outdoor recreational area suitable for nature-based recreational activities. The development of this site has brought Powerlink and Ipswich City Council together with local recreational groups, property owners, traditional Aboriginal families, park management advisory groups, schools and community groups.

Greening Lockyer

Our community network in the Lockyer Valley has been strengthened by a new partnership with Councils of Esk, Gatton and Laidley. The partnership will achieve a $1 million environmental works program funded by Powerlink in the Lockyer Valley over a number of years. Our investment recognises the community impact of existing lines and the possibility of future transmission lines in the Lockyer Valley.

In the lead-up to the project members of the community were invited to take part in a Scenic Amenity Study funded by Powerlink with the support of the Environmental Protection Agency. The study asked individuals to identify scenery that was most appealing and of value. The outcomes of this study will provide the foundation for planning on-ground landscaping projects to enhance the beauty of the Lockyer Valley. The study will also provide a strategic input to Councils' planning schemes.

Managing noxious weeds

Local community members were invited to attend a 'Weedbuster' day near Toowoomba to learn the methods of managing infestations of the noxious weed, privet. Powerlink sponsored and supported the educational event, which was coordinated by the Lockyer Catchment Association (LCA). Powerlink reinforced its commitment to fighting the privet infestation by commissioning an audit of its Middle Ridge substation site by the LCA and we plan to eradicate privet from the site over a three-year period.

Reestablising wildlife networks

Powerlink's sponsorship of the Walter Hill Ranges Wildlife Corridors Project over the next five years will help to protect an area between Townsville and Cairns where upland and lowland rainforests are linked.

The project involves planting trees to re-establish the wildlife corridor between the highlands around Ravenshoe and the lowlands around Mission Beach, an area inhabited by the endangered Southern Cassowary.

The project is a joint initiative of the Queensland Parks and Wildlife Service – Centre for Tropical Restoration, with support from TREAT (Trees for Evelyn and Atherton Tablelands), C4 (Community for Coastal and Cassowary Conservation) and BSES (Bureau of Sugar Experimental Stations).

Support for rural employment and skills development

Powerlink continues to support two electrical apprentices employed by local small businesses in the Gatton and Laidley shires. Through its sponsorship, Powerlink is providing $200 000 in funding to meet the costs of the apprentices' wages, insurance, safety clothing, tools and training. Both apprenticeships are administered and monitored by the Downs Training Group.

Safety education for school students

Powerlink continued our sponsorship for a mobile education unit that teaches school children about electrical safety. This year, the Energex Safety Shuttle visited 16 schools in South East Queensland, reaching more than 11 000 students.

empowering communities and the environment

Powerlink people undergo continual training and development to ensure that best practice methods in vegetation and easement maintenance are upheld.

Managing environmental impacts on our projects

A network of stakeholders including community and environmental groups, Traditional Owners and government agencies take an active interest in Powerlink's environmental plans and performance during projects to acquire easements or construct new transmission assets.

Powerlink takes a pro-active approach to managing any environmental impacts associated with our projects. Our process for delivering new infrastructure includes the commissioning of independent Environmental Impact Assessments (EIAs) and Environmental Management Plans (EMPs) which include significant opportunities for comment and input by interested or affected stakeholders.

This year, we conducted environmental investigations for the following projects:

>> Kareeya to Innisfail transmission line replacement project – draft Environmental Impact Statement (EIS) released;
>> Drewvale to Loganlea transmission line project – Environmental Impact Assessment Review (EIAR) released;
>> Greenbank to Molendinar transmission line project – EIA released;
>> Blackwall to Greenbank transmission line project – EIA released;
>> Strathmore to Ross transmission line project – EIA released;
>> Aldoga Substation 275kV transmission line project – draft EIA released;
>> Stanwell to Broadsound transmission line project – EIAR released;
>> Australian Trade Coast Energy Development Plan – draft EIA released.

As a signatory to the ESAA Code of Environmental Practice, Powerlink is committed to principles and actions to support policies of sustainable development, social responsibility, environmental management and resource management.

>> Drewvale to Loganlea

Minimising environmental and visual impacts and meeting the needs of the community were key outcomes of Powerlink's innovative approach to the construction of a new transmission line in the southern outskirts of Brisbane. The new 275kV double circuit transmission line from Drewvale to Loganlea was required to ensure continuity of electricity supply to the fast-growing Logan area.

Powerlink commissioned an EIAR to update earlier assessments undertaken at the time of easement acquisition and developed a detailed EMP for the project. An indigenous cultural heritage assessment survey on the route was also conducted.

Powerlink engaged the community through a comprehensive community consultation program which resulted in significant adjustments to the proposed project, including:

>> Seventy percent of the easement was left uncleared resulting in a new benchmark for retaining easement vegetation in an urban environment;
>> Erosion and water quality control was managed through careful placement of tower foundations, vegetation planting and monitoring of water quality in local creeks;
>> Since the easement was acquired in the early 1980s, extensive urban development had occurred close by. Powerlink chose to re-route about half of the 6.7km easement after consultation with Logan City Council, community and other infrastructure providers in the area;
>> A combination of lattice steel towers and steel poles was used to reduce the visual and environmental impact;
>> By using slightly taller than normal towers, conductors had enough ground clearance to bridge over lower-growing vegetation.

Sharing information on electric and magnetic fields

During the year, Powerlink continued to monitor recommendations of authoritative scientific and medical review panels and current research into electricity and magnetic fields (EMFs). This year, the Australian Radiation Protection and Nuclear Safety Agency (ARPANSA) issued an assessment of the report by the United Kingdom's National Radiological Protection Board (NRPB) on power frequency electromagnetic fields and the risk of cancer.

ARPANSA also announced that it would carry out a review of the current Australian guidelines issued by the National Health and Medical Research Council (1989) and the need for an exposure standard. Powerlink will closely monitor developments through the Electricity Supply Association of Australia (ESAA) and our membership of its EMF Advisory Committee.

Powerlink continues to follow a policy of 'prudence' when designing and constructing electricity infrastructure. This includes designing transmission assets for low EMF levels, avoiding placement of transmission assets near homes, schools and community facilities where possible, and sharing EMF information openly with the community. Prudence also includes providing awareness training for employees and considering the issue in developing new work practices such as barehand live line and live substation maintenance techniques.

Meeting commitments to the Greenhouse Challenge

In our second year as a signatory to the Greenhouse Challenge, Powerlink achieved our targets for improving the control of sulphur hexafluoride gas (SF6) emissions from our transmission network. The Greenhouse Challenge is a national program that helps organisations to reduce their overall energy consumption and greenhouse gas emissions, to which Powerlink has made a voluntary commitment.

This year, Powerlink has purchased Queensland's first SF6 detection camera which will assist in finding and repairing any leaks on plant. SF6 is used exclusively as the insulating medium in extra high voltage switchgear which forms part of Powerlink's network. In line with the targets identified in our Greenhouse Challenge agreement, Powerlink maintains a highly accurate SF6 gas inventory and has implemented a process to accurately determine the SF6 losses from our plant. Our performance is reported annually to the Australian Greenhouse Office.

Training and rewarding our people for better environmental management

To help maintain best practice in vegetation and easement maintenance in the long term, Powerlink invests in employee training and development.

This year Greening Australia conducted a specially-designed training course to provide maintenance staff with a better understanding of easement and vegetation management practices. In addition, information sessions were delivered to employees regarding Powerlink's environmental obligations during easement maintenance activities.

This year, training in environmental, Cultural Heritage and Native Title obligations continued to be provided to employees and contractors involved in the construction of Powerlink's transmission network assets.

Powerlink's annual Employee Innovation Awards include an environment category which recognises and rewards employee innovations. In the 2001 Awards, we acknowledged a partnership between Powerlink and Challenge Employment and Training to establish a plant nursery at our Middle Ridge substation site. The nursery was built with local indigenous trainee labour and helped Powerlink to establish relationships with local Aboriginal groups and other community groups.

A network of community volunteers is vital to the success of Powerlink's 'Greening' programs. Apart from building community pride, they help to implement Environmental Management Plans mitigating environmental impacts.

Better tools for managing easements and property assets

Powerlink has progressively installed a Geographic Information System (GIS) to better manage our transmission line easements and property assets which traverse approximately 18,000 Queensland properties that we own, lease or hold easements over. The GIS identifies the existence of environmentally sensitive areas, provides property descriptions, topographical information and technical inventory data to assist in the on-ground identification of our assets.

This system identifies the location of our easements and provides aerial and satellite imagery of our assets and the surrounding area. It also assists in maintaining good property owner relationships.

The GIS tool is widely used by Powerlink staff involved in maintaining, developing and managing our network. Last year it also assisted us in responding to more than 18,000 property search inquiries from members of the public.

Transformer failures test oil containment facilities

Oil containment facilities installed by Powerlink performed to expectations when high voltage transformers failed in two unrelated incidents at our substations during the year.

An 80MVA transformer failed at Tennyson Substation in November, interrupting power supplies to customers in Brisbane's south-west suburbs. There was no impact on customers when a 100MVA transformer failed at Townsville South Substation in May. Investigations on the transformers, which were both less than 12 months old, show that manufacturing defects were the cause of the failures. The transformers were damaged beyond repair and have been replaced.

Both incidents resulted in oil leaks from the transformers and subsequent transformer fires. However, all oil was trapped in a localised area by oil containment facilities designed and installed within the substation by Powerlink. Following our environmental management procedures, the oil was reclaimed and properly disposed.

Powerlink installs oil containment facilities in all new substation sites and has been undertaking a program to retrofit similar facilities into our existing substations. This program is well under way, with the majority of our substations fully equipped with oil containment facilities.

Looking ahead

We plan to

>> Finalise the scenic amenity study in the Lockyer Valley and begin on-ground environmental projects in partnership with Esk, Gatton and Laidley Shire Councils, community and interest groups as components of the Greening Lockyer Project.

>> Continue to work with community and local businesses to realise the benefits of the Friends of Sandy Creek, to rehabilitate Sandy Creek at Tivoli and improve water quality in the creek and the Bremer River in Ipswich.

>> Continue to engage the Ipswich community in completing the Greening Ipswich Project.

>> Review and update Powerlink's Environmental Management System to assist us in identifying and managing Powerlink's environmental approach.

>> Continue to upgrade the oil containment facilities at Powerlink substations.

empowering development

Driven by our obligation to deliver reliable, safe, equitable and economic transmission services, Powerlink has now completed five years of a six-year, $1 billion capital works program. Our construction projects showcase Powerlink's expertise in planning, design, project construction and environmental management.

In addition to our committed construction projects, we plan well in advance for new augmentations which may be needed to meet our customers' requirements in the future. Our network customers, community, market participants, government and regulators play a key role in identifying potential solutions for future needs and our consultation approach empowers their involvement.

North Queensland

Cairns reinforcement project – Chalumbin to Springmount transmission line

Power supply to the rapidly growing Cairns region has been reinforced by a new 275kV transmission line between Chalumbin and Springmount. The new line, located adjacent to the existing Chalumbin to Turkinje 132kV line in Far North Queensland, was constructed through some of the most challenging terrain in Queensland. Commissioning of the new line took place in April 2002.

This project is the second stage of the Chalumbin to Woree project, which will help to provide long-term supply reliability to the Cairns region. The first stage of this project, linking Springmount and Woree, was completed in 1998. Stage three, a new substation at Woree, is expected to be commissioned in late 2002.

Replacement of the existing Kareeya to Innisfail transmission line

With the existing Kareeya to Innisfail 132kV transmission line nearing the end of its economic life, Powerlink is proposing to construct a replacement high voltage power line to ensure the reliability of supply to electricity customers in Far North Queensland.

An Environmental Impact Statement (EIS) is currently being carried out for two proposed route options. The first option is a coastal alignment between Tully and Innisfail; the second option is along the general alignment of the existing Kareeya to Innisfail line through the World Heritage-listed Wet Tropics area. The opportunity for community and government stakeholder input to the EIS has been significant as a result of the consultation framework implemented by Powerlink and our environmental consultants, and the requirements of State and Federal legislation.

Strathmore to Ross transmission line project

Powerlink is identifying the best route for a potential 275kV transmission line between a future substation site at Strathmore (near Collinsville) and Ross substation (near Townsville). The easement will allow for the possible future construction of a transmission line to help meet the growing demand for power in North Queensland.

An Environmental Impact Assessment (EIA) has been completed and released following consultation and investigation. Powerlink expects to begin acquiring easements in late 2002.

Ross to Townsville South transmission line project

To help ensure reliability standards will be met for Townsville customers in the future, Powerlink is planning to replace an existing aging 132kV transmission line from Ross to Townsville South substation. The proposal, to construct a 275kV and a 132kV transmission line from Ross to Townsville South, has been investigated during the year.

Central Queensland

Aldoga transmission line project

At the request of the Gladstone Economic and Industry Development Board, Powerlink is investigating options for supplying electricity to the proposed Aldoga Aluminium Smelter and Aldoga Industrial Park. The existing electricity grid does not supply sufficient high voltage power to support a major industrial development in this location. Powerlink plans to meet this demand for reliable, secure power by constructing a new 275kV line linking a proposed new substation within the Aldoga development to the Callide area.

Much of the proposed line would be located on existing easements, with some new easements and a new substation site to be acquired. Environmental investigations and consultation have been carried out this year and a draft EIA has been released for public comment. The timing for constructing the line is dependent upon the committed timing for the smelter.

empowering development

With Queensland's electricity demand forecast to grow at 3.25% per annum over the next 10 years, Powerlink's transmission line projects are planned to meet customer needs and continuity of electricity supply.

Before easement corridor selection and construction is considered, Powerlink undertakes an extensive environmental impact and community consultation assessment to make sure the best outcomes are achieved.

Broadsound to Lilyvale transmission line project

In mid-2002 Powerlink began consultation with property owners on the proposed route for transmission line between Broundsound (north of Townsville) and Lilyvale (north-west of Emerald). An Environmental Impact Assessment Review (EIAR) is under way on the 109km route.

The proposed new 275kV transmission line would be constructed parallel to an existing line and would help meet the growing demand for power from mining and other sectors in the region.

Stanwell to Broadsound transmission line project

Powerlink is constructing a new transmission line linking Stanwell (near Rockhampton) and Broadsound in response to increasing power usage in North Queensland.

Construction of this new 275kV transmission line began this year, following consultation with property owners, government and other stakeholders, and completion of an EIAR and the designation of easements for public infrastructure. Powerlink expects to complete construction in September 2002.

South Queensland

Australia Trade Coast Energy Development Plan

A secure and reliable electricity supply is critical to the continued development of the Australian Trade Coast region near the mouth of the Brisbane River. The region contributes significantly to the national economy and is an expanding source of local employment. Powerlink's plans for energy developments in the area will help meet the demands of Australian Trade Coast customers and to other customers in nearby South-East Brisbane suburbs.

Powerlink is constructing a new substation at Murarrie and is undertaking consultation and environmental investigations for associated transmission lines.

Local environmental groups have been closely consulted on the project and contributed to the substation EIA and the draft EIA for new 110kV transmission lines from the substation which were released this year. Construction of the new 110kV transmission line is expected to begin in late 2002.

Reinforcing supply to Brisbane, Logan City and the Gold Coast

Powerlink's plans to reinforce supply to the fast-growing Brisbane, Logan and Gold Coast areas will be realised in stages. This project will be the first major upgrade of the transmission network between Brisbane and the Gold Coast for more than 20 years. Powerlink's forward planning ensured easements for these lines were acquired in the 1970s, 1980s and 1990s.

Drewvale to Loganlea transmission line project

The first stage of this project was the construction of a new 275kV double circuit transmission line linking substations at Drewvale and Loganlea (on Brisbane's southside). In response to the need created by the growing demand for electricity in the Logan area, the new line was commissioned in April 2002. Powerlink managed all planning, community consultation, design and construction activities associated with the project.

Maudsland to Molendinar transmission line project

This year, Powerlink completed the route alignment and community consultation process for the construction of 275kV transmission line between Maudsland and Molendinar to reinforce electricity supply within the Gold Coast region.

An Environmental Impact Assessment Review (EIAR) for the project was completed following an intensive community consultation process with the local community and other stakeholders.

The Maudsland to Molendinar line is required by October 2003 in order to meet the forecast 2003/04 Summer peak electricity load. The 14km, 275kV double circuit transmission line, will be built largely on existing easements, which were acquired in the mid-1980s and early 1990s for this purpose.

Blackwall to Greenbank transmission line project

As the existing high voltage electricity transmission grid supplying Southern Brisbane and the Gold Coast reaches the limit of its capacity, Powerlink is planning for the development of a new 275kV line between Blackwall (near Ipswich) and Greenbank. The proposed 36km line would operate at 275kV and construction is expected to begin before the end of 2002.

Powerlink released an EIA for the project in June 2002, following a comprehensive process of consultation and environmental assessment.

Looking ahead

We plan to:

>> Complete a new substation at Woree as stage three of the Chalumbin to Woree project to supply the Cairns region.

>> Complete the construction of the Stanwell to Broadsound transmission line project to supply North Queensland.

>> Complete construction of a new substation at Murarrie and begin construction of associated transmission lines to meet demand from the Australian Trade Coast region.

>> Begin construction of the Maudsland to Molendinar and the Blackwall to Greenbank transmission lines.

empowering our non-regulated customers

As we grow the non-regulated components of our business, Powerlink is focused on building on our unique strengths and capabilities. Our innovative solutions empower our customers to achieve their business goals through the combined benefits offered by our people, our experience and our technology.

Delivering results for customers

We offer our customers access to the innovations Powerlink has developed and implemented to achieve world-class performance on our own network. This level of performance ensures customer work is delivered to meet the highest expectations.

Non-regulated customer connections

Powerlink's development and operation of the Queensland New South Wales Interconnector (QNI) has provided opportunities for new and existing customers within the National Electricity Market (NEM). The QNI, which links Queensland's and New South Wales' high voltage electricity systems, has encouraged the strategic location of generating assets, close to the load centre of South-East Queensland and close to the New South Wales border.

New generators have recognised the unique value we can add to their project by selecting Powerlink to design, construct, operate and maintain their non-regulated network connections. Our experience in developing and operating our own grid has positioned Powerlink as a leader in the provision of total connection services – from route selection, community relations and easement acquisition, to the design, construction, maintenance and operation of high voltage transmission assets. We offer customers an in-depth understanding of the complexity of the transmission network they are accessing and specialist advice on plant performance.

>> services and highlights

Marketing technical and consulting services

Powerlink's technical and consulting services are successfully marketed to customers nationally and internationally. This year, we delivered non-regulated customer projects that strengthened the performance of our business.

Consultancy services

>> Transmission line structure design services and support for Enerserve, Alstom Transpower New Zealand and Ashi Bishman in Papua New Guinea;
>> An AGC interface for Toshiba;
>> Millmerran Power Station generator protection settings for Bechtel;
>> Control system design support and secondary system acceptance testing for Transend;
>> Control system screen displays for Invensys;
>> Transmission line structure assessments for Energy Australia;
>> Substation design support for Ergon Energy Contracting;
>> High voltage plant investigation for Tenaga National Berhad in Malaysia;
>> Technical support for ABB Australia;
>> Technical support for Integral Energy and ABB Australia;
>> A surge diverter replacement for Tarong Energy;
>> Project management for SPI Powernet;
>> Risk assessment conducted for CS Energy Mica Creek; and
>> ESAA Short Course Training programs.

Technical and maintenance services

>> The success of Powerlink's oil laboratory continued to grow through increased services to utilities in Australia and Asia; and
>> Operation of remote power generators in Queensland.

Product sales

>> Customers from Asia and Europe acquired condition monitoring products developed by Powerlink;
>> Powerlink's condition monitoring product business was sold to Diagnostic Monitoring Systems Limited, a specialist UK company.
>> PowerCam, Powerlink's live equipment monitoring device, has been acquired by Australian high voltage asset owners as a key condition monitoring tool.

empowering our non-regulated customers

Millmerran Power Station connection

Millmerran Power Station's two 420MW units are connected to the QNI (Powerlink's transmission grid) by Powerlink's 46km 330kV transmission line. Powerlink carried out this easement acquisition, design and construction project ahead of schedule, exceeding performance targets.

Since the transmission line was energised in June 2001, Powerlink has continued to work closely with the power station owners during commissioning of the generating units to ensure the security of the high voltage network.

Tarong North Power Station connection

To connect the new 430MW Tarong North Power Station (near Nanango) to the grid, Powerlink constructed a 275kV transmission line and extended the existing Tarong Substation to include an additional bay.

The new transmission plant was energised in June 2002, according to schedule and in line with performance targets.

Swanbank E Power Station connection

A major gas-fired power station has been constructed adjacent to the existing Swanbank Power Stations near Ipswich. Powerlink continues to play an ongoing role during the synchronisation tests of the 385MW Swanbank E Power Station, which began in May 2002.

Powerlink completed construction of a network connection to the Swanbank E Switchyard in December 2001, which exceeded the project schedule and performance targets.

Powerlink a member of the Asia Pacific Utilities Group

In 2001, Powerlink joined six other companies in the Asia Pacific region to form the Asia Pacific Utilities Group (APUG). APUG delivers quantifiable supply chain benefits to its members and assists them implement better procurement strategies and techniques.

empowering technology

Our customers demand continuous improvement in Powerlink's network performance. We are committed to delivering cost-efficiency gains and improved network availability by applying our technical and engineering expertise. This year, we made significant improvements in the way we operate and maintain our grid.

empowering technology

International study ranks Powerlink as a top performer

The results of a recent worldwide transmission benchmarking study confirmed Powerlink as a world-class provider of transmission services.

Powerlink participated in the biennial International Transmission Operations and Maintenance Study (ITOMS), conducted throughout 2001, as a means of benchmarking our performance and practices within the global transmission industry. ITOMS identifies attributes of world-class performance and opportunities for improvement within our organisation, which contributes to our vision to be one of the best transmission network service providers in the world.

Among the 23 transmission utilities that participated in ITOMS 2001, Powerlink ranked in the top quartile in a benchmark of operations and maintenance of transmission lines and substations. Performance is measured across cost and service levels achieved against criteria.

In particular, Powerlink was identified as a best performer in transmission line maintenance. Powerlink's approach to asset management and risk management was recognised as contributing to our best performer ranking.

Technology influences Powerlink's organisational structure

Last year, Powerlink undertook a process to better exploit opportunities in global telecommunications, automation and data management technologies with a view to further developing our remote monitoring and process control of switchgear and associated networks.

After a review of these opportunities, Powerlink established a 'Management of Overlapping Technology' (MOT) study team that implemented a new organisational structure. The new structure gives each relevant business unit a level of responsibility to plan, develop or operate technology projects.

The new structure has enabled Powerlink to more easily integrate technology across all business operations, leading to improved asset management and lower operational costs. It will also better position Powerlink to adopt emerging technologies that have the potential to further improve our overall performance.

Live substation and line work maximises network availability

Powerlink has implemented live high voltage substation work and barehand live line maintenance methods to reduce the number of outages required for plant maintenance.

These new capabilities complement our existing transmission line live maintenance methods, with live line practices using 'hot sticks' and helicopters already well established.

In an Australian first, Powerlink has adopted live high voltage substation maintenance practices and has trained a specialist live substation maintenance team to work on live plant operating at 66kV and above. Barehand live line work has been carried out for the first time in Queensland and will specifically target replacement and repair work on insulators and conductors.

One of the key focuses on live work is employee safety with rigorous safety procedures followed at all times.

Live substation and live line work significantly improves the availability of Powerlink's network to our customers by reducing outages on the system. It also allows greater flexibility in the scheduling of maintenance tasks that contributes to greater efficiencies.

Outage coordination reduces customer impacts

With the aim of minimising the impact of transmission outages on NEM participants, Powerlink has developed a new statewide outage management system. The Planning and Analysing the Work Schedule (PAWS) system was developed to reduce the impact of Powerlink's network outages on NEM participants, by allowing easy access to information on planned work.

Through a user-friendly interface, PAWS is used to schedule maintenance work, project outages and customer outages. PAWS captures internal work details on each outage, as well as information supplied by customers connected to our network and Powerlink's Network Switching Centre. These inputs are used to align our network outages so that customer and system impacts are reduced.

Data access system improves network operation

Powerlink has developed a new integrated secondary system to gather data on the condition of our network and facilitate operations and maintenance decision-making. This innovation will result in more efficient operation of our network and minimise the potential for impacts on our customers.

The integrated secondary system is specifically tailored to our network, and will enable improved plant condition reporting and analysis. It will achieve cost efficiencies by reducing maintenance inspections and streamlining existing secondary systems.

The new system is undergoing extensive design and commissioning testing prior to its roll out on the Powerlink network, in late 2002.

Asset monitoring facility recognised as engineering excellence

The Institution of Engineers has awarded Powerlink a 2001 Engineering Excellence Award (Queensland Division) for our asset monitoring facilities project. Designed and implemented by Powerlink, the project resulted in Australia's first on-line remote asset monitoring system for high voltage substations. The system has been installed in more than 30 substations and is a standard feature in all new substations designed by Powerlink.

Using the system, Powerlink staff can improve plant reliability by remotely monitoring plant and arranging maintenance before equipment failures occur. It also enables staff to manage fault investigations from our Virginia headquarters, helping to reduce outages and improve network availability.

A new standard for protecting buildings against lightning strikes

Powerlink actively participates in development of standards that benefit our business, broader industry and the community both nationally and internationally. This year, a Powerlink specialist staff member participated in the Australian Standards Committee on lightning protection.

Lightning strikes to buildings or electrical equipment have the potential to cause a disruption of services, injury or loss of life. To manage the risk of lightning strikes to buildings, Powerlink developed a user-friendly computer-modelling tool to assess and design structures for lightning risk.

Powerlink's innovation delivers safe building design within the reach of less-qualified professionals. This tool has been endorsed by Standards Australia/NZ Standards Committee EL24 and will be incorporated into a revised Standard to be published in 2002.

People training and safety are key components of Powerlink's program to implement live high voltage substation work and bare hand live maintenance methods. Pictured below is Live Substation Technician Mark Badrick. Our people's technical skills are critical in allowing greater flexibility in scheduling maintenance tasks that contribute to a reduction in system outages.

Looking ahead

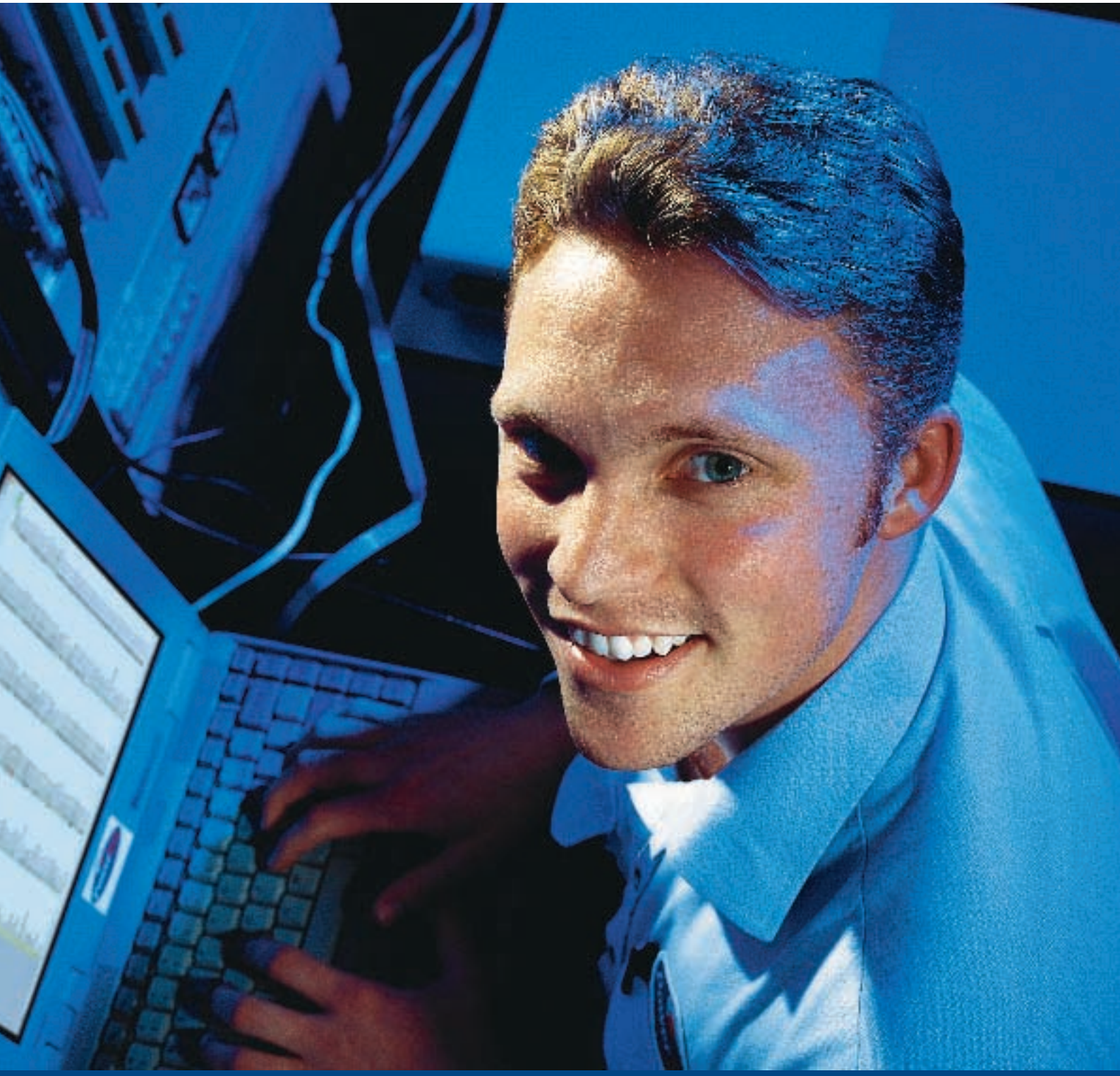
We plan to:

>> Roll out the integrated secondary system on the Powerlink network to facilitate and maximise the potential efficiency gains.

>> Expand our capability for live maintenance work.

>> Integrate SAP, PAWS, our system for applying for transmission network outages and resources, to further improve the process of works management and reduce impacts to customers caused by network outages.

empowering our people



Powerlink's workplace culture empowers individuals to be challenged, innovative and focused on their contribution to business performance.

At the same time, our human resources strategies foster an environment which supports our people to balance all aspects of their lives, and acknowledges and rewards individuals and teams for exceptional performance.

Powerlink named as a best employer

For the second consecutive year, Powerlink has been named as one of the 25 'Best Employers to Work For in Australia'.

The study ranks organisations against key 'best employer' traits. It measures their effectiveness at engaging employees in the business and creating a motivated workforce. This independent measure of our performance assists in identifying opportunities for further improvement in our workplace culture and employment conditions.

Global management consulting firm Hewitt Associates, the Australian Graduate School of Management and the *Australian Financial Review,* conducted the study. Powerlink was the only government-owned enterprise and the only electricity business listed, and one of only two Queensland companies to make the top 25.

EEO approach encourages broad participation

Powerlink's approach to Equal Employment Opportunity (EEO) involves strong input from local workplace networks which contribute to a coordinated corporate plan. These local workplace networks actively implement EEO projects of particular relevance to their people and processes. This approach has proven successful in empowering all workgroups within the organisation to adopt ownership of EEO initiatives.

This year, Powerlink recruited an apprentice electrical fitter mechanic for a sponsored apprenticeship role that specifically provided an opportunity for an Aboriginal or Torres Strait Islander person. Powerlink continued its practice of employing indigenous Australians as line monitors on several network development projects throughout the State, providing more than 5800 hours of employment.

New Enterprise Agreement negotiated

This year, a new three-year Enterprise Agreement was negotiated with employees and unions. Through the Agreement, employees have increased employment security and more opportunities for flexible working conditions. Conditions for employees who are rostered to be available outside of normal working hours have been reviewed to ensure there is more effective work time management.

>> brad roach

Career networks for young people

Brad Roach applied for an electronics apprenticeship with Powerlink because he was impressed by our reputation for training and skills development.

In addition to his apprenticeship, Powerlink supports Brad in his study for an Advanced Diploma in Electronics Engineering. He is also learning from field work and the experience of his team mates. "They encourage me to give my opinion and are always talking to me about the job and what I'm learning," Brad said.

Working in the secondary systems area of Powerlink's maintenance team, Brad believes he has a unique opportunity to develop very specialised skills and knowledge.

"My field work is directly related to my course work and it is highly specialised. There are very few apprenticeships in this field, so at the end of my apprenticeship I will have unique experience at an organisation that has a great reputation. This is a great opportunity for me – it means I will have more career options in the future.

"I love my work. I was looking for an opportunity like this for several years, and I've been happy ever since I got the job."

Powerlink's ongoing commitment to the training of apprentices was rewarded by the Electro Group that named Powerlink as its Host Employer of the Year 2001/02 for the utility sector. Under a Group Apprenticeship Scheme, electrical fitter and mechanical apprentices employed by Electro Group are placed at Powerlink. The award recognised Powerlink's contribution of quality 'on the job' training to apprentices.

Empowering young people to develop rewarding careers in the electricity industry is an integral part of Powerlink's employment strategy. This approach allows Powerlink to train potential future employees with the specialist skills required to contribute to our future business success.

Powerlink maintains an active role in the development of apprentices and trainees. During the year we provided development opportunities for:

>> 10 Apprentices;
>> 8 Development Engineering Officers;
>> 3 Administrative Trainees;
>> 3 Transmission Linespersons;,
>> 19 Graduate Engineers;
>> 3 co-operative students in conjunction with the Central Queensland University (CQU)
>> 1 school-based business trainee offered for an Aboriginal or Torres Strait Islander person.
>> 3 high-school students from a school based curriculum program.

empowering our people

Consultative arrangements have been revised to facilitate increased information flows and relationships with unions and workplace representatives. During the life of the Agreement, we will investigate ways of using Powerlink's purchasing power for the benefit of employees.

To increase the availability of our network to our customers by efficiently scheduling maintenance and connection works, and to assist our employees with work and home balance issues, Powerlink is continually seeking to improve its rostering and work methods.

Through the new Agreement, Powerlink has achieved improvements such as provision for live substation and bare-hand live work, and weekend rosters for network maintenance which accommodates regular weekend work while providing a regular pattern of work for employees.

In addition to those negotiations, Powerlink also participated in an award review process with unions and other organisations within the electricity industry.

Safety initiatives

Powerlink's continued efforts to implement effective injury prevention and management strategies have resulted in consistently reduced WorkCover claims and effective rehabilitation programs have contributed to less time lost from work.

Our safety statistics show that we have had only one lost time injury during the year and this occurred on an international business trip.

With the introduction of new work procedures to allow more efficient operation and maintenance of our network, Powerlink remains committed to the health and safety of our employees. Our capability to manage electricity safety has been reinforced by the appointment of a specialist electrical safety advisor.

New guidelines on Effective Work Time Management have been implemented to encourage safe work practices. The guidelines indicate the hours of work employees can safely perform, and suggest strategies to ensure employees are fit for work and are not working while they are fatigued.

A 24-hour telephone hotline has been established as a single point of contact for reporting incidents and accidents that occur in the workplace. This service offers support and security to employees involved in an incident. In the case of an emergency, a call to this service may activate immediate expert assistance, advice on the correct procedures to be followed and the early initiation of rehabilitation procedures.

Initiatives by employees to improve workplace safety are recognised and rewarded through Powerlink's annual Employee Innovation Awards. Two awards were presented for:

>> An approach to improving the design of climbing and anti-fall devices to reduce the risk of accidents for linespersons involved in inspection and maintenance work; and

>> Development of a lightweight portable isolation amplifier for PC-based data acquisition. During commissioning of the Queensland New South Wales Interconnector, this innovation avoided the risk involved to employees when lifting and relocating a 50kg device, which was replaced by equipment similar to a laptop computer.

Investing in training and development

Our new Development for Futures program offers professional development for employees with the potential to take future leadership roles within Powerlink, regardless of their current level within the organisation. Employees are encouraged to access self-development opportunities and experiential learning through special project rotations as well as formal training opportunities, coaching and group activities with senior managers. Ten employees participated in this program during the year.

Three Powerlink employees were Australia's first graduates of a nationally accredited Transmission Linesperson Certificate, supported by Powerlink's development program. Until recently, working as a linesperson on the high voltage transmission network was not recognised as a separate trade from that of a linesperson on low voltage electricity network. Powerlink intends to train linespersons in this qualification with another two transmission linesperson apprentices commencing in the program this year.

Improving workplace performance

Powerlink's performance management and reward scheme is now well established and contributes to a culture of continuous improvement. To assist with this process, a new web-based tool was introduced to facilitate the efficient collection of 360-degree feedback for employees.

A reorganisation of the information technology (IT) function within Powerlink was the result of a significant work process review. The asset management structure and process now applied to IT services is consistent with the way Powerlink manages other assets. The reorganisation involved the application of a change management process that complemented Powerlink's ongoing cultural change agenda.

A major upgrade of Powerlink's SAP system has enabled greater employee access to personal and employment information and improved self-service facilities for data maintenance. The system also provides managers with access to current employment data to support resource planning and decision making.

Powerlink's employee programs allow our people, like Development Engineer Liz Muller, to access self-development opportunities through a combination of coaching, formal training and practical experience.

Looking ahead

We plan to:

>> Complete our next safety audit in mid-2002.

>> Continue to improve our workplace health and safety and electrical safety.

>> Build on strategies to develop our workplace through ongoing leadership development and continuous workplace culture improvements.

>> Continue to develop flexible work practices to help minimise network outages.

>> Identify ways to further improve the work–life balance of employees.

rigorous corporate governance

Corporate Governance

The Powerlink Queensland Board is responsible for the overall corporate governance of the Corporation and its subsidiary companies. The Board and management work together to establish and maintain a legal and ethical environment that ensures accountability throughout Powerlink and is in the best interests of Shareholders.

Board of Directors

The Board is appointed by the Governor in Council according to the *Government Owned Corporations Act 1993*. It consists of five non-executive Directors.

The Board's functions include:

>> Maintaining accountability to Shareholders and keeping them informed of the corporation's performance, key issues facing the organisation and major developments;
>> Establishing the corporation's strategic direction and commercial policies;
>> Establishing goals for management;
>> Ensuring that the corporation acts in accordance with, and achieves, its Statement of Corporate Intent (SCI);
>> Assessing Powerlink's performance against strategic goals and targets;
>> Making commercial decisions within Powerlink's areas of responsibility;
>> Ensuring the corporation performs its functions in a proper, effective and efficient manner; and
>> Ensuring compliance with statutory, financial and legal requirements.

Board Committees

Audit and Compliance Committee

Chairman - Merv Norman
Members - Else Shepherd, Christina Sutherland

This Committee reports on issues relating to financial integrity, corporate processes for compliance with laws and regulations, codes of conduct, business risk management and audit effectiveness. It assists the Board to fulfil its corporate governance responsibilities.

The Committee endorses the corporation's Internal Audit Program and Risk Management Profile, and provides a link between the corporation's auditors (internal and external) and the Board. The Committee is responsible for considering the annual statutory financial statements for subsequent approval by the Board.

Remuneration Committee

Chairman - Walter Threlfall
Members - Merv Norman, Patricia Conroy

The Remuneration Committee recommends employee remuneration policies that will attract and retain a skilled and motivated workforce.

Risk management

The Powerlink Board has a risk management charter that provides an overall framework and structure for managing risks at Powerlink. The charter is consistent with the Australian-New Zealand Standard on Risk Management (AS/NZS 4360:1995).

Professional development of Directors

Powerlink's Directors are committed to the ongoing development of their professional training and knowledge. This ensures that they have the best possible skills and tools to provide Powerlink with capable and professional leadership.

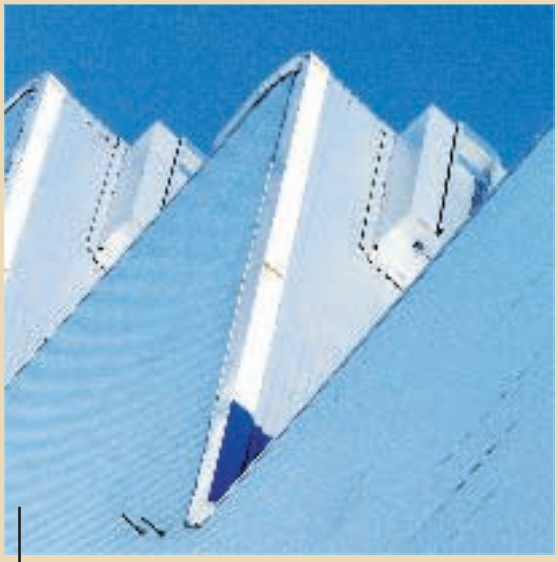
Attendance at workshops, courses and seminars conducted by the Australian Institute of Company Directors (AICD) and other professional bodies helps to provide and develop these skills.

Planning, reporting and monitoring

Powerlink is required to present an annual Corporate Plan and SCI to Shareholding Ministers for their approval. These documents are produced following a comprehensive strategic planning and business planning process that involves Powerlink's Board and executive leadership team.

The SCI outlines Powerlink's proposed key objectives, targets, functions, and undertakings for the financial year. It forms the performance agreement between the Board of Powerlink and Shareholding Ministers. A copy of the SCI is tabled in the Legislative Assembly in accordance with Section 132 of the *Government Owned Corporations Act 1993*.

Rigorous corporate governance is a conerstone of the Board's approach to actioning its responsibilities.



The Board works with management to ensure that the corporation's legal and ethical framework is maintained and that it is accountable to shareholders.

Performance against key targets and measures is actively monitored and includes monthly reports and business reviews prepared by management for the Powerlink Board, and quarterly status reports to Powerlink's Shareholding Ministers.

Management Committees

A Management Committee structure operates in parallel to the Board Committees to address issues of Environmental Management and Workplace Health and Safety.

Environmental Management

The Environmental Management Committee develops appropriate strategic responses to environmental issues, as well as ensuring compliance with Powerlink's policies and relevant environmental legislation. The committee reports quarterly to the Audit and Compliance Committee through the Chief Executive.

Workplace Health and Safety

The Safety Steering Committee develops and directs Powerlink's workplace health and safety management practices, and also ensures that Powerlink complies with relevant workplace health and safety legislation. The Committee submits quarterly reports to the Audit and Compliance Committee through the Chief Executive.

Ethical standards

All Powerlink Directors and management are expected to act with integrity and strive, at all times, to enhance the reputation and performance of the corporation. They have a responsibility to undertake these duties in a lawful, objective and professional manner.

Shareholding Ministers' directions

During the year, Powerlink's Shareholding Ministers issued the following direction to Powerlink:

>> That Powerlink Queensland and its subsidiaries and controlled entities are required to comply with the policy document entitled Audit and Reporting Requirements For GOC Controlled Entities and Investments.

our board of directors



Else Shepherd
FTSE BE(Hons), FIEAust, CPEng, FAICD
Grad Dip Music (QCM), A Mus A
Chairman of the Board
(appointed 1994)

Executive Director of her company Mosaic Information Technology, electrical engineer Else Shepherd has more than 30 years' experience in the engineering, electricity and information technology industries.

Highlights of Else's career include a decade working as an operations research engineer at Mackay's Sugar Research Institute, a position as Mackay Manager of an engineering company, lecturing at three Queensland universities, and serving on the SEQEB Board of Directors in the early 1990s.

Else is currently a non-executive Director of the National Electricity Market Management Company (NEMMCO) and ESI Super. She is on several university advisory committees and on the Accreditation Board of the Institution of Engineers, Australia.

Else is a member of the Powerlink Board's Audit and Compliance Committee.

Patricia Conroy
Board Member
(appointed 1999)

A long-time partner in her legal practice, Conroy and Associates, Toowong, Brisbane, Patricia is a Queensland Law Society Councillor and member of the Queensland Women's Lawyers Association.

Prior to 1980, Patricia was an active member of the Mt Isa business community, fulfilling roles as a Mt Isa City Council Alderman, Vice President of the North West Law Association, and partner in her own law firm. Patricia was also a founding member of the Aborigines and Torres Strait Islanders Legal Service, Mt Isa.

For three years from 1994, Patricia was a member of the SEQEB Board of Directors and also served on the Board's Audit Committee.

Patricia is a member of the Powerlink Board's Remuneration Committee.

Merv Norman
FIEAust, CPEng, FAIMM, FAICD, REPQ
Board Member
(appointed 1994)

Merv Norman is a Chartered Professional Engineer with more than 40 years of experience in engineering for Australia's natural and primary resource industries.

He began his career in Queensland's sugar industry before broadening his expertise to include design and management of major projects for the mining and metallurgical processing industries.

After working at Mt Isa Mines between 1948 and 1955, Merv became a partner in the consulting engineering practice of Ariotti Norman Hamilton and Bruce. He then joined MIM Holdings in Brisbane in 1969, and retired from the company as General Manager Development in 1991.

A former District Governor of Lions International, Merv has served on many civic and professional committees during his career. Merv is currently on the Board of several companies, and chairs International Brands Pty Limited.

Merv is Chairman of the Powerlink Board's Audit and Compliance Committee and a member of the Powerlink Board's Remuneration Committee.

Christina Sutherland
BLaw
Board Member
(appointed 2001)

Christina Sutherland is a solicitor of the Supreme Court of Queensland and the High Court of Australia, with almost 15 years of experience providing insurance litigation, commercial litigation, administrative and industrial relations legal services to both plaintiffs and defendants in Queensland.

In 1998, Christine became a partner of Quinlan Miller and Treston Solicitors after more than 10 years with the company. She is an active member of the Queensland Law Society and has considerable experience presenting seminars, as part of the Continuing Legal Education (CLE) program.

Christina is a member of the Powerlink Board's Audit and Compliance Committee.

Walter Threlfall
Board Member
(appointed 1994)

Walter Threlfall has been an official of the Electrical Trades Union of Australia – Queensland Branch (ETU) since 1977. He is currently the Assistant State Secretary of the Electrical Trades Union (ETU) of Australia, Queensland Branch, a position he has held since 1983. In this role, Walter represents the interests of ETU members in northern and western Queensland.

Early in his career, Walter worked as an electrical fitter and mechanic in the steel manufacturing, electrical contracting and mining industries.

He is Deputy Chairman of the Townsville Regional Group Apprenticeship Scheme (TORGAS Inc), Chairman of the Townsville TAFE Queensland Advisory Council and Director of the Sugar Manufacturers of Australia Retirement Trust (SMART).

Walter is Chairman of the Powerlink Board's Remuneration Committee.

our executive leadership team

Gordon Jardine

BE(Hons), BCom, MSc (Environmental), FAICD, FAIM

Chief Executive

Since 1995, Gordon Jardine has held the position of Chief Executive of Powerlink Queensland. He is also a member of the System Reliability Panel of the National Electricity Market, and Chairman of the Australian National Committee of CIGRE, the premier international body for high voltage power systems.

Gordon has represented the transmission network service providers inforums that shape the future development of the National Electricity Market (NEM).

Before joining Powerlink, Gordon held senior management positions at one of Australia's largest computer software companies, Mincom. During his 14 years with the company, Gordon managed Mincom's United States operations as President of its North American subsidiary, before being appointed Deputy Managing Director of Mincom in 1990.

He is a Director of ElectraNet SA, following Powerlink's acquisition of a 40% interest, and a member of the ElectraNet SA Remuneration Committee.

Simon Bartlett

BE(Hons), BSc, FIEAust, CPEng

General Manager Network

Simon Bartlett is responsible for strategic business development and asset management to maximise the long-term return on Powerlink's investments in a way that satisfies the emerging expectations of our stakeholders, including our Shareholders, customers, NEM participants, regulator and the community.

With this strong focus on optimising business performance and stakeholder relationships, Simon drives Powerlink's planning to ensure future network capability and the management of existing network and information technology assets. He also manages business risk and implications associated with the National Electricity Code (NEC), network operation, environmental and safety issues relating to our assets, and regulatory affairs.

This year Simon has been heavily involved in evaluating proposals to augment Powerlink's transmission network in Queensland to meet the growing needs of the electricity market and customers throughout the State. This resulted in 31 new projects being approved at a cost of $253 million.

Simon is a Director of ElectraNet SA and provides strategic advice on the development and management of the transmission network in South Australia.

His 30-year career in electricity generation and transmission has included Australian and overseas roles in planning, design and strategic management.

Maurie Brennan

B Bus, MBA, CPA

Manager Finance and Commercial Services

Maurie Brennan has provided strategic financial and business advice to public sector organisations in Queensland's electricity industry since 1979. He was a member of the team responsible for the corporatisation of the Queensland Electricity Supply Industry in 1995.

At Powerlink, Maurie manages all finance, tax, treasury, business planning, investment analysis, corporate services, internal audit, legal compliance and Shareholder reporting issues. In addition, Maurie is Secretary to the Powerlink Board of Directors.

Maurie has completed key projects at Powerlink including:

>> Project Manager for the implementation of Powerlink's SAP R/3 business solution;
>> Management of the Cross Border Lease over Powerlink's transmission assets; and
>> Member of the Powerlink team that participated in the consortium successful in acquiring the South Australian transmission business, ElectraNet SA.

Maurie is a Director of ElectraNet SA and a member of the ElectraNet SA Audit and Compliance Committee. He is also an alternate Director of the ESI Super Board.

Peter Dunn

BTech (Elec)

Manager Network Maintenance

Peter Dunn has extensive experience in the construction, maintenance and operation of high voltage transmission lines and substations.

During his career, he has held senior positions at electricity supply organisations in Queensland, and now manages the maintenance of Powerlink's transmission network in southern Queensland.

Peter has recently managed the successful implementation of live substation maintenance work methods and bare-hand live line work methods.

He has represented Powerlink at national safety working groups and in national and international transmission operations and maintenance benchmarking studies since 1995.

Peter has been appointed to several national safety committees including the committee responsible for developing national Guidelines for Safe Access to Electrical and Mechanical Apparatus.

Peter will further apply his expertise in identifying improvement opportunities on Powerlink's network and our customers' networks by joining our Network Business Unit's Asset Management team in the latter half of 2002.

Hugh Grant

BE (Hons),

Grad Dip (Management),

CPEng, MIEE

Operations Manager

Hugh Grant manages specialist operational services including network monitoring and switching, oil testing and diagnostics, information technology and telecommunications (IT&T), and research and development services. These services are used by Powerlink and other national and international clients.

Before joining Powerlink, Hugh gained international experience with various plant manufacturers and service providers to the electricity supply industry.

During the year, Hugh negotiated the sale of Powerlink's condition monitoring products technology to DMS Australia.

Hugh was also the coordinator of 'Project Streamline' – a project aimed at streamlining Powerlink's support and administration services.

Gary Johnston

BA (Hons), MAPsS, MAHRI

Manager Employee Relations and Development

Organisational psychologist, Gary Johnston, is responsible for the development and implementation of Powerlink's effective workplace relations, occupational health and safety, electrical safety, employee development, Equal Employment Opportunity, and employment systems and services.

Over the past year, Gary has managed successful workplace improvement initiatives, Powerlink's cultural development program and culture survey. He has also guidedorganisational restructuring and change management programs.

This year Gary provided consultancy services to ElectraNet SA on issues including employment, remuneration and industrial relations matters. Gary is a member of the Electricity Health and Safety Council (Qld), and the ESAA's National Electricity Safety Network Steering Committee.

Terrence (Terry) Miller

BE (Elec)

Manager Grid Planning

Appointed to this position in August 2001, Terry oversees all analysis and planning activities for Powerlink's transmission network.

His activities aim to ensure that Powerlink meets the requirements of the NEC for network reliability, electricity supply quality and system stability. Terry is also responsible for providing transmission network planning information to electricity market participants. In addition he represents Queensland on the national Inter-Regional Planning Committee.

Terry's 25-year career in the Queensland Electricity Industry has included experience in network planning, regulatory affairs, customer account management, substation design and distribution network design.

Most recently, Terry led the Powerlink team charged with making a formal application to the ACCC for Powerlink's revenue for the period 2002 to 2007, as well as managing negotiations relating to this process. Terry has represented Powerlink and other transmission entities on a number of key industry mechanisms – including the National Electricity Code Administrator (NECA) Transmission and Distribution Pricing Review and the ACCC's Statement of Regulatory Principles consultation process.

Brian Pokarier

BE

Dip Business Management CP Eng, FIEAust

Manager Engineering and Projects

As Manager of Powerlink's engineering and projects, this year Brian is managing Powerlink's Technology Review, which will set the direction of the organisation's technology implementation for the next five years. The Review will align Powerlink's technology development with a dynamic and competitive external market environment, and focus on delivering cost-effective and efficient engineering and business solutions to our customers.

In 2000/2001, the engineering and projects business unit completed several consulting assignments in design, engineering and project management in Malaysia, New Zealand and all Australian States.

In 2002, Brian was appointed Australian Convenor of the new CIGRE panel for System Technical Performance. He is an active participant in national and international insulation research committees and is Chairman of the Australia Standards Committee for overhead lines. Brian's role in this research activity allows Powerlink to take advantage of worldwide technological advancements in insulation and overhead lines.

Robyn Robinson

BSc, MSc (OR), Dip CompSc

Manager Corporate Development

In September 2001, Robyn Robinson was appointed to the newly created position of Manager Corporate Development. Robyn has assumed responsibility for optimising Powerlink's ability to integrate new external business investments, and for corporate-wide business process improvement activities.

Robyn has focused on investigating and realising opportunities for synergy in the information technology (IT) services for ElectraNet SA and Powerlink.

Robyn has previously been involved in the provision of information technology services to the Queensland electricity industry for more than 20 years. She is a member of the Australian Society for Operations Research and Women in Information Technology.

Owen West

BSc (Hons), BCom

Manager Procurement

Owen West has been managing Powerlink's Procurement business unit since its formation in 1998. Over that time, Procurement has established a recognised industry reputation for its strategic approach to purchasing and for its commercial services.

At Powerlink, Owen has also managed several organisational change initiatives, including the 'Management of Overlapping Technologies' (MOT) Study.

Owen has an extensive commercial and purchasing background in the mining industry, holding senior roles in MIM Holdings Limited and Thiess, plus he has been General Manager of several trading operations selling consumables to customers in mining and other industries.

Owen is an Alternate Director of ElectraNet SA.

Owen is the Australian spokesman for the Asia Pacific Utilities Group (APUG) and is Powerlink's representative on its Steering Committee. Owen's Procurement business unit provides administrative support for APUG.

directors' report

The Directors present their report together with the financial statements of Queensland Electricity Transmission Corporation Limited (Powerlink Queensland) and the consolidated financial statements of the economic entity, being Powerlink Queensland and its controlled entities, for the year ended 30 June 2002, and the auditor's report based on this.

Directors

The names of the Directors of Queensland Electricity Transmission Corporation Limited at any time during or since the financial year are:

>> Else Shepherd (Chairman)
>> Merv Norman
>> Walter Threlfall
>> Patricia Conroy
>> Christina Sutherland

Principal activities

The principal activities of the economic entity during the course of the financial year were:

>> Delivery of a secure and reliable transmission service to electricity market participants via open, non-discriminatory access to the Queensland transmission grid which connects generating sites with customer/distribution connection points;
>> Provision of services to NEMMCO to manage the security of the Queensland grid;
>> Provision of metering at generation and customer/distribution connection points; and
>> Performance of the functions of Jurisdictional Co-ordinator of Sensitive Loads, and Transmission Network Planning in Queensland, as appointed by the Queensland Government.

There were no significant changes in the nature of the activities of the economic entity during the financial year.

Consolidated results

The consolidated profit for the year, before interest and income tax equivalent attributable to the members of Queensland Electricity Transmission Corporation Limited, was $177.816 million (2001: $195.193 million).

Dividends

The Directors have provided for a final dividend of $70.545 million, being 95% of the operating profit and extraordinary items after income tax equivalent (2001: $165.644 million). The Board of Directors will make a recommendation on the final dividend to be paid after consultation with Shareholding Ministers in accordance with the Government Owned Corporations Act.

The final dividend will not be franked.

Significant events subsequent to balance date

In the interval between the end of the financial year and the date of this report, no item, transaction or event of a material and unusual nature has arisen that is likely, in the opinion of the Directors of the corporation, to significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

Review of operations

A review of the economic entity's operations during the financial year, and the results of those operations, are contained in this annual report.

Likely developments and expected results of operations

Information on likely developments in the operations of the economic entity and the expected results of operations in future financial years has not been included in this report. Disclosure of such information would be likely to result in unreasonable prejudice to the consolidated entity.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Environmental regulation

The economic entity is subject to environmental regulations under State and Federal Government legislation with regard to its acquisition and development of transmission line easements, maintenance and construction activities, and the operation of facilities at its Virginia site.

The economic entity has an Environmental Steering Committee and Board Audit and Compliance Committee that monitors compliance with environmental regulations. The Directors are not aware of any significant breaches that led to prosecution during the period covered by this report.

Directors' meetings

The number of Directors' meetings (including meetings of Committees of Directors) held during the year and the number of meetings attended by each Director were:

	Board Meetings	Meetings of Committees Audit	Remuneration
Number of meetings held:	16	5	2
Number of meetings attended:			
Else Shepherd	15	5	*
Patricia Conroy	13	*	2
Merv Norman	16	5	2
Walter Threlfall	14	*	2
Christina Sutherland	15	5	*

* Not a member of the relevant committee

Information on Directors

Details of Directors, their experience and any special responsibilities are in this Annual Report.

Directors' ordinary shares

No Director has an interest in shares and options of Powerlink Queensland.

Directors' interests and benefits

Directors' relevant interests in the share capital of Powerlink Queensland are provided above. Since the end of the previous financial year, no Director of Powerlink Queensland has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors shown in the consolidated accounts).

All paid shares are held by Shareholders on behalf of the State of Queensland.

Indemnities and insurance

Powerlink Queensland indemnifies the Directors and each employee of the corporation and its controlled entities.

The indemnity relates to any liability:

- To a third party (other than the company or a related body corporate) unless the liability arises out of conduct involving a lack of good faith; and
- For costs and expenses incurred in successfully defending civil or criminal proceedings or in connection with an application, in relation to such proceedings, in which relief is granted under the *Corporations Act 2001*.

No liability has arisen under these indemnities as at the date of this Annual Report.

Insurance

During the financial year, Powerlink Queensland insured the Directors and employees of the economic entity. The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the Directors or employees in their capacity as Directors or employees of the economic entity.

Directors' and officers' remuneration

Directors' emoluments are set by State Government regulation, with other fees determined on the basis of meetings attended by them to perform their roles as Directors of Powerlink Queensland.

Powerlink Queensland has developed a policy for senior executive remuneration in accordance with Remuneration Guidelines issued by the Queensland Government for senior executive staff. Powerlink Queensland's remuneration policy is based on the concept of total fixed remuneration from which elements such as superannuation contributions and motor vehicle costs can be 'salary sacrificed'. Powerlink's policy is to set total fixed remuneration below the relevant market median for the position.

Remuneration arrangements for management contracts also include an 'at risk' performance payment which is payable upon achieving and/or exceeding pre-agreed targets (comprising corporate measures and individual measures).

Details of the nature and amount of each major element of the emoluments of each Director of the Company and each of the five named officers of the Company and the consolidated entity receiving the highest emolument are:

Director	Fixed remuneration '000	Super contributions '000	Total remuneration '000
Else Shepherd (Chairman)	42	3	45
Merv Norman	27	2	29
Walter Threlfall	22	2	24
Patricia Conroy	22	2	24
Christina Sutherland	23	2	25

Executive	Fixed remuneration '000	Super contributions* '000	Total remuneration '000
Chief Executive	269	36	305
General Manager Network	204	30	234
Manager Finance and Commercial Services	163	23	186
Manager Employee Relations and Development	138	21	159
Manager Engineering and Projects	139	20	159

* Super contributions are able to be 'salary sacrificed' from the total fixed remuneration.

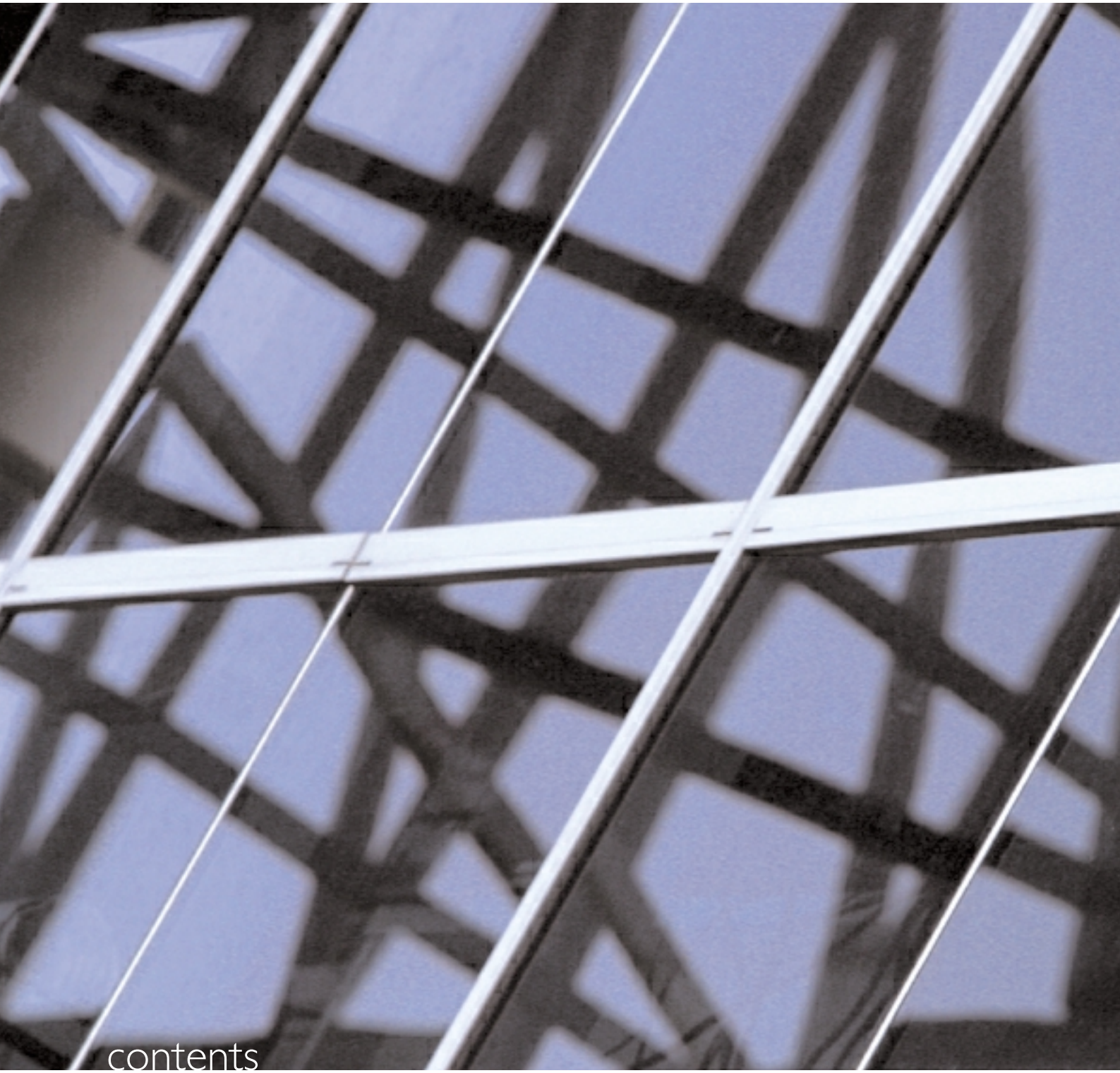
Rounding

The corporation is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest one thousand dollars unless otherwise indicated.

Signed in accordance with a resolution of the Directors.

E.E. Shepherd
Chairman
September 2002

financial statements



contents

statement of financial performance
year ended 30 june 2002

	Note	CONSOLIDATED		POWERLINK QUEENSLAND	
		2002 $'000	**2001 $'000**	**2002 $'000**	**2001 $'000**
Revenues from ordinary activities	2	375 283	362 181	370 279	359 131
Expenses from ordinary activities excluding borrowing costs expense	3	188 926	156 036	188 909	156 030
Borrowing costs expense	4	76 546	87 769	76 546	87 769
Share of net profits (losses) of associates accounted for using the equity method	11	(8 541)	(10 952)	-	-
Profit (loss) from ordinary activities before income tax equivalent expense		101 270	107 424	104 824	115 332
Income tax equivalent expense (benefit) relating to ordinary activities	5	27 012	(66 940)	24 879	(67 991)
Profit (loss) from ordinary activities after related income tax equivalent expense		74 258	174 364	79 945	183 323
Net profit (loss)		74 258	174 364	79 945	183 323
Net profit attributable to members of Queensland Electricity Transmission Corporation Limited	21	74 258	174 364	79 945	183 323
Increase (decrease) in asset revaluation reserve	20	109 590	109 849	100 674	72 405
Total revenues, expenses and valuation adjustments attributable to members of Queensland Electricity Transmission Corporation Limited and recognised directly in equity		109 590	109 849	100 674	72 405
Total changes in equity other than those resulting from transactions with owners as owners		183 848	284 213	180 619	255 728

The above Statement of Financial Performance should be read in conjunction with the accompanying notes.

statement of financial position
at 30 june 2002

	Note	CONSOLIDATED		POWERLINK QUEENSLAND	
		2002 $'000	2001 $'000	2002 $'000	2001 $'000
CURRENT ASSETS					
Cash assets	7	85 000	68 539	81 397	67 507
Receivables	8	44 933	33 719	44 319	33 105
Inventories	9	6 985	6 135	6 985	6 135
Other	10	2 368	694	2 365	694
Total current assets		139 286	109 087	135 066	107 441
NON-CURRENT ASSETS					
Investments accounted for using the equity method	11	26 742	26 500	-	-
Other financial assets	12	57 900	57 900	55 505	55 505
Property, plant and equipment	14	2 585 156	2 419 017	2 585 156	2 419 017
Deferred tax assets	5.4	11 436	13 376	11 432	13 074
Total non-current assets		2 681 234	2 516 793	2 652 093	2 487 596
TOTAL ASSETS		2 820 520	2 625 880	2 787 159	2 595 037
CURRENT LIABILITIES					
Payables	15	113 224	81 721	113 209	81 716
Current tax liabilities	5.2	8 727	(2 354)	7 280	(3 522)
Provisions	17	74 515	168 892	74 515	168 892
Other	18	9 104	11 281	9 104	10 280
Total current liabilities		205 570	259 540	204 108	257 366
NON-CURRENT LIABILITIES					
Interest bearing liabilities	16	1 277 404	1 143 404	1 277 404	1 143 404
Deferred tax liabilities	5.3	27 866	21 211	27 681	21 027
Provisions	17	16 355	13 327	16 355	13 327
Other	18	14 458	22 834	14 458	22 834
Total non-current liabilities		1 336 083	1 200 776	1 335 898	1 200 592
TOTAL LIABILITIES		1 541 653	1 460 316	1 540 006	1 457 958
NET ASSETS		1 278 867	1 165 564	1 247 153	1 137 079
EQUITY					
Parent entity interest					
Contributed equity	19	401 000	401 000	401 000	401 000
Reserves	20	839 146	729 556	792 786	692 112
Retained profits	21	38 721	35 008	53 367	43 967
TOTAL EQUITY		1 278 867	1 165 564	1 247 153	1 137 079

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

statement of cash flows
year ended 30 june 2002

	Note	CONSOLIDATED		POWERLINK QUEENSLAND	
		2002	**2001**	**2002**	**2001**
		$'000	**$'000**	**$'000**	**$'000**
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		326 710	316 711	326 096	316 711
Intra regional settlements residue (IRSR)		18 237	17 510	18 237	17 510
Payments to suppliers and employees		(85 071)	(74 575)	(85 063)	(74 567)
Interest received		11 073	7 968	5 690	4 918
Dividends received		133	-	1 993	-
Borrowing costs		(78 220)	(86 955)	(78 220)	(87 961)
Income tax equivalent paid		(7 338)	(29 030)	(5 780)	(29 030)
Goods and services tax (paid)/received		(280)	4 388	(280)	4 388
Other operating receipts		12 953	25 088	12 953	25 702
Other operating payments		(643)	(5 663)	(643)	(5 663)
Net cash flows from operating activities	22	197 554	175 442	194 983	172 008
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for property, plant and equipment		(154 733)	(183 240)	(154 733)	(183 240)
Proceeds from sale of property, plant and equipment		5 284	5 221	5 284	5 221
Payments for investments		-	(57 907)	-	(55 504)
Net cash flows used in investing activities		(149 449)	(235 926)	(149 449)	(233 523)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		134 000	114 404	134 000	114 404
Dividends paid		(165 644)	(65 032)	(165 644)	(65 032)
Net cash flows from financing activities		(31 644)	49 372	(31 644)	49 372
Net increase/(decrease) in cash held		16 461	(11 112)	13 890	(12 143)
Add opening cash brought forward		68 539	79 651	67 507	79 650
Closing cash carried forward	7	85 000	68 539	81 397	67 507

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

notes to and forming part of the financial statements
for the year ended 30 june 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of this financial report are:

1.1 Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

1.2 Reclassification of financial information

As a result of the first time application on 1 July 2000 of the revised AASB 1018 Statement of Financial Performance, expenses of the economic entity for the previous financial year were reported under the 'nature' classification.

Expenses are now disclosed under the 'function' classification to provide uniformity in reporting between this financial report and financial reports to regulatory bodies. Comparative expenses for the previous financial year have also been included under the 'function' classification.

1.3 Principles of consolidation

Controlled entities
The consolidated accounts incorporate the assets and liabilities of all entities controlled by Queensland Electricity Transmission Corporation Limited trading as Powerlink Queensland as at 30 June 2002 and the results of all controlled entities for the year then ended. The results of all controlled entities together are referred to in this financial report as the economic entity. The effects of all transactions between entities in the economic entity are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

Associates
Associates are those entities, other than partnerships, over which the economic entity exercises significant influence and which are not intended for sale in the near future.

In the consolidated financial statements investments in associates are accounted for using the equity accounting principles. Investments in associates are carried at the lower of the equity accounted amount and the recoverable amount. The economic entity's accounted share of the associates' net profit (loss) is recognised in the consolidated statement of financial performance from the date significant influence commences until the date significant influence ceases. Other movements in reserves are recognised directly in consolidated reserves.

Transactions eliminated on consolidation
Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

Unrealised gains resulting from transactions with associates are eliminated to the extent of the economic entity's interest. Unrealised gains relating to associates are eliminated against the carrying amount of the investment. Unrealised losses are eliminated in the same way as unrealised gains, unless they evidence a recoverable amount impairment.

1.4 Foreign currencies

Transactions
Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the statement of financial performance in the financial year in which the exchange rates change.

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Hedges
All non-specific hedge transactions are initially recorded at the spot rate at the date of the transaction. Hedges outstanding at balance date are translated at the rates of exchange ruling on that date and any exchange differences are brought to account in the statement of financial performance. Costs or gains arising at the time of entering into the hedge are deferred and amortised over the life of the hedge.

Where hedge transactions are designated as a hedge of the purchase or sale of goods or services, purchase of qualifying assets, exchange differences arising up to the date of purchase or sale, together with any costs or gains arising at the time of entering into the hedge, are deferred and included in the measurement of the purchase or sale. Any exchange differences on the hedge transactions after that date are included in the statement of financial performance.

1.5 Cash

For the purposes of the statement of cash flows, cash includes cash on hand and at bank and short-term investments at call, net of outstanding bank overdrafts.

1.6 Investments

Associates
Investments in associates are carried at the lower of the equity accounted amount and the recoverable amount in the consolidated financial report.

Controlled entities
Investments in controlled entities are carried in the corporation's financial statements at the lower of cost and recoverable amount.

1.7 Inventories

Inventories shown as current assets are not for resale but are used in maintenance and construction and are valued at average cost.

1.8 Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST).

Grid sales revenue
Grid sales revenue comprises revenue earned from the provision of regulated and non-regulated transmission grid services. Sales revenue is recognised when the services are provided.

Regulated grid sales revenue is subject to the application of an annual revenue cap determined for the corporation.

Transmission Use of System (TUOS) prices are initially set to achieve the annual revenue cap.

While the actual revenue collected in a period may vary from the annual revenue cap, the annual revenue cap is brought to account as revenue on the basis that the Corporation is able to recover, or is required to refund amounts that have been under- or over-collected in the current period.

Interest revenue
Interest revenue is recognised as it accrues.

Dividends
Revenue from dividends and distributions from controlled entities are recognised by the parent entity when they are declared by the controlled entities.

Revenue from dividends and distributions from associates are recognised by the parent entity when they are received.

Revenue from dividends from other investments are recognised when received.

Asset sales
The gross proceeds of asset sales are included as revenue of the economic entity. The profit or loss on disposal of assets is brought to account at the date an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

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1.9 Tax equivalents

The economic entity is required to make tax equivalent payments to the State Government based on the value of benefits derived because it is not liable to pay Commonwealth tax that would be payable if it were not a Government Owned Corporation.

These payments are made pursuant to Section 155(4) of the *Government Owned Corporations Act 1993* and are based upon rulings set out in the Treasurer's Tax Equivalent Manual. The Treasurer's TaxEquivalent Manual gives rise to obligations which reflect in all material respects those obligations for taxation which would be imposed by the *Income Tax Assessment Act 1936 and 1997* (refer Note 5).

1.10 Tax effect accounting

The economic entity adopts the liability method of tax effect accounting.

Income tax equivalents are calculated based on operating profit adjusted for permanent differences between taxable income and accounting profit. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax equivalent benefit or as a provision for deferred income tax equivalent.

Future income tax equivalent benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax equivalent losses are brought to account only when realisation is virtually certain.

1.11 Valuation of property, plant and equipment

Supply system assets were valued based upon depreciated optimised replacement value. This approach provides values based on the optimum set of replacement assets necessary to achieve the same service potential with no inappropriate surplus capacity.

Property, plant and equipment was valued by the Directors as at 30 June 2002 taking into account relevant acquisition costs and price index movements. Additions to property, plant and equipment during the year, except for newly commissioned supply system assets, are not subject to revaluation using price indices in the year of acquisition.

Newly commissioned supply system assets are, upon commissioning, revalued by a factor which represents the overall cost of funds employed during construction. However to the extent that portion of the revaluation factor represents interest that has already been capitalised in accordance with AASB 1036, only the excess over interest capitalised is credited to the Asset Revaluation Reserve.

Office equipment and furniture (including computer equipment), tools and plant are treated as a sub class of other property, plant and equipment and their valuation does not take into account price index movements.

The valuation policy of the economic entity provides for a full and detailed valuation to be undertaken at three-yearly intervals and for the application of relevant Australian Bureau of Statistics indices at the end of each intervening year.

The last detailed valuation was undertaken by the economic entity as at 1 July 1999 and was based on independent expert advice from accounting consultants Arthur Andersen with the assistance of engineering consultants GHD & Worley International.

Revaluation increments are recognised in the asset revaluation reserve except for amounts reversing a decrement previously recognised as an expense, which are recognised as revenues.

Revaluation decrements are offset only against revaluation increments relating to the same class of asset and any excess is recognised as an expense.

Potential capital gains tax is not taken into account when determining revaluation amounts unless there is an intention to sell the assets concerned. In the opinion of directors and based on expert advice received, it is not expected that any material capital gains effect will result from the sale of the economic entity's assets.

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Any gain or loss on the disposal of property, plant and equipment is determined as the difference between the depreciated value of the asset at the time of disposal and the proceeds of disposal and is reflected in the accounts in the year of disposal.

1.12 Depreciation

Depreciation is calculated on the straight line method by reference to the estimated useful life of each group of property, plant and equipment within the same class. Depreciation commences from the time units of property, plant and equipment are brought into commercial operation and is provided on all assets with the exception of land.

The expected useful lives are as follows:

>> Supply system assets	12–50 years
>> Buildings	7–40 years
>> Other property, plant and equipment	2–10 years

1.13 Leased non-current assets

Domestic leases

Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be obtained from the leased property.

Where a sale and leaseback transaction has occurred the lease is classified as a finance lease and capitalised. Minimum lease payments are allocated between interest expense and reduction of the lease liability.

Cross Border Lease

During the previous year Powerlink Queensland entered into a structured financing arrangement involving the sale and subsequent lease back of assets. This arrangement was entered into in conjunction with Queensland Treasury Corporation (QTC) and was a United States of America Cross Border Lease transaction over Powerlink Queensland's regulated transmission assets.

The Cross Border Lease involves a series of hire purchase and lease transactions involving US First Union National Bank, Powerlink Queensland and QTC.

The transaction comprised four tranches and was completed in January 2001.

The financial benefits retained by Powerlink Queensland from the transaction reflect the risks it is required to manage over the term of the Cross Border Lease. Most of the financial benefits achieved from the transaction have been retained by QTC to reflect the financial risks it will manage over the term of the Cross Border Lease.

The financial benefits received by Powerlink Queensland associated with the lease to 30 June 2002 have been recognised (refer Note 2) and the associated leased assets have been valued in accordance with Powerlink Queensland's asset valuation policy.

1.14 Acquisition of assets

The cost method of accounting is used for all acquisition of assets. Cost is determined as the fair value of the assets given up at the date of acquisition plus costs incidental to the acquisition.

The cost of property, plant and equipment constructed by the economic entity includes the cost of materials and direct labour and an appropriate proportion of fixed and variable overheads and the cost of funds employed during construction.

1.15 Employee entitlements

Provision has been made for annual leave, long service leave and 'Time off in Lieu' leave entitlements payable to employees.

Annual leave and 'Time off in Lieu' leave represent the amount which the economic entity has a present obligation to pay resulting from employees' services provided up to 30 June 2002. The provisions have been calculated at undiscounted amounts based on current wage and salary rates.

The provision for employees' long service leave represents the present value of the estimated future cash flows to be made by the economic entity resulting from employees' services provided at 30 June 2002. The measurement techniques considered expected future salary levels, experience of employee departures and periods of service. Expected future payments were discounted using the interest rate on a federal government guaranteed security with a term to maturity that matched, as closely as possible, the estimated future cash flows.

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The amounts provided have been apportioned between current and non-current liabilities (refer Note 17).

It is the policy of the economic entity to recognise liabilities for superannuation where the present value of employees' accrued benefits at reporting date exceeds the net market value of the scheme's assets at that date. The superannuation schemes are fully funded and no liability for such shortfalls is shown (refer Note 26).

1.16 Borrowings

Loans and associated derivatives are carried on the Statement of Financial Position at their principal amount. Principal repayments have been deferred in line with the corporation's borrowing program. Interest expense is accrued over the period it becomes due and is recorded as part of other creditors.

Powerlink Queensland, at times, utilises Forward Rate Agreements with QTC to manage interest rate exposure for future borrowings. Any gains or losses realised at maturity are included in the fair value of borrowings.

1.17 Borrowing costs

Borrowing costs include interest and costs incurred in connection with arrangement of borrowings. Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use. As all the economic entity's funds are borrowed generally, borrowing costs capitalised use a weighted average capitalisation rate.

1.18 Segment reporting

The economic entity operates in the one industry, being the transmission of electricity, and one geographical segment, Queensland, and is reported accordingly.

1.19 Receivables

Trade Debtors to be settled within 60 days are carried at amounts due. The collectability of debts is assessed on an ongoing basis and provision is made for any doubtful debts (refer Note 8).

Such assessment identified that it was not necessary to raise a provision for doubtful debts at 30 June 2002.

1.20 Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the economic entity. Trade accounts are normally settled within 60 days (refer Note 15).

1.21 Derivative financial instruments

The economic entity is exposed to changes in interest rates, foreign exchange rates and commodity prices from its activities.

The economic entity uses the following derivative financial instruments to hedge these risks: forward foreign exchange contracts and commodity hedge contracts. Derivative financial instruments are not held for speculative purposes.

Derivative financial instruments designated as hedges are accounted for on the same basis as the underlying exposure.

Forward foreign exchange contracts
The accounting for forward foreign exchange contracts is set out in Note 1.4.

Commodity hedge contracts
Commodity hedges are used to hedge anticipated commitments.

1.22 Electricity market operations

National Electricity Market
From 13 December 1998, the National Electricity Market Management Company Limited (NEMMCO) assumed the role of the market operator for the National Electricity Market (NEM). Under the National Electricity Code (NEC), NEMMCO processes all electricity market settlement transactions for Queensland and transfers the settlements residual (IRSR) to Powerlink Queensland as the appropriate Transmission Network Service Provider (TNSP).

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Pursuant to the NEC, the IRSR balance is held by Powerlink Queensland and is applied to offset transmission network charges in accordance with the NEC. In 2001/02 the amount of IRSR applied to offset network charges totalled $30.684 million (2001: $42.720 million).

Full details of movements in the IRSR balance presented in Note 33.

At 30 June 2002, the IRSR balance, including interest earned and net of fees, was $75.082 million (2001: $56.845 million).

1.23 Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

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2. REVENUES FROM ORDINARY ACTIVITIES

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Revenue from operating activities				
Grid sales revenue	346 391	315 283	346 391	315 283
Total revenues from operating activities	346 391	315 283	346 391	315 283
Revenue from non-operating activities				
Dividends				
Controlled entities	-	-	1 993	-
Interest				
Controlled entities	-	-	-	2 600
Other related parties	6 888	5 640	-	-
Other parties	1 660	2 328	1 551	2 318
Proceeds from sale of non-current assets	5 284	5 077	5 284	5 077
Customer works revenue	9 642	7 110	9 642	7 110
Property revenue	783	494	783	494
Individually significant items:				
Sales tax equivalent reassessment adjustment	-	9 744	-	9 744
Proceeds from Cross Border Lease	1 949	8 076	1 949	8 076
Other	2 686	8 429	2 686	8 429
Total revenues from outside the operating activities	28 892	46 898	23 888	43 848
Total revenues from ordinary activities	375 283	362 181	370 279	359 131

3. EXPENSES FROM ORDINARY ACTIVITIES, EXCLUDING BORROWING COSTS EXPENSE

Network operations	4 795	4 205	4 795	4 205
Network maintenance	37 738	33 812	37 738	33 812
Grid support	18 407	-	18 407	-
Corporate/business support	29 525	24 140	29 508	24 134
Other	4 721	5 821	4 721	5 821
Depreciation	89 323	84 835	89 323	84 835
Carrying amount non-current asset disposal	4 417	3 223	4 417	3 223
Total expenses from ordinary activities, excluding borrowing costs expense	188 926	156 036	188 909	156 030

notes to and forming part of the financial statements
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4. PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EQUIVALENT EXPENSE

Profit from ordinary activities before income tax equivalent expense has been arrived at after charging/(crediting) the following items:

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2002 $'000	**2001 $'000**	**2002 $'000**	**2001 $'000**
Charges				
Depreciation of non-current assets				
Supply system assets	82 160	78 544	82 160	78 544
Other property, plant and equipment	7 163	6 291	7 163	6 291
	89 323	84 835	89 323	84 835
Borrowing costs expensed				
Borrowing costs	82 047	76 374	82 047	76 374
Payment to align market and book values of loan debt	-	18 304	-	18 304
Total borrowing costs	82 047	94 678	82 047	94 678
Less amount capitalised	(5 501)	(6 909)	(5 501)	(6 909)
Borrowing costs expensed	76 546	87 769	76 546	87 769
Net loss/(profit) on disposal of property, plant and equipment	(867)	(1 853)	(867)	(1 853)
Rental – operating leases	490	535	490	535
Amounts set aside to provisions for				
Employee entitlements	6 990	4 286	6 990	4 286
Other	2 861	2 705	2 861	2 705
	9 851	6 991	9 851	6 991

notes to and forming part of the financial statements
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5. INCOME TAX EQUIVALENT

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
5.1 Income tax equivalent expense				
The prima facie tax on operating profit and extraordinary items differs from the income tax equivalent provided in the accounts as follows:				
Prima facie income tax equivalent expense calculated at 30% (2001: 34%) on the profit from ordinary activities	30 676	36 523	31 447	39 212
Increase in income tax equivalent expense due to non-tax-assessable items:				
Building and asset revaluations	(729)	6 344	(729)	6 344
Other	12	44	12	44
Share of associates' net (profit)/loss	2 904	3 725	-	-
Decrease in income tax equivalent expense due to non-tax-assessable items:				
Building write-off	(254)	(337)	(254)	(337)
Other	(29)	-	(29)	-
Research and development – additional deduction	(24)	(42)	(24)	(42)
Income tax equivalent expense on operating profit before individually significant items	32 556	46 257	30 423	45 221
Individually significant income tax equivalent items:				
Tax effect – Cross Border Lease	-	(112 760)	-	(112 760)
Restatement of deferred tax balances due to change in company tax rate	-	(494)	-	(509)
Income tax equivalent expense on operating profit	32 556	(66 997)	30 423	(68 048)
Add: Income tax equivalent expense under-(over-) provided in prior year	(5 544)	57	(5 544)	57
Total income tax equivalent expense	27 012	(66 940)	24 879	(67 991)
Total income tax equivalent expense is made up of:				
Current income tax equivalent provision	23 258	10 327	21 421	9 159
under-(over-) provision in prior year	(5 544)	1 659	(5 544)	1 659
Deferred income tax equivalent provision	7 459	(89 614)	7 459	(89 799)
Future income tax equivalent benefit	1 839	10 688	1 543	10 990
	27 012	(66 940)	24 879	(67 991)

notes to and forming part of the financial statements
for the year ended 30 june 2002

5. INCOME TAX EQUIVALENT (cont.)

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2002 $'000	**2001 $'000**	**2002 $'000**	**2001 $'000**
5.2 Provision for current year				
Movements during the year were as follows:				
Opening balance	(2 354)	14 690	(3 522)	14 690
Income tax equivalent paid	(7 338)	(29 030)	(5 780)	(29 030)
Current year income tax equivalent expense on operating profit	23 258	10 327	21 421	9 159
under-(over-) provision in prior year	(4 839)	1 659	(4 839)	1 659
Closing balance	8 727	(2 354)	7 280	(3 522)
5.3 Provision for deferred income tax equivalent				
Provision for deferred income tax equivalent comprises the estimated expense at the applicable income tax rate of 30% on the following items:				
Difference in depreciation of property, plant and equipment for accounting and income tax equivalent purposes	11 625	9 900	11 625	9 900
Expenditure currently deductible for tax but deferred and amortised for accounting purposes	9 101	4 678	9 101	4 678
Income receivable	5 424	4 931	5 239	4 747
Other	1 716	1 702	1 716	1 702
	27 866	21 211	27 681	21 027
5.4 Future income tax equivalent benefit				
Future income tax equivalent benefit comprises the estimated future benefit at applicable income tax equivalent rate of 30% on the following items:				
Provisions and accrued expenditure not currently deductible	11 417	13 358	11 413	13 056
Other	19	18	19	18
	11 436	13 376	11 432	13 074

This future income tax equivalent benefit will be obtained only if:

(a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;

(b) the conditions for deductibility imposed by tax legislation continue to be complied with; and

(c) no changes in tax legislation adversely affect the economic entity in realising the benefit.

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6. DIVIDENDS PAID OR PROVIDED FOR

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Final dividends proposed				
Unfranked dividends	70 545	165 644	70 545	165 644
	70 545	165 644	70 545	165 644

Pursuant to the Queensland Treasurers Tax Equivalent's Manual, Powerlink Queensland and its controlled subsidiaries are not required to maintain a franking account.

7. CASH

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Cash balance comprises:				
Cash on hand	3	3	3	3
Cash on deposit with Queensland Treasury Corporation (QTC)	9 439	10 451	5 972	9 423
Cash held in IRSR account (refer note 33)	75 082	56 845	75 082	56 845
Cash at bank – (bank overdraft)	476	1 240	340	1 236
Closing cash balance	85 000	68 539	81 397	67 507

Deposits at call

Cash on deposit with QTC at 30 June 2002, was bearing floating interest at 5.09% (2001: 5.05%)

Cash at Bank at 30 June 2002, was bearing floating interest at 2.5% (2001: 2.75%)

8. RECEIVABLES (CURRENT)

		CONSOLIDATED		POWERLINK QUEENSLAND	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000	
Trade debtors		44 933	33 719	44 319	33 105
Less provision for doubtful debts		-	-	-	-
		44 933	33 719	44 319	33 105

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9. INVENTORIES (CURRENT)

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2002 $'000	**2001 $'000**	**2002 $'000**	**2001 $'000**
Maintenance and construction stocks	6 985	6 135	6 985	6 135
	6 985	6 135	6 985	6 135

10. OTHER CURRENT ASSETS

Work in progress – customer works	1 429	413	1 429	413
Prepayments	723	279	720	279
Other	216	2	216	2
	2 368	694	2 365	694

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Note	2002 $'000	2001 $'000
Investment in associate	11(a)	26 742	26 500

(a) Interest in associate

Name	Balance date	Ownership interest held by consolidated entity		Investment carrying amount	
		2002	**2001**	**2002**	**2001**
		%	%	$'000	$'000
ElectraNet Pty Ltd	30 June 2002	40.25	40.25	26 465	26 363
Electranet Transmission Services Pty Ltd	30 June 2002	40.25	40.25	277	137
				26 742	26 500

Principal activity

ElectraNet Pty Ltd trading as ElectraNet SA is a provider of electricity transmission services in the State of South Australia.

Electranet Transmission Services Pty Ltd is a provider of asset management services principally to ElectraNet Pty Ltd.

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11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (cont'd)

Share of associates' profits (losses)	CONSOLIDATED	
	2002 $'000	2001 $'000
Share of associates':		
profit/(loss) from ordinary activities before income tax expense	(7 690)	(11 228)
income tax expense relating to profit/(loss) from ordinary activities	2 334	(276)
operating profit/(loss) after income tax	(10 024)	(10 952)
Adjusted for:		
unrealised intercompany expenses	1 483	-
Share of associates' net profit/(loss) accounted for using the equity method	(8 541)	(10 952)
Share of post-acquisition retained profits/(losses) and reserves attributable to associates		
Retained profits/(losses)		
Share of associates' retained profits/(losses) at beginning of year	(10 952)	-
Dividends received from associate	(133)	-
Share of associates' net profit/(loss) accounted for using the equity method	(8 541)	(10 952)
Share of associates' retained profits/(losses) at end of year	(19 626)	(10 952)
Asset revaluation reserve		
Share of associate's asset revaluation reserve at beginning of year	37 444	-
Share of increment in asset revaluation reserve of associates	8 916	37 444
Share of associates' asset revaluation reserve at end of year	46 360	37 444
Movements in carrying amount of investments		
Carrying amount of investments in associates at beginning of the financial year	26 500	-
Investments in associates acquired during the year	-	8
Dividends received from associate	(133)	-
Share of associates' net profit/(loss)	(8 541)	(10 952)
	17 826	(10 944)
Share of increment in associates' asset revaluation reserve	8 916	37 444
Carrying amount of investments in associates at end of year	26 742	26 500
Commitments		
Share of associates' capital expenditure commitments contracted but not provided for and payable:		
Payable not later than one year	3 318	2 029
	3 318	2 029
Share of associates' operating lease commitments payable:		
Payable not later than one year	1 077	1 451
Payable later than one year and not later than five years	1 482	2 507
	2 559	3 958

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11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (cont'd)

	CONSOLIDATED	
	2002	**2001**
	$'000	**$'000**
Contingent liabilities:		
There were no known contingent assets or liabilities of a significant nature as at 30 June 2002.		
Summary financial position of associates		
The consolidated entity's share of aggregate assets and liabilities of associates is as follows:		
Current assets	34 862	27 777
Non-current assets	437 224	425 994
Total assets	472 086	453 771
Current liabilities	26 284	13 602
Non-current liabilities	419 060	413 669
Total liabilities	445 344	427 271
Net assets as reported by associates	26 742	26 500

12. OTHER FINANCIAL ASSETS (NON-CURRENT)

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2002	**2001**	**2002**	**2001**
	$'000	**$'000**	**$'000**	**$'000**
Investments in associates:				
Unlisted shareholder loan notes	57 900	57 900	-	-
Investments in controlled entities:				
Unlisted shares at cost	-	-	1	1
Unsecured loan #	-	-	55 504	55 504
	57 900	57 900	55 505	55 505

Represents an unsecured advance to Harold Street Holdings Pty Ltd, a wholly owned subsidiary of Powerlink Queensland (refer also Note 13).

notes to and forming part of the financial statements
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13. INTERESTS IN SUBSIDIARIES

	Country of incorporation	Percentage of equity interest held by the consolidated entity		Investment	
		2002 %	2001 %	2002 $	2001 $
Harold Street Holdings Pty Ltd	Australia	100	100	12	12
Powerlink Transmission Services Pty Ltd	Australia	100	100	1 002	1 002

14. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Supply system				
Supply system assets subject to Cross Border Lease				
At Directors' valuation 30 June 2002	3 554 424	3 319 984	3 554 424	3 319 984
Less: accumulated depreciation	(1 474 354)	(1 357 159)	(1 474 354)	(1 357 159)
	2 080 070	1 962 825	2 080 070	1 962 825
Other supply system assets				
At Directors' valuation 30 June 2002	185 111	163 144	185 111	163 144
Less: accumulated depreciation	(43 656)	(37 045)	(43 656)	(37 045)
	141 455	126 099	141 455	126 099
Total supply system assets	2 221 525	2 088 924	2 221 525	2 088 924
Other land and buildings				
Freehold land				
At Directors' valuation 30 June 2002	224 493	210 060	224 493	210 060
	224 493	210 060	224 493	210 060
Buildings				
At Directors' valuation 30 June 2002	23 170	22 508	23 170	22 508
Less: accumulated depreciation	(7 725)	(6 849)	(7 725)	(6 849)
	15 445	15 659	15 445	15 659
Total other land and buildings	239 938	225 719	239 938	225 719
Other property, plant and equipment				
At cost	52 860	47 903	52 860	47 903
Less: accumulated depreciation	(34 050)	(28 905)	(34 050)	(28 905)
	18 810	18 998	18 810	18 998
Work in progress				
At cost	104 883	85 376	104 883	85 376
	104 883	85 376	104 883	85 376
Total property, plant and equipment	2 585 156	2 419 017	2 585 156	2 419 017

notes to and forming part of the financial statements
for the year ended 30 june 2002

14. PROPERTY, PLANT AND EQUIPMENT (cont.)

	Supply system $'000	Other land & buildings $'000	Other property plant & equip. $'000	Work in progress $'000	Total $'000
Reconciliations					
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:					
Carrying amount at beginning of year	2 088 924	225 719	18 998	85 376	2 419 017
Additions	-	-	-	159 204	159 204
Disposals	-	(2 826)	(1 590)	-	(4 416)
Depreciation	(82 160)	(674)	(6 489)	-	(89 323)
Revaluation increments/(decrements)	89 867	10 807	-	-	100 674
Reclassifications	-	-	-	-	-
Transfers from works in progress	124 894	6 912	7 891	(139 697)	-
Carrying amount at end of year	2 221 525	239 938	18 810	104 883	2 585 156

15. ACCOUNTS PAYABLE (CURRENT)

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Trade creditors	27 966	19 453	27 951	19 448
Deposits	239	137	239	137
IRSR – refer Notes 1.23, 33	75 082	56 845	75 082	56 845
Other	9 937	5 286	9 937	5 286
	113 224	81 721	113 209	81 716

16. INTEREST-BEARING LIABILITIES

Non-current				
Queensland Treasury Corporation – unsecured (refer Note 23)	1 277 404	1 143 404	1 277 404	1 143 404
	1 277 404	1 143 404	1 277 404	1 143 404

notes to and forming part of the financial statements
for the year ended 30 june 2002

17. PROVISIONS

	Supply system $'000	Other land & buildings $'000	Other property plant & equip. $'000	Work in progress $'000	Total $'000
Current					
Dividends		70 545	165 644	70 545	165 644
Environmental restoration		243	214	243	214
Employee entitlements		3 180	2 658	3 180	2 658
Other		547	376	547	376
		74 515	168 892	74 515	168 892
Non-current					
Environmental restoration		2 134	1 848	2 134	1 848
Employee entitlements		13 570	10 943	13 570	10 943
Other		651	536	651	536
		16 355	13 327	16 355	13 327

18. OTHER LIABILITIES

Current				
Refund capital contributions	6 902	7 812	6 902	7 812
Unearned revenue	1 991	3 469	1 991	2 468
Other	211	-	211	-
	9 104	11 281	9 104	10 280
Non-current				
Refund capital contributions	6 003	12 734	6 003	12 734
Unearned revenue	8 455	10 100	8 455	10 100
	14 458	22 834	14 458	22 834

19. CONTRIBUTED EQUITY

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Issued and paid up capital #				
401 000 000 ordinary shares of $1.00 each fully paid	401 000	401 000	401 000	401 000

	2002 $'000	2001 $'000
# Consists of:		
'A' class (voting) ordinary shares of $1.00 each fully paid	2	2
'B' class (non-voting) ordinary shares of $1.00 each fully paid	400 999 998	400 999 998
Total issued and paid up capital	401 000 000	401 000 000

notes to and forming part of the financial statements
for the year ended 30 june 2002

19. CONTRIBUTED EQUITY (cont.)

Movements in shares on issue

	2002 Number of shares '000	2002 $'000	2001 Number of shares '000	2001 $'000
Balance at beginning of the financial year	401 000	401 000	551 000	551 000
Bought back during the year ##	-	-	(150 000)	(150 000)
Balance at end of the financial year	401 000	401 000	401 000	401 000

In June 2001, 150 000 000 ordinary $1.00 fully paid shares were bought back at face value. No premium per share was paid and the total cost of the buy back was $150,000,000. The reduction in share capital proceeds was used to offset a loan to the State of Queensland.

Terms and conditions of contributed equity

All ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Holders of Class 'A' ordinary voting shares are entitled to one vote per share at Shareholders' meetings.

20. RESERVES

	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	POWERLINK QUEENSLAND 2002 $'000	POWERLINK QUEENSLAND 2001 $'000
Asset revaluation	839 146	729 556	792 786	692 112
	839 146	729 556	792 786	692 112
Movements in reserves				
Asset revaluation				
Balance at beginning of year	729 556	619 707	692 112	619 707
Revaluation increments	100 674	81 710	100 674	81 710
Revaluation decrements	-	(9 305)	-	(9 305)
Share of associates' reserve increments arising during the year	8 916	37 444	-	-
Balance at end of year	839 146	729 556	792 786	692 112

Nature and purpose of reserves

Asset revaluation

The asset revaluation reserve is used to record the net revaluation increments and decrements arising from the revaluation of non-current assets in accordance with AASB 1041.

notes to and forming part of the financial statements
for the year ended 30 june 2002

21. RETAINED PROFITS

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Retained profits at the beginning of the year	35 008	26 288	43 967	26 288
Net profit attributable to members of Powerlink Queensland	74 258	174 364	79 945	183 323
Total available for appropriation	109 266	200 652	123 912	209 611
Dividends provided for or paid	70 545	165 644	70 545	165 644
Retained profits at the end of the year	38 721	35 008	53 367	43 967

22. RECONCILIATION OF OPERATING PROFIT AFTER INCOME TAX EQUIVALENT TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Profit from ordinary activities after income tax equivalent	74 258	174 364	79 945	183 323
Add/(less) items classified as investing/financing activities				
Net (profit)/loss on sale of non-current assets	(867)	(1 853)	(867)	(1 853)
GST investing activities	(280)	10 269	(280)	10 269
Add/(less) non-cash items				
Depreciation	89 323	84 835	89 323	84 835
Amounts set aside to provisions	9 851	6 991	9 851	6 991
Share of associates net (profits)/losses	8 541	10 952	-	-
Dividends received from associates	133	-	-	-
Net cash provided by operating activities before change in assets and liabilities	180 959	285 558	177 972	283 565
Changes in assets and liabilities				
(Increase)/decrease in inventories	(850)	602	(850)	602
(Increase)/decrease in prepayments	(444)	365	(441)	365
(Increase)/decrease in debtors	(12 161)	(7 236)	(12 161)	(6 621)
Increase/(decrease) in creditors	26 412	(7 539)	26 403	(7 545)
Increase/(decrease) in provision for income tax equivalent payable	11 081	(17 044)	10 802	(18 212)
Increase/(decrease) in provision for deferred income tax equivalent	6 655	(89 614)	6 654	(89 798)
(Increase)/decrease in future income tax equivalent benefit	1 940	10 688	1 642	10 990
Increase/(decrease) in other provisions	(16 038)	(338)	(15 038)	(1 338)
Net cash flow provided by (used in) operating activities	197 554	175 442	194 983	172 008

23. NON-CASH FINANCING AND INVESTING ACTIVITIES

No financing or investing activities were undertaken by the economic entity during the period which did not result in cash flows during this period.

notes to and forming part of the financial statements
for the year ended 30 june 2002

24. FINANCING ARRANGEMENTS

Loan facilities

Loan moneys required by Powerlink Queensland are borrowed within annual limits agreed in the corporation's Statement of Corporate Intent.

Loan moneys are acquired through the Queensland Treasury Corporation and are unsecured – (refer Note 16).

25. EXPENDITURE COMMITMENTS

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Capital expenditure commitments				
Estimated capital expenditure contracted for at balance date but not provided for:				
Payable not later than one year	49 267	33 695	49 267	33 695
Payable later than one year but not later than two years	9 705	14 193	9 705	14 193
	58 972	47 888	58 972	47 888
Lease expenditure commitments				
Operating leases (non-cancellable)				
Payable not later than one year	508	463	508	463
Payable later than one year and not later than five years	614	687	614	687
Payable later than five years	663	778	663	778
Aggregate lease expenditure contracted for at balance date	1 785	1 928	1 785	1 928

26. EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS

Employee entitlements

The aggregate employee entitlement liability is comprised of:				
Provisions (current) – refer Note 17	3 180	2 658	3 180	2 658
Provisions (non-current) – refer Note 17	13 570	10 943	13 570	10 943
	16 750	13 601	16 750	13 601

Number of employees

Number of employees at year end 499 (2001: 467)
(full time equivalents).

Superannuation commitments

The economic entity contributes to an industry multiple employer superannuation fund, the Electricity Supply Industry Superannuation (Qld) Ltd. Members, after serving a qualifying period, are entitled to benefits from this scheme on retirement, resignation, retrenchment, disability or death.

The Defined Benefit account of this fund provides defined lump sum benefits based on years of service and final average salary. Employee contributions to the scheme are based on various percentages of their gross salaries.

The most recent actuarial assessment of the fund, as at 1 July 1999, was carried out by Mr Shane Mather BAppSc (Maths) FIAA on 30 May 2000. The actuary concluded that all liabilities of the scheme which may be expected to arise in the normal course of events, and the vested interests at that date in respect of current members, could be adequately met.

notes to and forming part of the financial statements
for the year ended 30 june 2002

26. EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS (cont.)

The estimated accrued benefits and fund assets at the date of the most recent actuarial assessment of the fund based upon information supplied by the scheme, are:

	1999*
	$'000
Net market value of assets held by the fund to meet future benefit payments	82 118 **
Present value of employees' accrued benefits	49 372 **
Excess of assets held to meet future benefit payments over present value of employees' accrued benefits	32 746

* Date of most recent previous actuarial assessment.

** Apportionment as at 30 June 2002 of 1999 actuarial assessment.

27. CONTINGENT ASSETS AND LIABILITIES

There were no known contingent assets or liabilities of a significant nature at 30 June 2002.

28. SUBSEQUENT EVENTS

No events have occurred subsequent to 30 June 2002 that materially affect the results disclosed in these financial statements.

29. REMUNERATION OF DIRECTORS

The number of Directors of Queensland Electricity Transmission Corporation Limited whose income from the company or any related party (including superannuation contributions) falls within the following bands is:

$	$	2002	2001
0 -	9 999	-	1
10 000 -	19 999	-	-
20 000 -	29 999	4	3
30 000 -	39 999	-	-
40 000 -	49 999	1	1

notes to and forming part of the financial statements
for the year ended 30 june 2002

29. REMUNERATION OF DIRECTORS (cont.)

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Directors' remuneration				
Income paid or payable or otherwise made available in respect of the financial year to all Directors of each entity in the economic entity, directly or indirectly by the entities of which they are Directors or any related party	147	127		
Income paid or payable or otherwise made available in respect of the financial year to all Directors of Queensland Electricity Transmission Corporation Limited directly or indirectly from the entity or any related party			147	127

Directors' remuneration excludes insurance premiums paid by the parent entity in respect of Directors' and Officers' liability insurance contracts and premiums in respect of Directors' and Officers' supplementary legal expenses as the contracts do not specify premiums paid in respect of individual Directors and Officers. Information relating to the insurance contracts is set out in the Directors' Report.

30. REMUNERATION OF EXECUTIVES

Powerlink Queensland's remuneration policy uses the concept of Total Fixed Remuneration, from which elements such as superannuation contributions and motor vehicle costs are deducted. The policy is to set Total Fixed Remuneration below the relevant market median for the position.

The remuneration arrangements in management contracts also include performance pay, which is not shown in the remuneration disclosed below. Performance pay is paid upon achieving and/or exceeding pre-agreed targets, which comprise corporate measures and individual measures.

The number of Executive Officers of the company and of controlled entities, whose remuneration from the Company or related parties, and from entities in the economic entity was within the specified bands are as follows:

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2002	2001	2002	2001
$	$'000	$'000	$'000	$'000
120 000 – 129 999	-	1	-	1
130 000 – 139 999	2	4	2	4
140 000 – 149 999	2	2	2	2
150 000 – 159 999	3	1	3	1
180 000 – 189 999	1	-	1	-
200 000 – 209 999	-	1	-	1
230 000 – 239 999	1	-	1	-
260 000 – 269 999	-	1	-	1
300 000 – 309 999	1	-	1	-

notes to and forming part of the financial statements
for the year ended 30 june 2002

30. REMUNERATION OF EXECUTIVES (cont.)

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Total income received or due and receivable from the company, entities in the economic entity, or related parties by Executive Officers of the company and of controlled entities whose total fixed remuneration is $100 000 or more	1 760	1 581	1760	1 581

31. AUDITORS' REMUNERATION

Remuneration for audit or review of the financial statements of Powerlink Queensland or any entity in the economic entity

Amounts received or due and receivable by the auditors of Queensland Electricity Transmission Corporation Limited:

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Queensland Audit Office	123	103	108	97
	123	103	108	97

notes to and forming part of the financial statements
for the year ended 30 June 2002

32. FINANCIAL INSTRUMENTS

(a) Interest rate risk

The economic entity's exposure to interest rate risk and the effective weighted average interest rates of financial assets and financial liabilities, recognised and unrecognised at the balance date, are as follows:

2002		Fixed interest rate maturing in:					
Financial instruments	Floating interest rate	1 year or less	1–5 years	More than 5 years	Non-interest bearing	Total carrying amount as per balance sheet	Weighted average effective interest rate
	2002	2002	2002	2002	2002	2002	2002
	$'000	$'000	$'000	$'000	$'000	$'000	%
(i) Financial assets							
Cash	84 997	-	-	-	3	85 000	5.08
Receivables	-	-	-	-	44 933	44 933	
Other financial assets	57 900	-	-	-	-	57 900	14.53
Total financial assets	**142 897**	**-**	**-**	**-**	**44 936**	**187 833**	
(ii) Financial liabilities							
Loans	-	-	1 228 000	49 404	-	1 277 404	6.32
Payables	-	-	-	-	113 224	113 224	
Dividends payable	-	-	-	-	70 545	70 545	
Total financial liabilities	**-**	**-**	**1 228 000**	**49 404**	**183 769**	**1 461 173**	

2001		Fixed interest rate maturing in:					
Financial instruments	Floating interest rate	1 year or less	1–5 years	More than 5 years	Non-interest bearing	Total carrying amount as per balance sheet	Weighted average effective interest rate
	2001	2001	2001	2001	2001	2001	2001
	$'000	$'000	$'000	$'000	$'000	$'000	%
(i) Financial assets							
Cash	68 536	-	-	-	3	68 539	3.10
Receivables	-	-	-	-	33 719	33 719	
Other financial assets	57 900	-	-	-	-	57 900	14.53
Total financial assets	**126 436**	**-**	**-**	**-**	**33 722**	**160 158**	
(ii) Financial liabilities							
Interest-bearing liabilities	-	-	-	1 143 404	-	1 143 404	6.37
Payables	-	-	-	-	81 721	81 721	
Dividends payable	-	-	-	-	165 644	165 644	
Total financial liabilities	**-**	**-**	**-**	**1 143 404**	**247 365**	**1 390 769**	

(b) Foreign exchange risk

The consolidated entity enters into forward foreign exchange contracts to hedge a proportion of anticipated purchase commitments dominated in foreign currencies (principally US dollars) subject to Board-approved limits.

The following table sets out the gross value to be received under foreign currency contracts, the weighted average contracted exchange rates and the settlement periods of outstanding contracts for the consolidated entity.

At balance date, the details of outstanding contracts are Australian dollar equivalents.

notes to and forming part of the financial statements
for the year ended 30 june 2002

32. FINANCIAL INSTRUMENTS (cont.)

	WEIGHTED AVERAGE RATE		CONSOLIDATED	
	2002	2001	2002 $'000	2001 $'000
Buy U.S. dollars				
Maturity				
Not longer than one year	-	0.53	-	475
Buy Euros				
Maturity				
Not longer than one year	0.5885	0.6037	6 805	2 061

As these contracts are hedging anticipated future purchases, any unrealised gains and losses on the contracts, together with the costs of the contracts, will be recognised in the financial statements at the time the underlying transaction occurs. The net unrecognised profit on hedges of anticipated foreign currency purchases and sales at 30 June 2002 was $211 083 (2001: Profit $33 543).

(c) Commodity price risk

The economic entity enters into contracts to hedge commodity purchase prices on anticipated purchase commitments of aluminium. The terms of these contracts are rarely more than three years. As these contracts are hedging anticipated future purchases, any unrealised gains and losses on the contracts, together with the costs of the contracts, will be recognised in the measurement of the underlying purchase commitment. There were no outstanding future commodity purchase contracts as at 30 June 2002.

(d) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

Recognised financial instruments

The credit risk on financial assets of the economic entity which have been recognised on the statement of financial position, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

Powerlink Queensland is exposed to credit-related losses through its provision of electricity transmission services to a small number of large customers (electricity generators and distributors), but it is not expected that any of these customers will fail to meet their obligations.

Unrecognised financial instruments

Credit risk on derivative contracts which have not been recognised on the statement of financial position is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

Foreign exchange contracts are subject to credit risk in relation to the relevant counterparties, which is principally Queensland Treasury Corporation. The maximum credit risk exposure on foreign currency contracts is the full amount of the foreign currency the economic entity pays when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the economic entity. The full amount of the exposure is disclosed at Notes 32(b) and 32(c).

Foreign exchange contracts are subject to credit risk in relation to transactions executed by the Queensland Treasury Corporation (QTC) in its capacity as agent for Powerlink Queensland. The net exposure to Powerlink Queensland is to highly rated financial institutions.

notes to and forming part of the financial statements
for the year ended 30 june 2002

32. FINANCIAL INSTRUMENTS (cont.)

(e) Net fair values of financial assets and liabilities

Valuation approach

Net fair values of financial assets and liabilities are determined by the economic entity on the following basis:

Unrecognised financial instruments

The valuation of financial instruments not recognised on the statement of financial position detailed in this note reflects the estimated amounts which the economic entity expects to pay or receive to terminate the contracts or replace the contracts at their current market rates at reporting date. This is based on independent market quotations and determined using standard valuation techniques.

The net fair value of financial instruments not recognised on the statement of financial position as the reporting date is:

	2002 $'000	2001 $'000
Forward foreign exchange contracts	211	34
	211	34

Recognised financial instruments

The net fair value of cash and cash equivalents and non-interest-bearing monetary financial assets and financial liabilities of the economic entity approximates their carrying value.

The net fair value of other monetary assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

The aggregate net fair values of financial assets and financial liabilities, recognised and unrecognised, at the balance date, are as follows.

	Total carrying amount as per the Statement of Financial position		Aggregate net fair value	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Financial assets				
Cash assets	85 000	68 539	85 000	68 539
Receivables	44 933	33 719	44 933	33 719
Total financial assets	129 933	102 258	129 933	102 258
Financial liabilities				
Accounts payable	113 224	81 721	113 224	81 721
Interest-bearing liabilities	1 277 404	1 143 404	1 260 149	1 141 201
Dividends payable	70 545	165 644	70 545	165 644
Total financial liabilities	1 461 173	1 390 769	1 443 918	1 388 566

Although borrowings are carried in the Statement of Financial Position at an amount greater than the aggregate net fair value, the Directors have not caused those liabilities to be written down to the aggregate net fair value as it is intended to retain those liabilities until maturity.

notes to and forming part of the financial statements
for the year ended 30 june 2002

33. SETTLEMENTS RESIDUE (IRSR)

	2002 $'000	2001 $'000
Opening balance	56 845	43 555
Residue transferred from NEMMCO	46 045	54 107
Interest earned	2 936	1 906
Transfer to Powerlink Queensland – to offset network charges	(30 684)	(42 720)
Miscellaneous charges	(60)	(3)
Balance of settlements residue as at 30 June 2002 (refer Notes 1.22, 7)	75 082	56 845

34. RELATED PARTIES

Directors

The names of persons who were Directors of Queensland Electricity Transmission Corporation Limited at any time during the financial year are as follows:

>> Else Shepherd (Chairman)
>> Patricia Conroy
>> Merv Norman
>> Walter Threlfall
>> Christina Sutherland

Remuneration and retirement benefits

Information on remuneration and retirement benefits of Directors is disclosed in Note 29.

Directors' shareholdings

No shares in Powerlink Queensland were held by Directors of the Company and economic entity or their Director-related entities.

Other transactions with Directors and Director-related entities

The Chairman of Powerlink Queensland, Else Shepherd, is also a Director of NEMMCO – the company responsible for the operation of the National Electricity Market (NEM). An amount of $123 136 (2001: $19 975) was paid by Powerlink Queensland to NEMMCO for services associated with the operation of the NEM. An amount of $1 641 814 (2001: $1 740 608) was received from NEMMCO for services associated with transmission network system security and the electricity market.

Other than as outlined above, the terms and conditions of transactions with Directors and their Director-related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non Director related entities on an arm's length basis.

notes to and forming part of the financial statements
for the year ended 30 june 2002

34. RELATED PARTIES (cont.)

Director-related parties – associated companies

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2002 $'000	**2001 $'000**	**2002 $'000**	**2001 $'000**
The aggregate amounts included in the profit from ordinary activities before income tax equivalent expense that resulted from transactions with Director-related parties are:				
Service charges	2 877	6 680	2 877	6 680
Interest	6 888	5 640	-	5 640
Dividends	133	-	-	-
Receivables				
Aggregate amounts receivable from Director-related parties are:				
Current	634	637	20	23
Payables				
Aggregate amounts payable to Director-related parties are:				
Current	-	1 000	-	1 000
Percentage of equity interest				
Details of equity interests held in classes of related parties are set out as follows:				
Controlled entities Note 13				
Associates Note 11				

directors' declaration

In the opinion of the Directors of Queensland Electricity Transmission Corporation Limited:

(a) the financial statements and notes are in accordance with the Corporations Act 2001, including:
   (i) giving a true and fair view of the financial position of the company and economic entity as at 30 June 2002 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

E.E. Shepherd
Chairman

Dated: 19 September 2002

independent audit report

To the Members of the Queensland Electricity Transmission Corporation Limited

Scope

I have audited the financial statements, being the Director's Declaration, the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and Notes to and forming part of the financial statements of the Queensland Electricity Transmission Corporation Limited for the financial year ended 30 June 2002. The financial statements include the consolidated accounts of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year. The Directors of the Company are responsible for the preparation and the presentation of the financial statements and information they contain. I have audited these financial statements in order to express an opinion on them to the members of the Company.

The audit has been conducted in accordance with *QAO Auditing Standards*, which incorporate Australian Auditing Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial statements are presented fairly in accordance with Australian Accounting Standards and other mandatory professional reporting requirements and statutory requirements in Australia so as to present a view which is consistent with my understanding of the Company's and the consolidated entity's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion, the financial statements of the Queensland Electricity Transmission Corporation Limited are in accordance with -

(a) the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2002 and of their performance for the period ended on that date; and

  (ii) complying with Australian Accounting Standards and the Corporations Regulations; and

(b) other mandatory professional reporting requirements in Australia.

L J SCANLAN, FCA
Auditor-General of Queensland

Queensland Audit Office
Brisbane

statistics

statistical summary

Transmission lines and underground cables added in 2001/2002	Transmission lines Route km	Transmission lines Circuit km	Underground cables Route km	Underground cables Circuit km	Location
330kV	0	0	0	0	
275kV	83	108	0	0	Swanbank E PS, Tarong North PS, Chalumbin-Springmount, Loganlea-Drewvale, Karana-Rocklea-West Darra Line changes
132kV	0	0	0	0	
110kV	0	0	0	0	
Total	**83**	**108**	**0**	**0**	

Substation/switching stations and transformers added in 2001/2002	Substations Total Number	Transformers (Step down) Total Number	Transformers (Step up) Total rating MVA	Total Number	Total rating MVA	Location
330kV	0	0	0	0	0	
275kV	3	2	735	0	0	Swanbank E, Strathmore and Loganlea 275kV substations. Rocklea 2nd Transf and Loganlea transformer
132kV	0	-1	116	0	0	Townsville South, Cairns and Gladstone South Transformers replaced
110kV	-1	-3	-120	0	0	Loganlea 275kV replaces 110kV. Tennyson, Townsville South and Gladstone South transformer replaced
Total	**2**	**-2**	**731**	**0**	**0**	

Circuit breakers added in 2001/2002	Total Number	Location
330kV	0	Braemar, Bulli Creek and Millmerran substations
275kV	23	Braemar and Blackwall substations
132kV	3	Collinsville, Cardwell, Townsville South, Palmwoods and Tully substations
110kV	-3	Loganlea, Upper Kedron and Tennyson substations
33kV	-29	
Total	**-6**	

Five year history of transmission lines and underground cables as at 30 June 2002	2002 Route km	2002 Circuit km	2001 Route km	2001 Circuit km	2000 Route km	2000 Circuit km	1999 Route km	1999 Circuit km	1998 Route km	1998 Circuit km
Transmission lines										
330kV	253	505	253	505						
275kV	4834	6192	4751	6084	4621	5825	4481	5546	4148	4879
132kV	2620	3958	2620	3958	2620	3958	2620	3958	2612	3943
110kV	285	528	285	528	280	524	239	441	239	441
66kV	1	1	1	1	1	1	1	1	1	1
22kV	0	0	0	0	0	0	0	0	0	0
Total lines	7993	11184	7910	11076	7522	10308	7341	9946	7000	9264
Underground cables										
275kV	2	5	2	5	2	5	2	5	2	5
110kV	3	6	3	6	7	10	7	10	7	10
66kV	1	1	1	1	1	1	1	1	1	1
Total cables	6	12	6	12	10	16	10	16	10	16
Total lines & cables	7999	11196	7916	11088	7532	10324	7351	9962	7010	9280

Substation/switching stations as at 30 June 2002	**Substations Total Number**
330kV	3
275kV	26
132kV	46
110kV	12
Total	87

Transformers as at 30 June 2002	**Transformers (Step down) Total number**	**Total rating MVA**	**Transformers (Step up) Total number**	**Total rating MVA**
330kV	0	0	2	2250
275kV	41	8250	0	0
132kV	63	3280	2	100
110kV	19	1150	0	0
66kV	0	0	0	0
Total	123	12680	4	2350

Circuit breakers as at 30 June 2002	**Total number**
330kV	21
275kV	267
132kV	323
110kV	177
66kV, 33kV and 11kV	33
Total	821

glossary of terms and abbreviations

ACCC	Australian Competition and Consumer Commission
APUG	Asia Pacific Utilities Group
COP	Community Offsets Program
CPI	Consumer Price Index - an economic indicator
Debt to Equity	Debt/Debt + Equity
EIA	Environmental Impact Assessment
EIAR	Environmental Impact Assessment Review
EIS	Environmental Impact Statement
EMP	Environmental Management Plan
EMF	Electric and Magnetic Fields
ESAA	Electricity Supply Association of Australia
GIS	Geographic Information System
GOC	Government Owned Corporation
GW	gigawatt - one GW + 1000 megawatts or 1000 million watts
GWh	gigawatt hour - one GWh = 1000 megawatt hours or one million kilowatt hours
Interest Cover	EBIT/Gross interest expense
ITOMS	International Transmission Operations and Maintenance Study
km	kilometre
kV	kilovolt - one kV = 1000 volts (A volt is a unit of potential or electrical pressure)
kW	kilowatt - one kW = 1000 watts (A watt is a unit of electrical power or the rate of doing work)
kWh	kilowatt hour - the standard unit of energy representing consumption of electrical energy at the rate of one kilowatt over the period of one hour
m	million
mG	milligauss
MVA	megavolt ampere - a unit of apparent power and can represent the rating of equipment such as transformers
MVar	megavar reactive component of power
MW	megawatt - one MW = 1000 kilowatts or one million watts
MWh	megawatt hour - one MWh = 1000 kilowatt hours
NEC	National Electricity Code
NECA	National Electricity Code Administrator
NEM	National Electricity Market
NEMMCO	National Electricity Market Management Company
QERU	Queensland Electricity Reform Unit
QETC	Queensland Electricity Transmission Corporation (trading as Powerlink Queensland)
QNI	Queensland New South Wales Interconnector
QTC	Queensland Treasury Corporation
Return on Assets	Earnings before interest and tax and after abnormals (EBIT)/Average total assets
Return on Equity	Operating profit after income tax/Average total equity
SCI	Statement of Corporate Intent
SF6	Sulfur hexafluride gas
System minute	one system minute - a measure of energy not supplied during transmission disturbances. One system minute is the amount of energy which would be transported during one minute at the system maximum demand.
TNSP	Transmission Network Service Provider
TUOS	Transmission Use of System Charges