
New South Wales Auditor-General's Report

Financial Audit

Volume Four 2013

Focusing on Electricity



The role of the Auditor-General

The roles and responsibilities of the Auditor-General, and hence the Audit Office, are set out in the *Public Finance and Audit Act 1983*.

Our major responsibility is to conduct financial or 'attest' audits of State public sector agencies' financial statements. We also audit the Total State Sector Accounts, a consolidation of all agencies' accounts.

Financial audits are designed to add credibility to financial statements, enhancing their value to end-users. Also, the existence of such audits provides a constant stimulus to agencies to ensure sound financial management.

Following a financial audit the Office issues a variety of reports to agencies and reports periodically to parliament. In combination these reports give opinions on the truth and fairness of financial statements, and comment on agency compliance with certain laws, regulations and Government directives. They may comment on financial prudence, probity and waste, and recommend operational improvements.

We also conduct performance audits. These examine whether an agency is carrying out its activities effectively and doing so economically and efficiently and in compliance with relevant laws. Audits may cover all or parts of an agency's operations, or consider particular issues across a number of agencies.

Performance audits are reported separately, with all other audits included in one of the regular volumes of the Auditor-General's Reports to Parliament – Financial Audits.

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Pursuant to the *Public Finance and Audit Act 1983*,
I present Volume Four of my 2013 report.

A handwritten signature in black ink, reading 'A. T. Whitfield'.

A T Whitfield
Auditor-General
4 November 2013

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Significant Items

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Section One

Overview

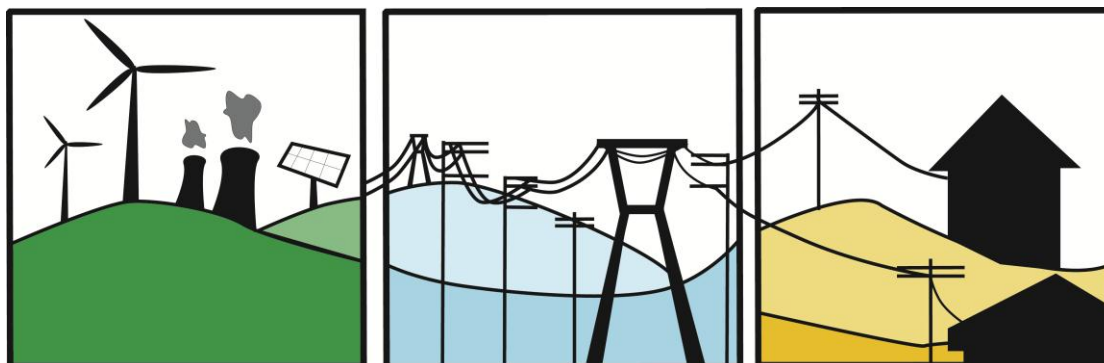
Electricity Industry Overview



Electricity Industry Overview

Electricity Corporations and Audit Opinions

Seven State owned corporations were involved in generating, transmitting and distributing electricity in New South Wales during the year to 30 June 2013.



Generation

Macquarie Generation

Delta Electricity

Eraring Energy

Combined profit
\$165 million

Combined total assets
\$5.7 billion

Combined total debt
\$1.5 billion

Return on assets
5.2 per cent

Transmission

TransGrid

Net profit after tax
\$248 million

Total assets
\$6.2 billion

Total debts
\$2.4 billion

Return on assets
7.8 per cent

Distribution

Ausgrid

Endeavour Energy

Essential Energy

Combined profit after tax
\$1.4 billion

Combined total assets
\$30.3 billion

Combined total debt
\$16.2 billion

Return on assets
10.9 per cent

I issued unqualified audit opinions on all the corporations' financial statements for the year ended 30 June 2013 with the exception of Eraring Energy as this audit is yet to be finalised.

Compliance with Treasury's Early Close Procedures

During the year, Treasury issued TC 13/01 'Mandatory early close procedures for 2013'. This circular aimed to improve the quality and timeliness of agencies' annual financial statements. In 2012-13, application of the circular was made mandatory for State owned corporations. As a result, the NSW Generators, Distributors and Transgrid were required to perform the early close procedures.

All the electricity entities were broadly successful in performing the procedures, which helped them submit financial statements by an earlier due date. This in turn enabled the financial statement audits to be finalised within an earlier timeframe of eight weeks (nine weeks in 2011-12), with the exception of Eraring Energy's audit, which is yet to be finalised.

The early close procedures also resulted in improvements to the quality of the financial statements, as evidenced by fewer reported misstatements in 2012-13 compared to 2011-12.

During the year, the Distributors undertook a project to harmonise and consistently apply their accounting policies. This also contributed to the improved quality and timeliness of their financial statements and the Distributors' audits being finalised much earlier than the previous year.

Key Issues

Sale of Generation Business

The *Electricity Generator Assets (Authorised Transactions) Act 2012* (the Act) was assented to on 5 June 2012. This Act authorised the privatisation of NSW Generator assets and directed that the sale proceeds be paid directly to the State Government into the Restart NSW Fund. This fund was established in June 2011 to support a range of high priority future infrastructure projects.

Sale of Eraring Energy

On 1 July 2013, the NSW Government executed a sale and purchase agreement with Origin Energy (Origin) to sell the Eraring and Shoalhaven power stations for cash consideration of \$50.0 million on 1 August 2013. On the same date, Eraring Energy's remaining wind and hydro generation assets, with the exception of Warragamba, were transferred to Green State Power Pty Limited, a new company established on 4 June 2013 by the State Government. Warragamba was transferred to Sydney Catchment Authority.

Termination of Cobbora Coal Supply Agreement

As part of the sale of Eraring Energy to Origin, the Cobbora coal supply agreement was terminated. Origin agreed to this termination in return for a payment of \$300 million from the State. Macquarie Generation and Delta Electricity were also directed by the NSW Treasurer to terminate their coal supply agreements with Cobbora without any compensation payable. Termination of this agreement removed any obligation to develop and operate the Cobbora coal mine. The capital expenditure required to develop the mine had been estimated at around \$1.5 billion.

Sale of Delta West

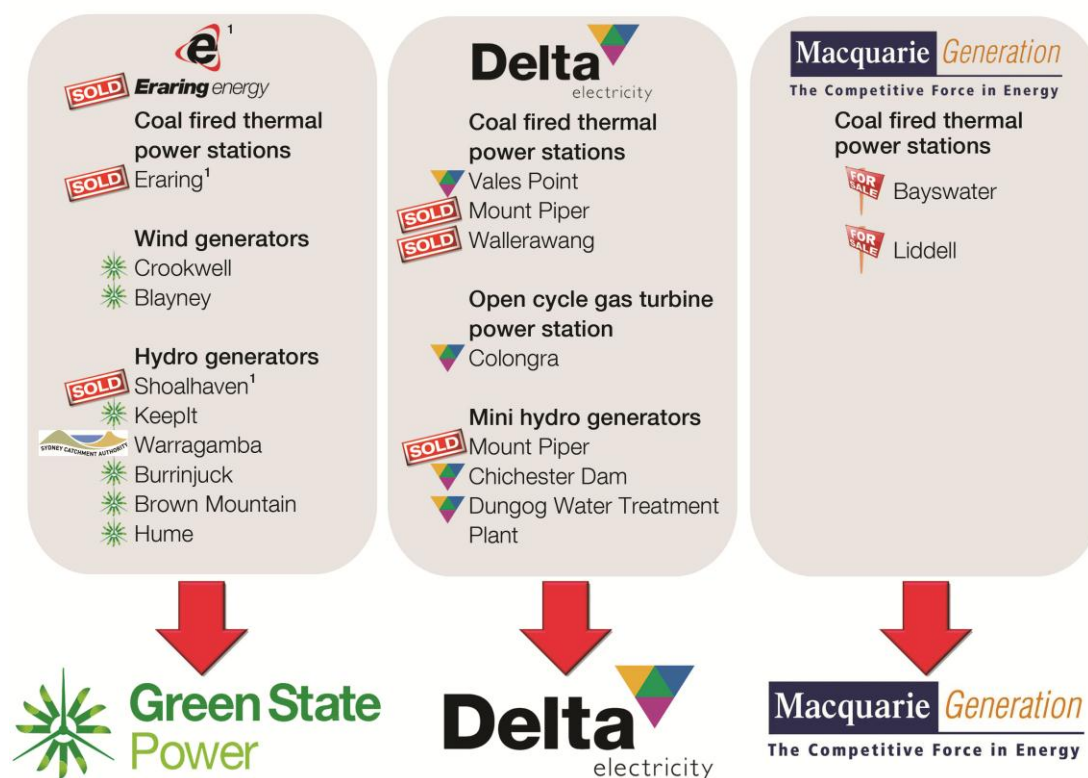
On 25 July 2013, the NSW Government executed a sale and purchase agreement with EnergyAustralia to sell the Mount Piper and Wallerawang (Delta West) power stations for a cash consideration of \$160 million. The sale transaction was completed on 2 September 2013.

Expressions of Interest – Macquarie Generation

On 30 July 2013, the NSW Government called for expressions of interest for the purchase of Macquarie Generation assets. Completion of this sale transaction is expected to occur in 2013-14.

The State paid \$300 million to Origin Energy to terminate its coal supply agreement with Cobbora removing the State's obligation to supply coal below the expected cost of production

Following the recent Generator sale transactions, the residual structure of the NSW State owned Generator businesses can be illustrated as follows:



1: The residual Eraring Energy business (following asset transfers to Green State Power and Sydney Catchment Authority) was sold to Origin Energy on 1 August 2013. At this date Eraring Energy no longer exists as a NSW State owned corporation. Eraring Energy is now a company owned by Origin Energy.

Increase in NSW Electricity Distributor Profits

For the year ended 30 June 2013, the combined profit after tax for NSW Distributors was \$1,363 million (\$771 million in 2012), a 76.8 per cent increase. The improvement in financial performance was primarily due to increases in revenue from continuing operations, prudent capital expenditure management and ongoing efficiency savings in operating expenditure.

Revenue from continuing operations increased to \$7.0 billion in 2012-13 (\$6.3 billion), mainly due to higher network revenue. Network revenue increased due to higher electricity prices determined by the Australian Energy Regulator (AER) for 2009-14, supporting significant investment by Distributors and TransGrid in the electricity network.

Expenses, excluding finance costs, depreciation and amortisation, fell by \$176 million to \$2.9 billion in 2012-13 (\$3.1 billion), mainly due to decreases in employee overtime expenses, lower labour costs resulting from productivity initiatives and management of discretionary expenditure. Increased government bond rates at 30 June 2013 reduced actuarially assessed employee entitlement liabilities and related expenses. Network capital expenditure fell by 20 per cent from \$3.0 billion to \$2.4 billion, which was lower than the AER's approved capital expenditure of \$3.3 billion.

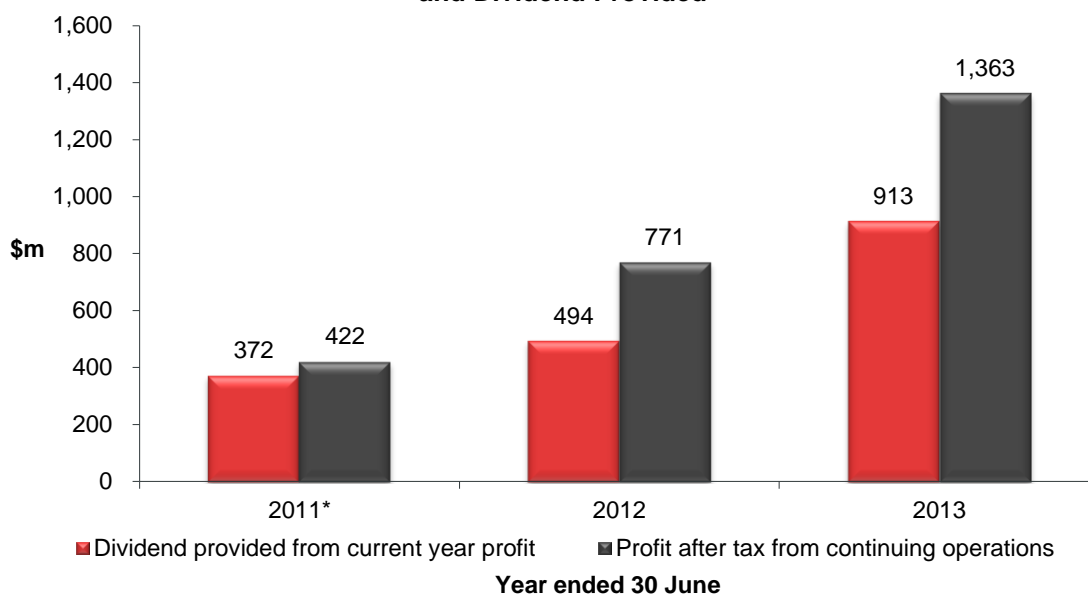
Under the NSW Financial Distributions Policy for government business, dividend targets are negotiated annually between the shareholders and the board of each Distributor and agreed in each entity's Statement of Corporate Intent. Generally a dividend payout ratio of 70 per cent of post-tax profits (adjusted for non-cash items) is agreed.

The dividend payable in 2012-13 by Distributors was based on the government's dividend cap policy and negotiations between NSW Treasury on behalf of the shareholders and the Distributors.

Combined
profit after tax
for NSW
Distributors
was
\$1,363 million,
an increase of
76.8 per cent

At 30 June 2013, \$913 million in dividends were payable by NSW Distributors to the State Government from current year profits. This is 85 per cent more than the previous year

New South Wales Distributors Combined Operating Profit after Tax and Dividend Provided



Source: Distributor audited financial statements.

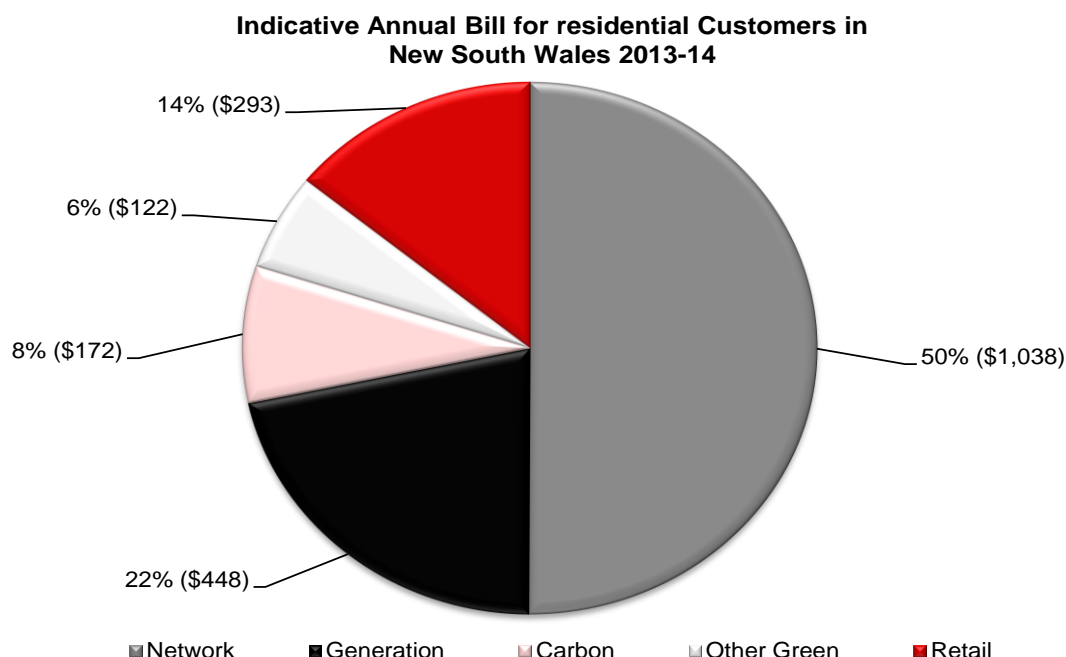
* 2011 excludes special dividends by Ausgrid of \$1.4 billion, Essential Energy of \$1.2 billion and Endeavour Energy of \$900 million, relating to the electricity sale transactions in 2011.

The graph above shows total dividends payable by Distributors to the State Government almost doubled in 2012-13 from \$494 million to \$913 million and was primarily driven by the increase in Distributor profits.

Increase in Electricity Retail Prices

Consumer electricity bills have more than doubled over the last six years. The Independent Pricing and Regulatory Tribunal (IPART) estimates annual electricity bills for average households will increase to \$2,073 in 2013-14, an increase of 1.7 per cent over the previous year.

The graph below shows the components of an indicative residential annual electricity bill in 2013-14:

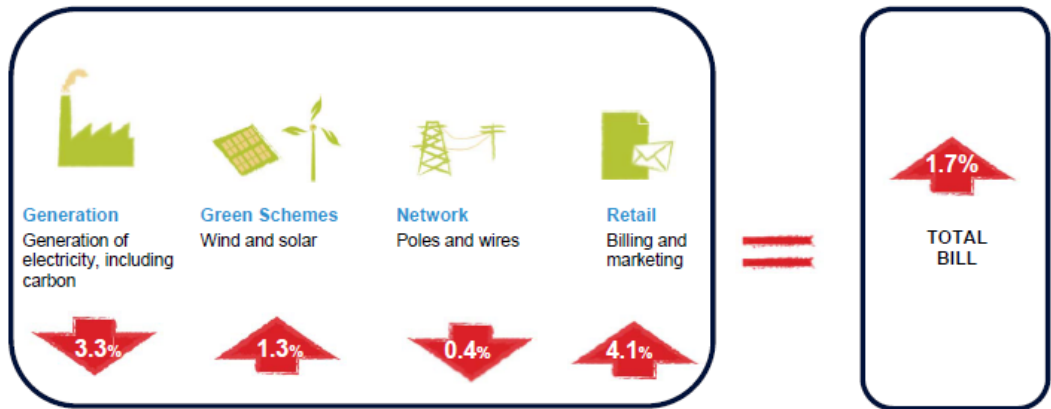


Source: IPART 'Review of Regulated Retail Prices for Electricity – From 1 July 2013 to 30 June 2016'.

Electricity bills are expected to increase by 1.7 per cent in 2013-14, substantially less than increases in recent years

The main factors impacting the average price change for 2013-14 are higher retail costs offset by lower generation costs. Retail costs including those associated with customer service, acquisition and retention of customers are expected to be higher in the short term to support competition in the electricity market. An estimate of these costs is reflected in the regulated retail prices.

Decreases in network and generation costs contributed to the lower increase in electricity prices in 2013-14



Source: IPART 'Review of Regulated Retail Prices for Electricity – From 1 July 2013 to 30 June 2016'.

Note: 'Green Schemes' include all of the Commonwealth and NSW Government schemes designed to reduce greenhouse emissions except for the Commonwealth Government's carbon pricing mechanism. The costs of complying with the carbon pricing mechanism are included in the costs of generation.

Smaller increases in 2013-14 regulated electricity prices, are in part due to reductions in network costs. In the previous year, network costs accounted for nearly half of the 18 per cent increase in regulated electricity prices. IPART expects revised policy and governance arrangements to result in moderate network cost changes over the medium-term. A decline in generation costs is expected in 2013-14 mainly due to the one-off effect of the carbon pricing mechanism in 2012-13. The 2012-13 financial impact of the carbon tax on the NSW Generators is discussed later in this report.

IPART expects regulated electricity prices to increase by less than inflation in 2014-15 and to fall by approximately 6.9 per cent in 2015-16.

IPART expects regulated electricity prices to increase by 1.8 per cent in 2014-15 and fall by approximately 6.9 per cent in 2015-16

Trend in New South Wales Regulated Electricity Retail Prices



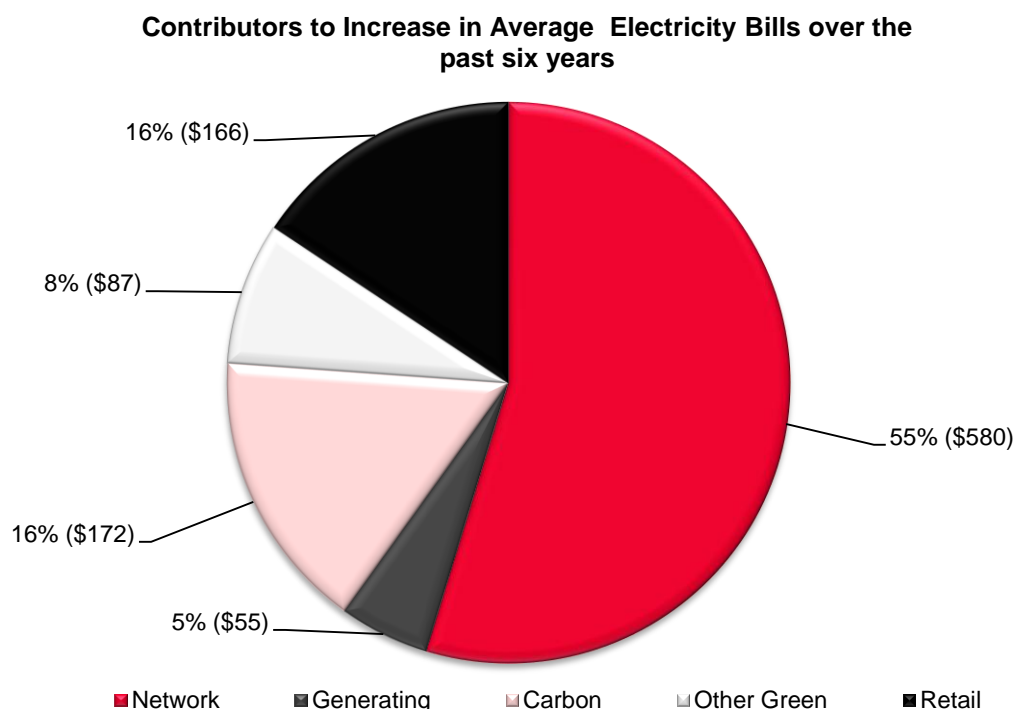
Source: IPART Table 1.2 IPART 'Review of Regulated Retail Prices for Electricity – From 1 July 2013 to 30 June 2016', IPART 'Changes in Electricity Retail Prices from 1 July 2012' and IPART 'Changes in Electricity Retail Prices from 1 July 2011'.

The fall in regulated electricity prices reflects the reduced cost of the carbon price as it moves from a fixed price to a market price linked to international carbon markets. European carbon permits cost far less than Australia's current fixed price. The forecasted electricity retail prices are based on the current carbon pricing mechanism.

Increase in Average Electricity bills over the past six years

Regulated electricity price increases over the last six years have increased the average electricity bill from \$1,013 in 2007-08 to \$2,073 in 2013-14. The primary contributor has been rising network charges, accounting for 55 per cent of the increase since 2007-08.

Annual electricity bills for average households have increased to \$2,073 from \$1,013 in 2007-08



Source: IPART Figure 2.1 IPART 'Review of Regulated Retail Prices for Electricity – From 1 July 2013 to 30 June 2016'.

Network charges represent the cost of delivering electricity through poles and wires. These charges are determined by the AER.

Rising network charges have resulted from the significant capital investment programs the Distributors and TransGrid have undertaken to:

- meet forecast growing loads and rising peak growth demand as the State's population grows and patterns of energy use change
- replace ageing assets
- meet licensing conditions intended to improve network security and reliability.

The need for substantial increases in capital works was confirmed in the AER's 2009-14 determination. Its approval of network prices was based on the amount the revenue Distributors reasonably need to recover a set of costs. These costs are submitted by the Distributors as part of the five-year regulatory process and primarily include:

- a forecast of operational and maintenance expenses
- a return on capital
- asset depreciation costs.

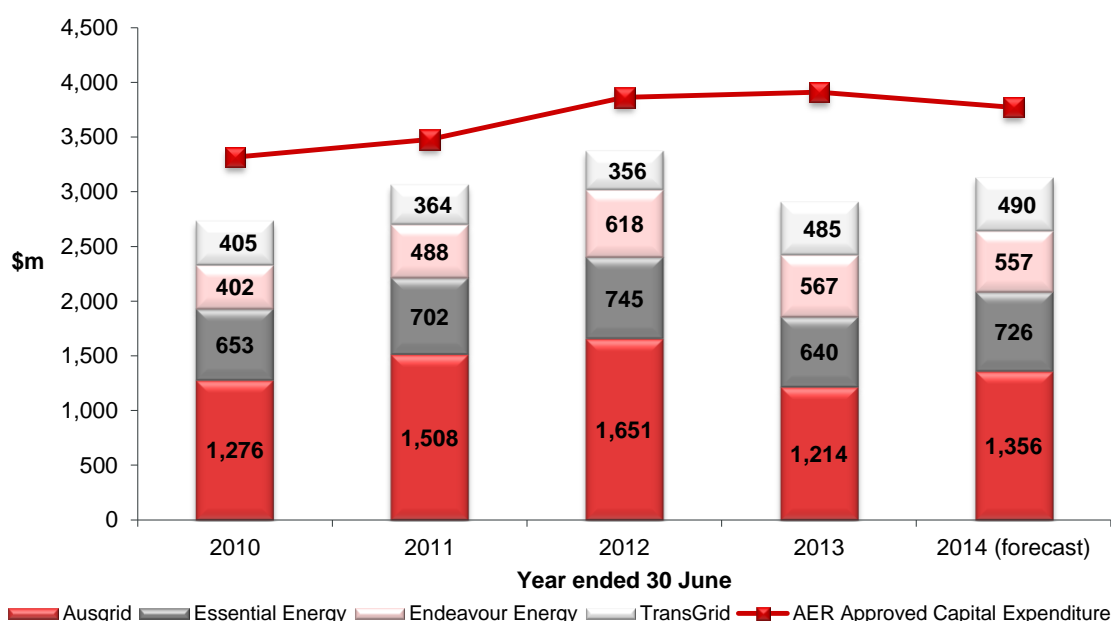
Actual capital expenditure by NSW Distributors and TransGrid for 2009-14 is \$3.1 billion lower than the amount approved by the AER

Approved AER 2009-14 Capital Expenditure versus Actual Spending

The AER approved \$18.3 billion capital expenditure for the 2009-14 regulatory period for all three Distributors and TransGrid. Actual and forecast capital expenditure reported by the Distributors and TransGrid over this period is \$15.2 billion, \$3.1 billion lower than that approved by the AER.

The graph below shows combined actual capital expenditure for all Distributors and TransGrid has remained below the AER approved expenditure for each regulatory year. The highest level of underspend was \$1.0 billion in 2012-13. Reduced levels of capital expenditure during 2009-14 are the result of Distributors and TransGrid responding to reduced levels of energy demand over the past few years. This has led to the deferral of some planned infrastructure upgrades.

**Capital Expenditure 2009-14
New South Wales Distributors and TransGrid**



Source: Distributors and TransGrid (unaudited).

Ausgrid's capital expenditure is the highest across all five years whilst TransGrid's is the lowest. Higher levels of capital expenditure by Ausgrid are mainly due to it being the largest NSW Distributor and Australia's oldest electricity network.

The AER's next determination will take effect from 1 July 2014. The benefit of the underspend will flow through to customers at that time as the capital base on which the Distributors and TransGrid earn a regulated return will be lower.

Productivity Commission Inquiry into Electricity Network Regulation

In June 2013, the Productivity Commission released its inquiry into electricity network regulation. It assessed the use of benchmarking to achieve the efficient delivery of network services and electricity infrastructure and whether the current regulatory regime is delivering efficient levels of network and generation investment across the national electricity market.

The commission reported:

- average electricity prices rose by 70 per cent in real terms from June 2007 to December 2012
- network costs in most States mainly contribute to these increases, partly driven by inefficiencies in the industry and flaws in the regulatory environment
- reliability is critical to electricity networks, but some consumers are forced to pay for higher reliability than what they value
- in New South Wales, \$1.1 billion in distribution network capital expenditure could be deferred until the next five-year regulatory period by adopting a reliability framework that takes into account consumers' preferences for reliability. Critical peak pricing and the rollout of smart meters could produce average savings of around \$100 to \$200 per household each year.

\$1.1 billion in distribution network capital expenditure could be deferred if consumer preferences for reliability are considered

Impact of Carbon Price

As reported above, IPART estimated the fixed price for CO₂ emissions will add approximately eight per cent (\$172) to the average annual residential bill in New South Wales by 2013-14. A 6.9 per cent fall in prices is expected in 2015-16 when the carbon price moves from a fixed to a floating price linked to international markets.

The Australian Government passed its *Clean Energy Act 2011* on 8 November 2011, resulting in the introduction of a carbon price on 1 July 2012. As a result, 2012-13 was the first year Generators reported a carbon tax expense.

	Macquarie Generation \$m	Delta Electricity \$m	Total \$m
Net Carbon Tax Expense 2012-13	298.5	144.5	443.0
Forecast Net Carbon Tax Expense 2013-14	340.0	199.1	539.1

Source: Macquarie Generation and Delta Electricity (unaudited).

The net carbon tax expense reported by Macquarie Generation and Delta Electricity during 2012-13 of \$299 million and \$145 million respectively are forecast to increase in 2013-14 primarily due to a rise in the fixed price of carbon from \$23 per tonne of CO₂ emissions to \$24.15 per tonne. No carbon tax is incurred by Earing Energy under its GenTrader agreement with Origin Energy.

The introduction of the Act resulted in significant write downs to the infrastructure asset values of Macquarie Generation by \$1.0 billion in 2011-12. Delta Electricity also wrote \$318 million off the values of its Central Coast power stations in 2010-11 and \$59.6 million off the value of Vales Point and Colongra power stations in 2011-12.

The values of infrastructure assets were not adjusted in 2012-13 on the assumption the carbon price mechanism will continue to operate as set out in the *Clean Energy Act 2011* for the remaining life of the infrastructure assets. Any changes to the carbon pricing mechanism as a result of the recent change by the Australian Government may significantly impact the value of infrastructure assets.

No changes to carbon pricing have been announced to date, but the Department of Environment recently published the government will shortly introduce legislation to repeal the carbon tax and start the implementation of the Direct Action Plan. This plan is designed to source low cost emission reductions and build on the Carbon Farming Initiative. An Emissions Reduction Fund will provide incentives for abatement activities across the Australian economy.

Increased Electricity Generation Prices (Wholesale Prices)

Wholesale (spot) prices in the National Electricity Market (NEM) increased in 2012-13. The average electricity spot price in New South Wales was \$55.10 per megawatt hour, an increase of 85.7 per cent from the 2011-12 average of \$29.67. The graph below shows the trend in spot prices for New South Wales, Queensland and Victoria over the past five years.



Source: Australian Energy Market Operator's (AEMO) average annual prices per financial year.

The sharp increase in spot prices across all States is primarily due to the commencement of carbon pricing on 1 July 2012.

The spot price of electricity has been volatile since inception of the NEM in 1997. The average spot price in New South Wales has been around \$40.91 per megawatt hour over the past five years, the second highest average price compared to other States.

Average annual wholesale spot prices of electricity:

Year ended 30 June	NSW \$/MWh	Vic \$/MWh	Qld \$/MWh	SA \$/MWh	Tas \$/MWh
2013	55.10	57.44	67.02	69.75	48.30
2012	29.67	27.28	29.07	30.28	32.58
2011	36.74	27.09	30.97	32.58	29.45
2010	44.19	36.28	33.30	33.31	29.37
2009	38.85	41.82	34.00	50.98	58.48
Five year average	40.91	37.98	38.87	43.38	39.64

Source: Extract from AEMO's average annual prices per financial year.

Under existing market rules for the NEM, average spot prices can range between a minimum of negative \$1,000 and a maximum of \$12,900 per megawatt hour. The highest and lowest electricity prices recorded in New South Wales over the last two years are shown below.

The sharp increase in 2012-13 electricity spot prices across all States is primarily due to carbon pricing

Highest/lowest Half Hour Wholesale Price and Corresponding Demand for New South Wales

Year ended 30 June	Price per MWh \$	Demand (MW)	Date	Time
Highest				
2013	317.97	10,587.76	29 Nov 12	4.00 pm
2012	6,497.76	11,492.71	9 Nov 11	3.30 pm
Lowest				
2013	(59.28)	9,680.00	2 July 12	12.30 pm
2012	3.85	6,333.25	7 Mar 12	2.30 am

Source: Extract from AEMO's daily price and demand data sets.

Wholesale prices fluctuated between (\$59.28) and \$317.97 per megawatt hour in 2013 and was less volatile when compared to the previous year because of reduced consumption of electricity and increased supply. The level of demand for wholesale electricity is lower in 2012-13 than the previous year due to a continued downturn in the industrial economy and unfavourable exchange rates. The Hydro Aluminium plant at Kurri Kurri, whose power was supplied by Delta Electricity, ceased operating in 2012 due to some of these factors.

Cost Savings from Rationalisation of Distribution Businesses

As reported last year, the NSW Government rationalised the operations of the State's three electricity networks on 1 July 2012. A key objective of this reform was to deliver more than \$400 million in cost savings over four years to help electricity customers, particularly those receiving Low Income Household and Family and Energy rebates.

At 1 July 2012, the State Government implemented interim governance arrangements for all three Distributors with a shared group management model called 'Networks NSW'. This included appointment of common board members and also provided for a common chief executive officer and senior management structure. Each Distributor continued to operate as a separate legal entity throughout 2012-13.

During the past two financial years the Distributors have achieved total rationalisation savings of \$1.4 billion mainly due to savings in capital and operating expenditure. This exceeded the original savings target of \$400 million over four years which primarily related to planned savings in operating expenditure.

NSW Distributor	2013 \$m	2012 \$m	Total \$m
Ausgrid	791	166	957
Essential	206	33	239
Endeavour	141	14	155
Total rationalisation savings for the year ended 30 June	1,138	213	1,351

Source: NSW Distributors (unaudited).

The savings were mainly achieved through fewer capital expenditure programs in light of declining consumer demand, reductions in employee numbers, overtime and discretionary non-labour costs. The fall in employees was achieved through natural attrition, recruitment freezes and voluntary redundancies.

Over the past two years, rationalisation savings of \$1.4 billion has been achieved by the NSW electricity Distributors

The State governments interim governance arrangements were amended and assented to on 3 June 2013 through the *Energy Services Corporation Amendment (Distributor Efficiency) Act 2013*. This amendment formally provides for a single board of directors as the joint board of each of the energy Distributors. Under the Act, the board must act in the best interests of all the Distributors as if the individual business was being operated as a combined operation.

Customer Demand for Electricity

The general trend in demand for electricity is decreasing as consumers respond to higher prices by using less electricity. The Australian Energy Market Operator (AEMO) reported the following average growth rates in energy consumption and peak demand growth rates per year for electricity in New South Wales.

Average growth rate for the year ended 30 June	2013	2012	2011
Peak demand increase/(decrease) (%)	1.0	1.2	2.0
Energy consumption increase/(decrease) (%)	(2.1)	1.2	1.6

Source: AEMO Electricity Statement of Opportunities for the National Electricity Market 2011 and 2012.
AEMO National Electricity Forecasting Report 2013.

The decrease in peak demand and energy growth rates for 2013 in New South Wales is primarily due to: lower than expected residential and commercial consumption because of higher electricity prices; a reduction in industrial demand; recent decreases in global metal prices and energy efficiency measures; significant increases in photovoltaic generation; and reduced manufacturing consumption as a result of the higher Australian dollar.

During 2013, peak demand for electricity occurred in summer on 18 January 2013 (13,788 megawatts) and in winter on 31 July 2012 (11,898 megawatts).

Peaks in Maximum Demand

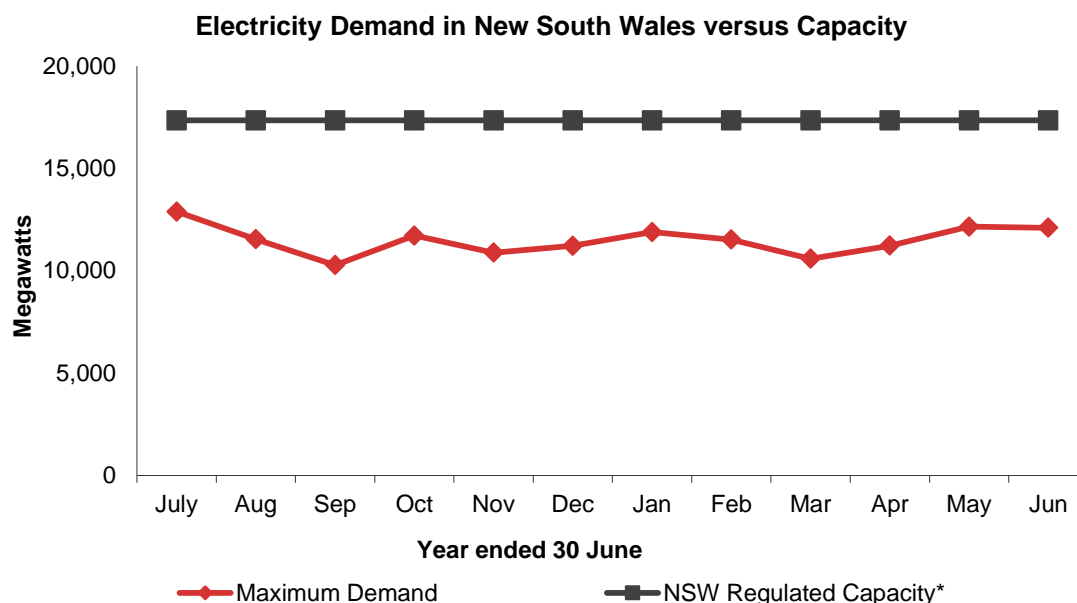
Year ended 30 June	Summer		Winter	
	MW	Date	MW	Date
2013	13,788	18 January 2013	11,898	31 July 2012
2012	11,886	30 January 2012	12,884	19 July 2011
2011	14,580	1 February 2011	12,908	2 July 2010

Source: AEMO Aggregated Price and Demand Data Files 2012 and 2013.

Although the trend for peak demand and energy consumption is generally decreasing, the generating and network systems need to maintain capacity for periodic demand spikes, such as a hot summer day significantly increasing the use of air conditioning. The cost of maintaining this capacity and reliability is reflected in network costs and customers electricity bills.

Maintaining electricity supply capacity and reliability comes at a cost to customers

The graph below shows electricity demand in New South Wales was well below the total NSW regulated capacity for the entire financial year. Electricity prices are based on the capacity of electricity supplied, not the capacity used.



Source: Maximum Demand from AEMO aggregated price and demand data 2011 to 2015. NSW Regulated Capacity sourced from AEMO registration and exemption list as at 2 July 2013.

* NSW regulated capacity includes all fuel sources of New South Wales registered participants with the NEM. This graph assumes capacity levels remain the same throughout 2013.

Electricity Supply and Demand Outlook

As previously reported in 2008, demand for electricity in New South Wales was expected to exceed generation capacity (Low Reserve Condition or LRC Point) by 2013-14. This was based on projected electricity demand forecasts by the then National Electricity Market Management Company (now AEMO). Due to lower than forecast increases in demand for electricity and additional generating capacity, the possibility of demand exceeding supply is now forecast to occur after 2022-23. The following shows the change in past yearly forecasts.

State	2013 LRC Point	2012 LRC Point	2011 LRC Point	2010 LRC Point	2009 LRC Point
New South Wales	> 2022-23	>2021-22	2018-19	2016-17	2015-16

Source: AEMO Electricity Statement of Opportunities (ESOO) 2008 to 2013.

The AEMO provides the supply and demand outlook for each State, which includes:

- an indication of the capability of existing and committed supply to meet projected demand for the next ten years
- the LRC point, which indicates when reserves will fall below the required level to avoid possible shortage of supply
- the reserve deficit in megawatts (MW), which indicates the additional reserves potentially required at the LRC point.

Projected electricity demand in New South Wales, with medium economic growth, is not expected to exceed supply over the next ten years

Summary Overview of LRC and Reserve Deficit

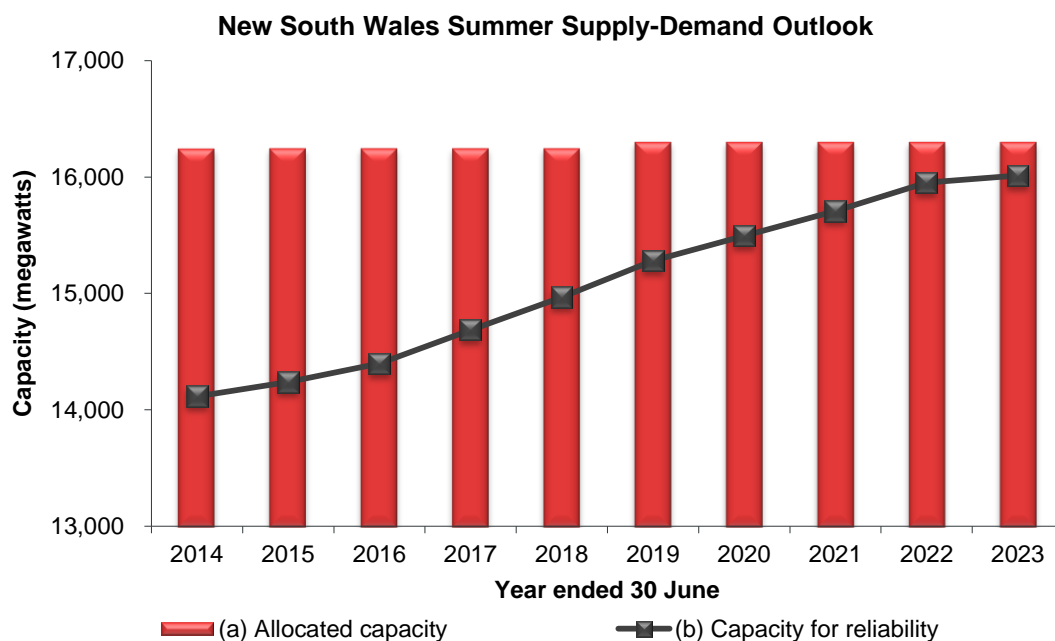
State	2013 LRC Point	2013 Reserve Deficit (MW)	2012 LRC Point	2012 Reserve Deficit (MW)
New South Wales	> 2022-23	--	>2021-22	--
Queensland	2019-20	159	2020-21	79
Victoria	> 2022-23	--	2018-19	115
South Australia	> 2022-23	--	2019-20	24
Tasmania	> winter 2023	--	>2022	--

Source: AEMO Electricity Statement of Opportunities (ESOO) 2012 and 2013.

In 2013, no reserve deficit was observed within the simulation horizon, with the exception of Queensland, as demand remains within the committed supply. Enough surplus generation exists in New South Wales to meet growing local demand.

Highest Demand in Summer

For New South Wales, the tightest supply-demand conditions are expected to occur during summer. The summer supply/demand outlook for the NSW region, starting in summer 2013-14 for the following ten years is shown below:



Source: Extract from 2013 Electricity Statement of Opportunities for the National Electricity Market.

- a Allocated capacity represents the current projection of generation capacity allocated to a region.
- b Capacity for reliability represents the capacity required to meet minimum reserve levels. These levels are applied to assess adequacy.

The graph indicates that over the next ten years New South Wales has sufficient capacity to meet minimum reserve levels. Existing generation capacity during the summer period is also more than sufficient to meet the minimum reserve levels, particularly during the next four years.

Rate of use of Renewable Energy Decreasing

Renewable energy targets and carbon reduction schemes seek to use market forces to encourage investment in renewable and low carbon energy sources. Both State and Australian Governments have progressively introduced renewable energy targets and carbon reduction schemes.

The generation of electricity from renewable energy sources fell sharply in 2011-12

Government initiatives and policies to develop and encourage the growth of sustainable energy sources are outlined below.

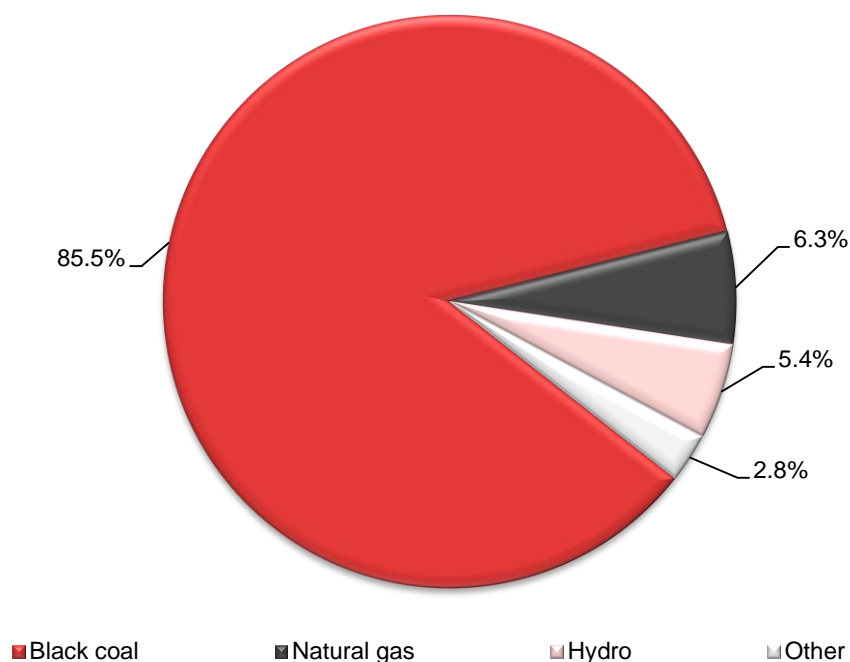
Renewable Energy

For 2011-12, NSW electricity generation from black coal fell by 0.9 per cent (5.7 per cent fall in 2010-11) while electricity from renewable sources decreased by 18.4 per cent (33 per cent increase in 2010-11). The largest decrease occurred in hydro generation, which fell by 28 per cent over the twelve month period.

Bureau of Resources and Energy Economics data for 2011-12 indicates approximately eight per cent of NSW electricity is sourced from renewable energy sources (nine per cent in 2010-11). This decrease is mainly due to lower hydroelectricity output in southeast Australia due to reduced water in-flows. Reduced hydro energy consumption more than offset the growth observed in wind, biogas and solar energy.

The NSW Government has set a target of 20 per cent renewable energy consumption by 2020 in line with the national Renewable Energy Target Scheme. However, black coal continues to be the major source of electricity generation in New South Wales as shown below.

Electricity Generation in New South Wales from all Sources 2011-12



Source: Bureau of Resources and Energy Economics. Table O – NSW electricity generation, by fuel type, physical units. Other energy generation sources primarily include wind, solar PV and biogas.

Clean Energy Supplement – the Household Assistance Package

The Household Assistance Package is part of the Australian Government's plan for a Clean Energy Future. Funding received from carbon pricing will be used to help households meet price impacts, support jobs in the most affected industries and build a clean energy future.

Between March 2013 and January 2014, ongoing increases are being made to existing government payments to eligible recipients.

Customer Initiatives – GreenPower

When customers choose to buy GreenPower products through electricity retailers, the extra price they pay is invested in renewable energy. In New South Wales, for the year ending 30 June 2013, GreenPower customers increased by 44,554 (13,624 decrease in 2012) or 26.8 per cent compared to the previous year.

GreenPower customer numbers are increasing but sales of GreenPower products are decreasing

The table below highlights residential GreenPower customers in New South Wales increased by 28.9 per cent in 2013 (6.3 per cent decrease in 2012) compared to a 0.7 per cent decrease in commercial GreenPower customers (21.7 per cent decrease in 2012).

	NSW		Australia	
	2013	2012	2013	2012
Residential green power:				
Customer numbers	199,355	154,717	789,062	697,728
Sales MWh	181,181	179,047	701,194	751,436
Commercial green power:				
Customer numbers	11,520	11,604	48,325	51,660
Sales MWh	272,669	293,175	881,372	1,052,320
Total green power customer numbers	210,875	166,321	837,387	749,388

Source: data extracted from the National GreenPower Accreditation Program Status Reports.

Solar Bonus Scheme

The NSW Government introduced the Solar Bonus Scheme, a solar feed-in tariff scheme, on 1 January 2010. The scheme applies to small scale, grid connected solar systems and wind turbines. The government tariff of 60 or 20 cents per kilowatt hour is paid to small customers for electricity fed back into the electricity network. The scheme was closed to new applicants from midnight 28 April 2011, and will continue to run until 31 December 2016.

From 1 July 2013, the NSW Government requires energy retailers to contribute 6.6 cents per kilowatt hour to the cost of the scheme (7.7 cents in 2012-13). This contribution reduces the costs passed on to NSW households to fund the scheme.

At 30 June 2013, 122,141 eligible customers were connected to the 60 cent scheme and 24,104 to the 20 cent scheme. They generated a total of 348 megawatt hours in 2012-13. The cost of the scheme decreased to \$177 million in 2012-13 (\$225 million in 2011-12) due to the fall in the number of customers in the 60 cent scheme.

Update on the 2011 Sale of Retail Operations and Generation output

Transitional Service Arrangements

Transition Service Arrangements (TSA) were entered into as part of the Sale and Purchase Agreements for the sale of the electricity retail businesses in March 2011. All award staff affected by the retail sale were provided with a five year job guarantee from the sale date.

During 2013, Essential Energy and Endeavour Energy ended their TSA with Origin Energy. Ausgrid continues to provide services to EnergyAustralia and the final expiry of this service arrangement is yet to be determined.

A combined \$7.7 million was paid to permanent retail employees accepting voluntary redundancies during the financial year.

NSW Distributor	TSA	Expiry date of TSA	Number of permanent retail employees accepting voluntary redundancy	Redundancies \$m
Endeavour	Origin	January 2013	71	4.2
Ausgrid	EnergyAustralia	Yet to be determined	22	3.1
Essential	Origin	4 October 2013	3	0.4
Total			96	7.7

Source: NSW Distributors (unaudited).

The total cost of the Solar Bonus Scheme was \$207 million in 2012-13

Stranded Costs

The retail sale transactions resulted in stranded cost liabilities for staff redundancies, data migration and rebranding costs. In 2012-13, two Distributors, Ausgrid and Essential Energy, recognised provision totalling \$83.9 million for stranded costs. These are expected to be settled over the next three years.

Year ended 30 June	Ausgrid \$m	Essential Energy \$m	Endeavour Energy \$m	Total \$m
Stranded cost provision at 30 June 2012	31.7	45.2	--	76.9
Additional provision during 2012-13	19.4	--	--	19.4
Payments/adjustments during 2012-13	(3.8)	(8.6)	--	(12.4)
Stranded cost provision at 30 June 2013	47.3	36.6	--	83.9

Source: NSW Distributors (audited).

Ausgrid's provision of \$47.3 million primarily relates to individually agreed employee redundancies at 30 June 2013 relating to restructuring and end of the Transition Services Agreement (TSA).

Essential Energy's provision of \$36.6 million mainly relates to costs associated with having to continue paying retail staff after the TSA period ends, at which time they are expected to be surplus to business needs.

Endeavour Energy did not recognise stranded costs as most affected staff were redeployed in the ongoing network business.

Performance Information

Financial Performance – New South Wales Electricity Industry

Total revenue for the State owned New South Wales electricity businesses increased by over \$1.1 billion to \$10.1 billion for the year ended 30 June 2013. Profit after tax increased to \$1.8 billion for the year (\$1.2 billion in 2011-12).

The following tables are based on analysis of the consolidated operations of the electricity businesses.

Year ended 30 June	2013	2012	2011	2010	2009
Return on equity (%) (a)	16.3	11.8	4.5*	11.9	8.9
Return on assets (%) (b)	9.6	8.5	5.7*	8.3	6.7
Interest cover times (c)	2.7	2.2	1.6*	2.4	2.4
Debt to equity ratio (%) (d)	166.4	200.0	157.1	151.6	157.1
Profit after tax (\$m)	1,775.9	1,204.0	3,590.6	1,159.2	847.1

Calculated as:

- a profit after income tax expense divided by average equity.
- b profit before tax and interest expense divided by average assets.
- c operating profit before tax and interest expense divided by interest expense.
- d external debt divided by equity (net assets).

* Note: this result has excluded the impact of the retail electricity sale.

Total revenue for New South Wales electricity businesses increased by over \$1.1 billion to \$10.1 billion for the year ended 30 June 2013

Return on equity and return on assets increased mainly due to the improved financial performance of the Distributors in 2012-13.

The debt to equity ratio decreased because of an increase in the net asset value of Distributors in 2012-13 to \$7.7 billion (\$5.1 billion). Ausgrid revalued its system assets during the year increasing their value by \$2.9 billion.

Financial Performance by Individual Electricity Sector

Profit after tax from Generators decreased from \$234 million to \$166 million mainly due to carbon tax expense incurred during 2012-13. Lower Generator profits decreased return on equity and return on asset ratios of Generators by 0.9 per cent and 2.2 per cent respectively.

TransGrid's return on equity and return on asset ratios improved primarily due to a \$47.8 million increase in profit after tax.

Profit after tax from Distributors increased to \$1,363 million in 2013 from \$771 million in 2012 primarily due to an increase in network revenue and reduced operating expenses. The increase in profit after tax resulted in a 1.7 per cent improvement in return on assets and a six per cent increase in return on equity for Distributors.

The table below shows key financial ratios:

Year ended 30 June	Generators		TransGrid		Distributors	
	2013	2012	2013	2012	2013	2012
Return on equity (%) (a)	7.6	8.5	10.9	8.3	21.2	15.2
Return on assets (%) (b)	5.2	7.4	7.8	7.0	10.9	9.2
Interest cover times (c)	2.3	3.1	3.5	2.9	2.6	1.9
Debt to equity ratio (%) (d)	69.0	77.5	112.1	95.9	209.7	298.3
Net assets (\$m)	2,217.5	2,123.9	2,173.5	2,360.3	7,723.4	5,145.9
Profit after tax (\$m)	165.5	233.8	247.6	199.8	1,362.8	770.4

Calculated as:

- a operating profit after income tax expense divided by average equity expressed as a percentage.
- b operating profit before tax and interest expense divided by average assets expressed as a percentage.
- c operating profit before tax and interest expense divided by interest expense.
- d external debt divided by equity (net assets).

Distributors and Transmission

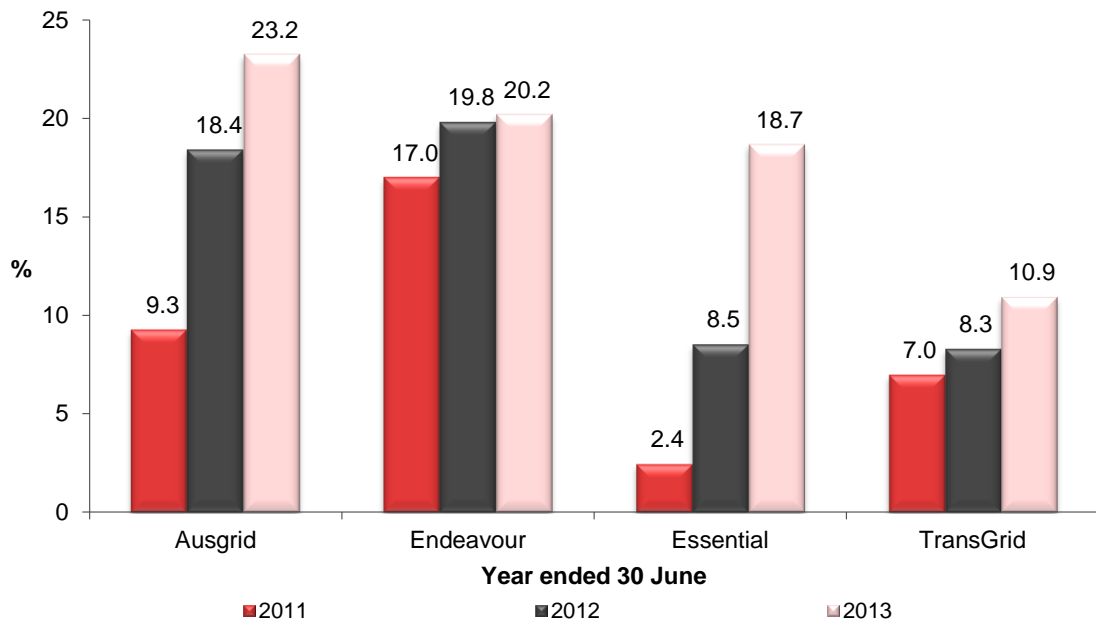
Return on Equity

Return on equity is calculated by dividing profit from continuing operations after tax by average equity. The ratio measures profitability by comparing the amount of profit earned to the amount of equity held on the balance sheet. A rising ratio suggests that an entity is increasing its ability to generate profit without needing as much capital.

Return on equity ratios for all Distributors and TransGrid improved in 2013 as all entities experienced increases in profit after tax. The graph below shows Ausgrid had the highest return on equity with a ratio of 23.2 per cent in 2012-13, whilst TransGrid had the lowest ratio of 10.9 per cent.

Profit after tax for Generators fell to \$166 million whilst Transgrid and Distributors' profit after tax increased to \$248 million and \$1,363 million respectively

Return on Equity - Distributors and TransGrid



Source: NSW Distributors and TransGrid (audited).

Ausgrid and Essential Energy more than doubled their profit after tax during 2012-13. Endeavour Energy and TransGrid's profit increased from the previous year by 15.8 per cent and 24.0 per cent respectively. Combined revenue from continuing operations for Distributors and TransGrid increased by 11.3 per cent to \$7.9 billion in 2012-13 (\$7.1 billion). This was mainly driven by a 16.1 per cent increase in total Distributor network revenue and 7.1 per cent increase TransGrid's prescribed transmission revenue.

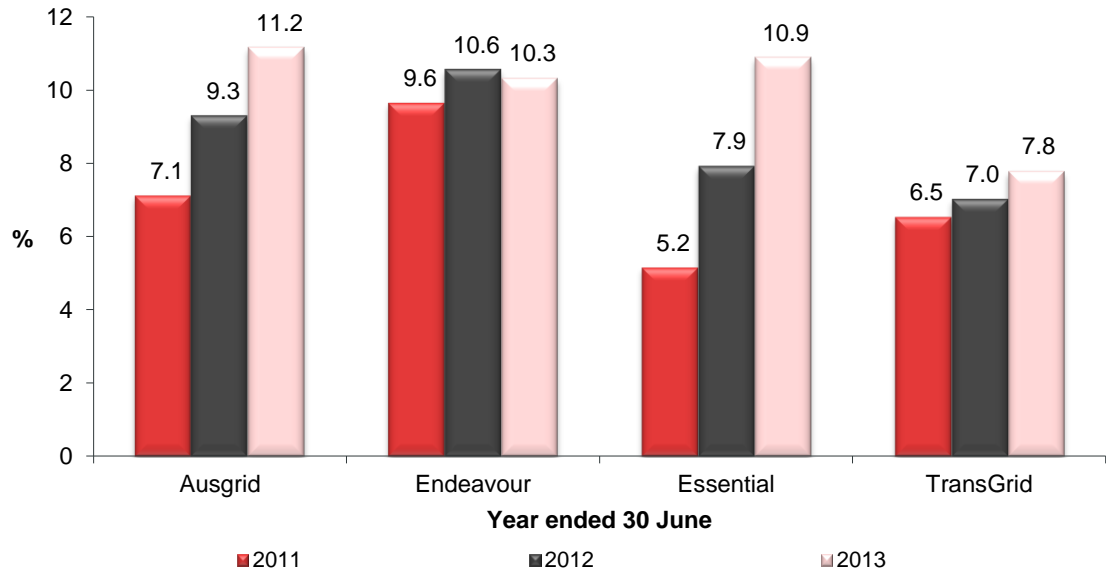
Increases in profit after tax were also due to reduced operating expenses of the Distributors to \$2.9 billion in 2012-13 (\$3.1 billion). This is mainly due to ongoing efficiency savings.

Return on Assets

The return on assets ratio is calculated by dividing profit from continuing operations before tax and interest by average assets. The ratio indicates an entity's ability to use its assets to generate a net profit. An increasing trend in this ratio indicates the profitability of the entity is improving.

Combined profit before interest and tax from Distributors and TransGrid increased to \$3.6 billion at 30 June 2013 (\$2.7 billion). This resulted in an improved return on asset ratios for all entities except Endeavour Energy.

Return on Assets - Distributors and TransGrid



Source: NSW Distributors and TransGrid (audited).

Endeavour Energy's return on assets decreased mainly due to a smaller increase in profit before tax and interest expense during 2012-13 when compared to other Distributors. Essential Energy recorded the largest percentage increase in profit before interest and tax and maintained a relatively steady average asset base resulting in the highest percentage increase in return on assets.

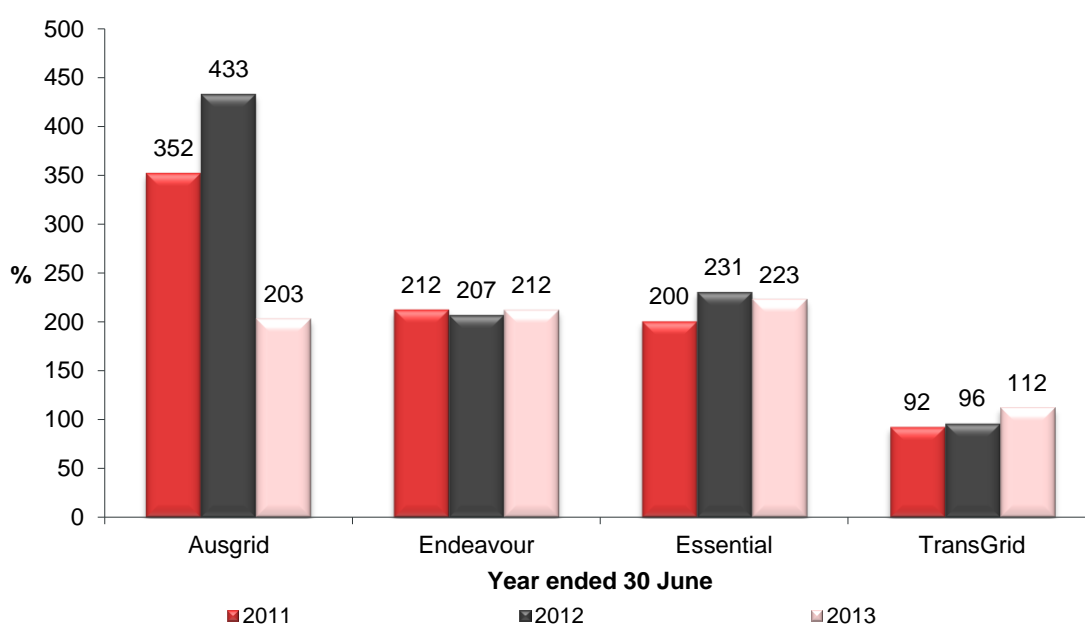
Debt to Equity

The debt to equity ratio is calculated by dividing external debt by total equity. A high debt to equity ratio (greater than one) indicates a high percentage of debt funding. The Distributors and TransGrid's high debt to equity ratios are attributable to funding of significant capital works being undertaken on the electricity network. Higher values of debt to equity ratio indicate increased risk as entities rely more on external borrowings to fund their operations and asset acquisitions.

At 30 June 2013, total external debt for Distributors and TransGrid was \$18.6 billion (\$17.6 billion). Debt to equity ratios in 2012-13 remained relatively stable across all four entities with the exception of Ausgrid. During the year Ausgrid reported a \$2.9 billion revaluation increase in system assets significantly improving its debt to equity ratio.

Total external debt for Distributors and TransGrid increased by \$1 billion for the year ended 30 June 2013

Debt to Equity - Distributors and TransGrid



Source: NSW Distributors and TransGrid (audited).

Generators

During 2012-13, return on equity and return on asset ratios decreased for both Macquarie Generation and Eraring Energy, but increased for Delta Electricity. In 2012-13, profit after tax for Macquarie Generation reduced by 65.8 per cent from the previous year to \$41.3 million, and Eraring Energy reduced by 68.1 per cent to \$38.1 million. Delta Electricity's profit after tax increased by \$91 million.

The decrease in Macquarie Generation's profit was mainly due to 2012-13 being the first year of the carbon tax. Eraring Energy's decrease in profit after tax was mainly due a contractual step down in the fixed revenue under the GenTrader agreement with Origin Energy. Eraring also experienced large abnormal profits in 2011-12. No carbon tax is incurred by Eraring Energy under its GenTrader agreement with Origin Energy. Delta Electricity's profit was also impacted by carbon tax, but was offset by the current year profit on the Mount Piper and Wallerawang (Delta West) power stations.

Overall debt levels for Generators decreased during 2012-13. Eraring Energy reported no debt at 30 June 2013, while Macquarie Generation and Delta Electricity reduced their debt by \$81.0 million and \$36.4 million respectively. This resulted in lower debt to equity ratios.

The net asset balance of Macquarie Generation and Delta Electricity increased in 2012-13 by \$94.1 million and \$53.9 million respectively mainly due to reductions in borrowings and employee related provisions. Eraring's net assets reduced by \$54.3 million over the previous year mainly due to the lower finance lease receivable from the GenTrader agreement.

Total external debt for Generators decreased by \$117.4 million for the year-ended 30 June 2013

Borrowings

External debt for all NSW electricity entities increased by \$3.2 billion over the last three years with annual borrowing costs increasing by \$185 million over the same period.

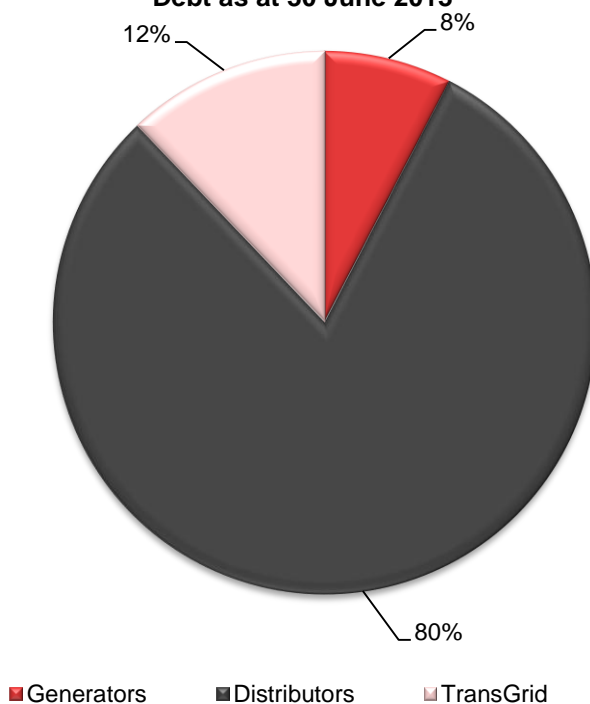
Borrowing costs (including capitalised interest) for the year were \$1.5 billion compared to \$1.6 billion in the previous year. External debt at 30 June 2013 was \$20.2 billion (\$19.3 billion). The increase in borrowings is to fund the capital works projects being undertaken.

Year ended 30 June	2013 \$m	2012 \$m	2011 \$m
Generators			
Borrowing costs	129	154	201
External debt	1,530	1,647	1,673
Distributors			
Borrowing costs	1,220	1,236	963
External debt	16,197	15,351	13,050
TransGrid			
Borrowing costs	166	175	166
External debt	2,436	2,263	2,271
Total borrowing costs	1,515	1,565	1,330
Total external debt	20,163	19,261	16,994

Source: NSW Distributors, NSW Generators and TransGrid Financial Statements (audited).

The graph below shows Distributors account for 80 per cent of the total external debt held by NSW electricity entities at 30 June 2013. This has been primarily driven by the significant level of distribution network capital investment required over the past few years to meet the increasing consumer demand for electricity.

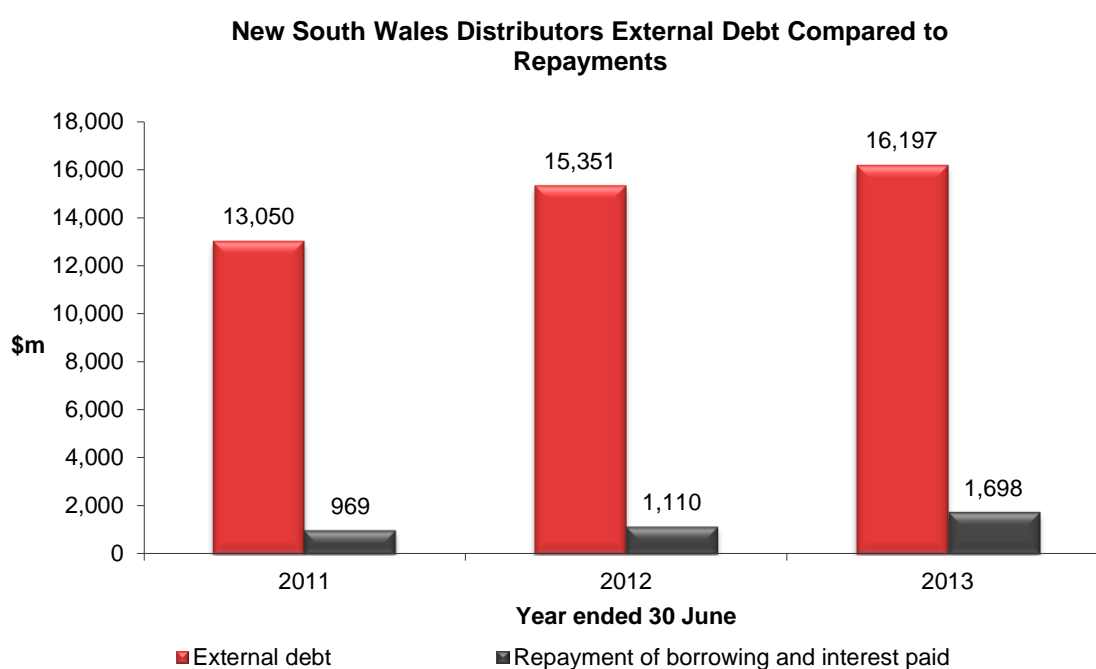
New South Wales Electricity Entities Share of Total External Debt as at 30 June 2013



Source: NSW Distributors, NSW Generators and TransGrid Financial Statements (audited).

Total external debt owed by Distributors increased to \$16.2 billion at 30 June 2013 (\$15.4 billion), an increase of more than 24 per cent over the past three years. Ausgrid contributed more than 52 per cent of this balance with borrowings of \$8.5 billion (\$8.2 billion), mainly due to it having the largest capital investment program of the Distributors.

The graph below highlights the extent of debt owed by the Distributors and repayments made over the past three years. In 2012-13, principal and interest repayments increased by \$588 million from the previous year compared to an \$846 million increase in external debt since 2011-12.



Source: NSW Distributors' Financial Statements (audited).

Distributions to Government

Electricity entities' accrued and paid distributions to the government of \$1.8 billion (\$1.4 billion in 2011-12), comprising:

- \$572 million (\$573 million) in taxation
- \$1,178 million (\$866 million) in dividends.

Dividends provided during the year and taxes paid for the year ended 30 June	2013 \$m	2012 \$m	2011 \$m	2010 \$m	2009 \$m
Generators	168 ¹	305 ¹	310	500	572
TransGrid	247	189	156	186	162
Distributors	1,335	945	698*	710	426
Total	1,750	1,439	1,164	1,396	1,160

* Excludes special dividends by Ausgrid of \$1.4 billion, Essential Energy of \$1.2 billion and Endeavour Energy of \$900 million, relating to the electricity sale transactions in 2011.

¹ Includes notional dividend for Delta Energy and Eraring Energy.

Source: NSW Distributors, NSW Generators and TransGrid Financial Statements (audited).

Dividends paid in 2011 included special dividends of \$3.5 billion specifically relating to the electricity sale transactions of the Distributors.

Operational Performance

The following key operational performance measures have been reported for the Distributors:

Year ended 30 June	Ausgrid			Essential Energy			Endeavour Energy		
	2013 Actual	2013 Target	2012 Actual	2013 Actual	2013 Target	2012 Actual	2013 Actual	2013 Target	2012 Actual
Network reliability – unplanned system average interruption duration index SAIDI (minutes)	68**	86.7**	80.9**	233*	320*	237*	88	76	82
Lost time injury frequency rate (LTIFR)	2.5	3.1	3.0	2.4	2.0	2.3	2.6	2.2	3.6
Customer network connections at 30 June (000's)	1,640	NA	1,637	812	NA	803	908	NA	884
Customer satisfaction	80%	NA	NA ¹	74%	75%	74%	75%	75%	76%

Source: NSW Distributors Annual Reports 2012-13 (unaudited).

* Normalised for urban, short and long feeder route length categories.

** Averaged for CBD and urban customers.

1 Ausgrid changed their methodology for tracking customer satisfaction in 2013, therefore no direct comparative result in 2012.

NA Data not available.

System average interruption duration index (SAIDI) represents the total number of minutes on average that a customer on a distribution network is without electricity in the period. In 2012-13, Ausgrid and Essential Energy performed within their targets and better than prior year results. This was mainly due to the extent of network investment over the past four years to replace ageing electricity infrastructure. Endeavour Energy did not meet its target mainly due to the large number of weather events experienced during 2012-13.

The lost time injury frequency rate (LTIFR) represents lost time injuries per one million hours worked. In 2012-13, Ausgrid performed within its target primarily due to a number of safety management initiatives undertaken during the year, including its Be Safe review and improvement of the safety reporting system. Essential and Endeavour were slightly above targeted LTIFR. Endeavour Energy improved from its 2011-12 LTIFR of 3.6, mainly due to decreases in the reported number of lost time injuries from 22 in 2011-12 to 14 in 2012-13.

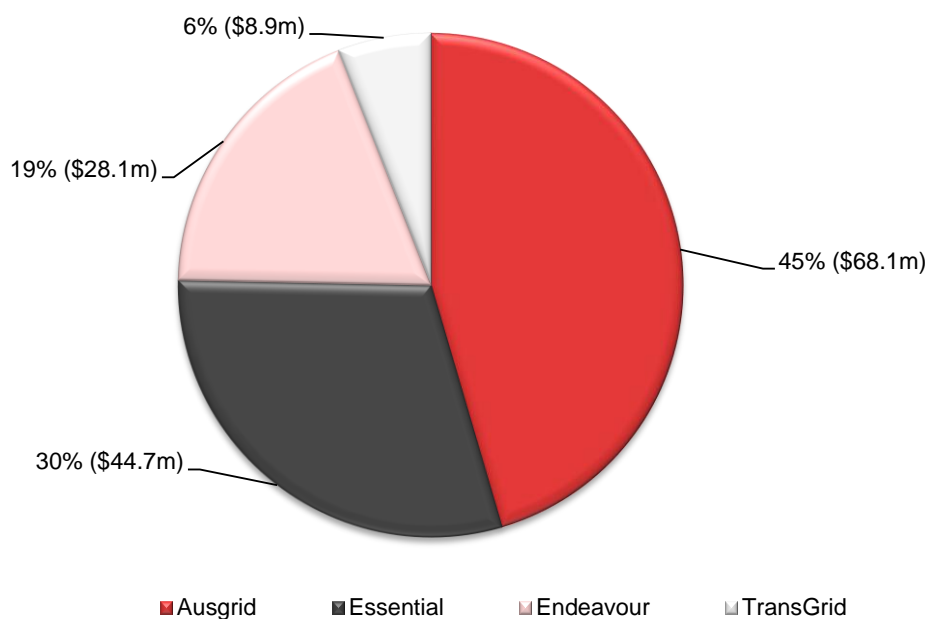
Of the Distributors, Ausgrid continues to provide network distribution services to the highest number of customers with over 1.6 million connections. This is mainly because it services NSW's most densely populated areas, including Sydney metropolitan. Essential Energy has the lowest number of customers with approximately 812,000 connections across 95 per cent of New South Wales.

Overtime and Associated Allowances

Distributors and TransGrid

Total overtime and associated allowances paid during 2012-13 by Distributors and TransGrid decreased to \$149.8 million from \$210.5 million. Associated allowances includes expenses such as travel, meals and other incidental costs relating to overtime. Ausgrid contributed 45 per cent of the total overtime expense, but it is the largest Distributor.

Overtime and Associated Allowances Paid by each New South Wales Distributor and TransGrid for the year ended 30 June 2013

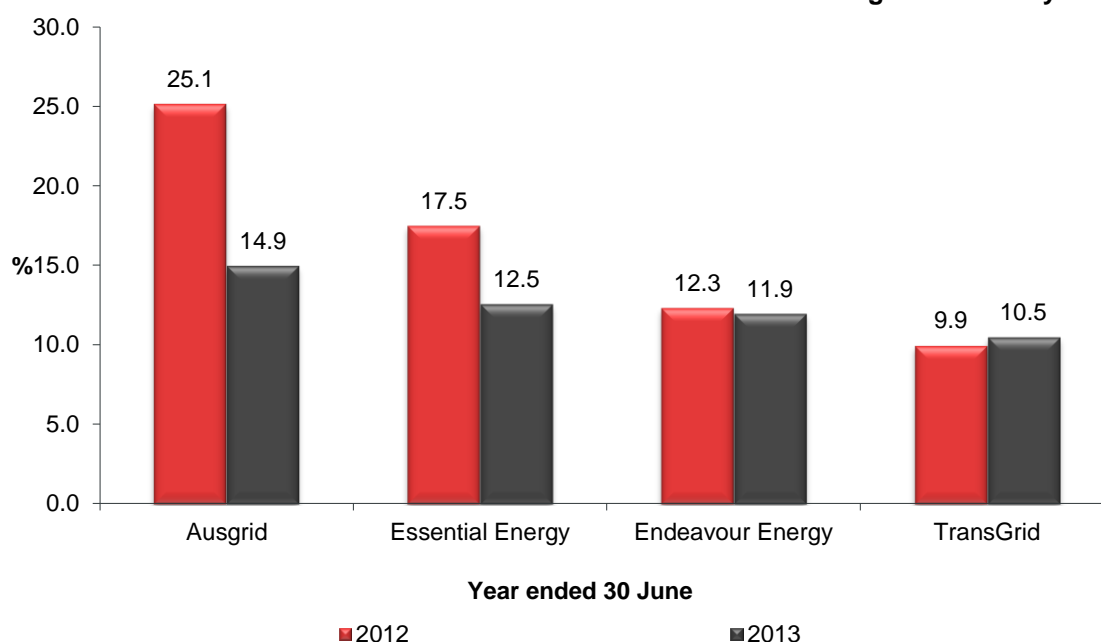


Source: NSW Distributors and TransGrid (audited).

Given the industry these entities operate in, overtime is inevitable. It is primarily incurred in response to network-related incidents, weather conditions and maintenance or capital work required outside normal business hours.

The graph below shows overtime and associated allowance expense for all Distributors fell during 2012-13 compared to the previous year, while TransGrid's overtime increased marginally.

New South Wales Distributors and TransGrid Overtime and Associated Allowances as a Percentage of Base Pay



Source: NSW Distributors and TransGrid (unaudited).

In 2012-13, the total overtime and associated allowance expense as a percentage of total base pay expense ranged from 10.5 per cent for TransGrid to 14.9 per cent for Ausgrid, an improvement on the prior year. Ausgrid and Essential Energy experienced the largest reductions in overtime expense during the year, which fell by \$44.8 million and \$15.2 million respectively.

In 2012-13, 417 employees were paid 50 per cent or more than their annual salary in overtime, compared to 1,278 in the prior year. This represents an overall decrease of more than 67 per cent.

Year ended 30 June	Number of employees receiving more than 50 % of their base salary in overtime		
	2013	2012	Increase/(decrease) %
Ausgrid	245	825	(70.3)
Essential Energy	144	386	(62.7)
Endeavour Energy	17	53	(67.9)
TransGrid	11	14	(21.4)
Total	417	1,278	(67.4)

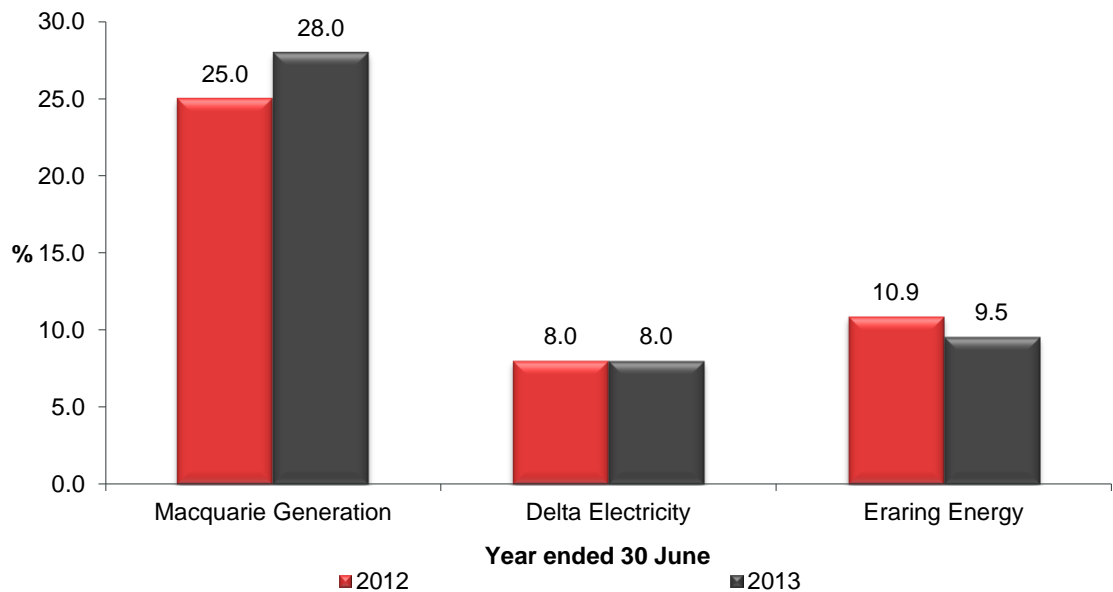
Source: NSW Distributors and TransGrid (unaudited).

Generators

Total overtime expense paid by Generators in 2012-13 increased marginally to \$29.0 million (\$27.9 million). Macquarie Generation reported the highest overtime expense of \$16.0 million (\$14.0 million in 2012) whilst Eraring Energy reported the lowest of \$5.3 million (\$5.6 million).

Generators attribute the need to pay overtime in response to peak workloads, emergency repairs, maximising upgrades and maintenance and minimising interruption.

New South Wales Generators Overtime Expense as a Percentage of Base Pay



Source: NSW Generators (unaudited).

In 2012-13, Delta Electricity paid 18 of its employees 50 per cent or more of their annual salary in overtime. This is mainly due to Delta using its own staff to support their outage maintenance requirements.

Eraring Energy only paid one employee 50 per cent or more of their annual salary in overtime, while Macquarie Generation did not pay any employees more than 50 per cent of their annual base pay in overtime.

Other Issues

Australian Energy Regulator reform

In 2012, the Australian Energy Market Commission changed the rules governing how the Australian Energy Regulator (AER) determines the total amount of revenue network businesses can earn.

The AER has published seven new AER guidelines outlining the approach to receiving and assessing network businesses expenditure proposals and determining electricity network revenues and prices. Changes included:

- the need for Distributors to demonstrate engagement and communication with stakeholders, including consumer interests into the revenue determination processes
- evaluating alternatives to network upgrades before investment
- application of a cost-benefit test by network businesses when assessing the economic efficiency of different investment options.
- improvements to the way AER determines the return that Distributors can earn on their investments so consumers pay no more than necessary to support the investment needed to keep the networks operating.

The current five-year distribution regulatory control period ends on 30 June 2014. Recent changes to the National Electricity Rules resulted in establishment of a one-year transitional regulatory control period. The transitional period starts 1 July 2014 and ends 30 June 2015.

A subsequent regulatory period will cover the period from 1 July 2015 to 30 June 2019. Each Distributor must submit proposed capital and operating expenditure for the regulatory period in accordance with the National Electricity Rules.

Electricity Industry Financial Information

Year ended 30 June	Ausgrid		Essential Energy		Endeavour Energy	
	2013 \$m	2012 \$m	2013 \$m	2012 \$m	2013 \$m	2012 \$m
Statement of comprehensive income (abridged)						
Revenue from continuing operations	3,346	2,926	2,164	1,876	1,493	1,477
Profit from continuing operations before tax	999	495	499	210	438	381
Income tax equivalent expense	293	144	149	56	131	116
Gain/(loss) after tax from discontinuing operations	--	--	--	--	--	--
Profit after tax	706	351	350	154	307	265
Other comprehensive income	2,058	(152)	32	(100)	39	139
Asset revaluations	2,863	(13)	--	--	16	300
Superannuation	76	(206)	46	(141)	38	(97)
Other	(881)	67	(14)	41	(15)	(64)
Total comprehensive income/(expense)	2,764	199	382	54	346	404
Statement of financial position (abridged)						
Current assets	861	876	517	497	273	307
Non-current assets	15,303	11,574	7,263	6,891	6,128	5,630
Total assets	16,164	12,450	7,780	7,388	6,401	5,937
Current liabilities	1,777	2,001	963	974	1,161	1,106
Non-current liabilities	10,196	8,560	4,870	4,608	3,654	3,380
Total liabilities	11,973	10,561	5,833	5,582	4,815	4,486
Net assets	4,191	1,889	1,947	1,806	1,586	1,451

Year ended 30 June	Macquarie Generation		Delta Electricity		Eraring Energy	
	2013 \$m	2012 \$m	2013 \$m	2012 \$m	2013 ¹ \$m	2012 \$m
Statement of comprehensive income (abridged)						
Revenue from continuing operations	1,100	990	498	311	606	616
Profit from continuing operations before tax	59	171	(11)	(82)	38	119
Income tax equivalent expense	18	51	14	(44)	--	--
Gain/(loss) after tax from discontinuing operations	--	--	83	121	--	--
Profit after tax	41	120	86	(5)	38	119
Other comprehensive income	83	(828)	42	(160)	36	(93)
Asset revaluations	3	(698)	8	(35)	3	(1)
Superannuation	30	(77)	56	(150)	33	(95)
Other	50	(53)	(22)	25	--	3
Total comprehensive income/(expense)	124	(708)	128	(165)	74	26
Statement of financial position (abridged)						
Current assets	707	700	941	525	348	340
Non-current assets	2,198	2,253	832	1,222	672	743
Total assets	2,905	2,953	1,773	1,747	1,020	1,083
Current liabilities	330	372	518	281	235	225
Non-current liabilities	1,449	1,549	946	1,210	1	20
Total liabilities	1,779	1,921	1,464	1,491	236	245
Net assets	1,126	1,032	309	256	784	838

1 Audit of Eraring Energy as at 30 June 2013 is yet to be finalised.

Year ended 30 June	TransGrid	
	2013 \$m	2012 \$m
Statement of comprehensive income (abridged)		
Revenue from continuing operations	888	832
Profit from continuing operations before tax	350	291
Income tax equivalent expense	102	91
Gain/(loss) after tax from discontinuing operations	--	--
Profit after tax	248	200
Other comprehensive income	(250)	(152)
Asset revaluations	(440)	(7)
Superannuation	78	(210)
Other	112	65
Total comprehensive income/(expense)	(2)	48
Statement of financial position (abridged)		
Current assets	165	157
Non-current assets	6,065	6,233
Total assets	6,230	6,390
Current liabilities	780	580
Non-current liabilities	3,276	3,450
Total liabilities	4,056	4,030
Net assets	2,174	2,360

Year ended 30 June	Distributors and transmission*											
	Ausgrid			Endeavour Energy			Essential Energy			TransGrid		
	2013 \$m	2012 \$m	2011 \$m	2013 \$m	2012 \$m	2011 \$m	2013 \$m	2012 \$m	2011 \$m	2013 \$m	2012 \$m	2011 \$m

Financial indicators (at 30 June)

Return on equity (%) (a)	23.2	18.4	9.3	20.2	19.8	17.0	18.7	8.5	2.4	10.9	8.3	7.0
Return on assets (%) (b)	11.2	9.3	7.1	10.3	10.6	9.6	10.9	7.9	5.2	7.8	7.0	6.5
Interest cover times (c)	2.5	1.7	1.6	3.2	2.6	2.5	2.5	1.6	1.2	3.5	2.9	2.6
Debt to equity Ratio (%) (d)	202.9	433.1	352.0	211.7	207.0	212.3	222.7	230.7	200.2	112.1	95.9	92.3
Net assets (\$m)	4,191	1,889	1,930	1,586	1,451	1,233	1,947	1,806	1,819	2,174	2,360	2,459
Profit/(loss) after tax (\$m)	706.2	350.9	175.3	306.5	265.5	202.7	350.1	154.3	44.0	247.6	199.8	167.4

Calculated as:

- a operating profit after income tax expense divided by average equity expressed as a percentage.
- b operating profit before tax and interest expense divided by average assets expressed as a percentage.
- c operating profit before tax and interest expense divided by interest expense.
- d external debt divided by equity (net assets).

* These results exclude the impact of the gain on sale of discontinued operations.

Year ended 30 June	Generators								
	Macquarie Generation			Delta Electricity*			Eraring Energy		
	2013 \$m	2012 \$m	2011 \$m	2013 \$m	2012 \$m	2011 \$m	2013 ¹ \$m	2012 \$m	2011 \$m

Financial indicators (at 30 June)

Return on equity (%) (a)	3.8	8.3	6.6	30.5	(1.3)	(27.8)	4.7	13.0	(29.7)
Return on assets (%) (b)	4.0	7.1	5.9	8.1	6.0	(6.7)	3.6	10.6	(15.0)
Interest cover times (c)	2.0	3.3	3.7	2.0	1.5	(1.8)	--	--	(6.3)
Debt to equity ratio (%) (d)	63.2	76.8	44.2	265.0	335.2	166.2	--	--	--
Net assets (\$m)	1,126	1,032	1,864	309	256	511	784	838	999
Profit/(loss) after tax (\$m)	41.3	119.8	124.5	86.1	(4.8)	(195.6)	38.1	119.4	(299.6)

Calculated as:

- a operating profit after income tax expense divided by average equity expressed as a percentage.
- b operating profit before tax and interest expense divided by average assets expressed as a percentage.
- c operating profit before tax and interest expense divided by interest expense.
- d external debt divided by equity (net assets).

1 Audit of Eraring Energy as at 30 June 2013 is yet to be finalised.

* These results include the impact of discontinued operations.

Section Two

Agencies with Individual Comments

Delta Electricity

Eraring Energy

Macquarie Generation

Cobbora Holding Company Pty Limited

A large, abstract graphic consisting of two overlapping circular shapes. The larger shape on the left is a vibrant red, and the smaller shape on the right is a dark charcoal grey. They overlap in the bottom right corner, creating a layered effect.

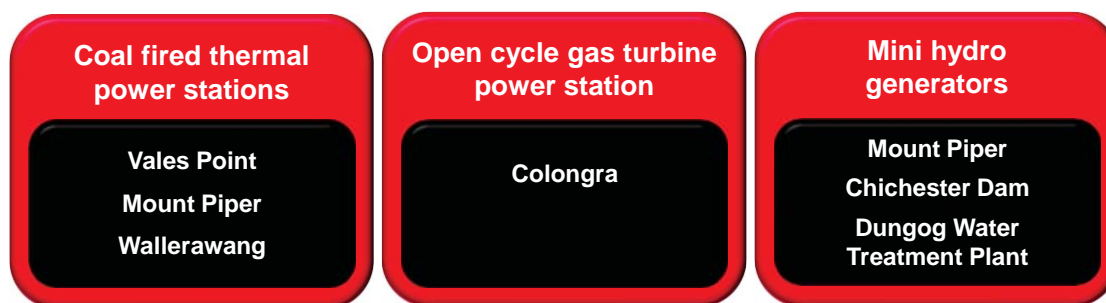
Delta Electricity

Audit Opinion

I issued an unqualified audit opinion on Delta Electricity's 30 June 2013 financial statements.

Operational Snapshot

Delta Electricity (Delta) generates and supplies electricity to the National Electricity Market from the following sources:



The output from Mount Piper and Wallerawang (Western Region) stations has been purchased by EnergyAustralia Pty Ltd (formerly TRUenergy Pty Ltd) under Generation Trading Agreements in 2011.

The total generating capacity of Delta is 4,387 megawatts or approximately 11 per cent of the National Electricity Market.

During 2012-13, Delta produced 19,947 gigawatt hours of electricity and received \$1 billion in revenue from all sources. It declared a dividend of \$20.4 million for 2012-13, equivalent to the interest income earned under the GenTrader transaction. Delta's carbon tax liability excluding recoveries from EnergyAustralia for 2012-13 was \$421 million.

Key Issues

Sale to EnergyAustralia Pty Ltd

On 25 July 2013, the New South Wales Government executed a Sale and Purchase Agreement with EnergyAustralia to sell Mount Piper and Wallerawang power stations (Gentrader Delta Western assets). The sale transaction was completed on 2 September 2013 for \$160 million, subject to net working capital and net adjustments.

Fully funded liabilities of \$17.0 million for insurance provisions were transferred to the Crown on 2 September 2013, being Delta's self-insurance for dust diseases risks. These obligations will be managed in the future by the Electricity Assets Ministerial Holding Corporation.

On 27 January 2013, Unit 7 'A' cooling tower at Wallerawang Power Station suffered a partial collapse. As a result Delta paid liquidated damages of \$8.8 million to EnergyAustralia during the year, with \$7.0 million expected to be reimbursed by the Crown.

The sale of Delta's Central Coast assets (Vales Point and Colongra) is expected to be completed in 2014.

Debt and Capital Structure

As reported in 2012, Delta's debt level was considered too high to be sustainable in the medium-term based on its uncommitted generated electricity. On 2 September 2013, the proceeds from the sale to EnergyAustralia were used to repay \$160 million of total borrowings from the NSW Treasury Corporation. The borrowing repaid included \$59.5 million due to mature on 1 August 2014, and resulted in a net gain of \$2.8 million.

On 25 July 2013, Delta West power stations were sold to EnergyAustralia for \$160 million

Delta reduced its current debt level by \$160 million

Delta proposes using the proceeds from the potential sale of Delta Coastal to repay a debt of \$104.8 million maturing on 1 April 2015. If the proceeds are not received by the maturity date, the repayment will be funded by a combination of Delta's cash reserves and an equity injection from the State.

Impact of Carbon Price

The Federal Government passed its Clean Energy Future Legislation Package on 8 November 2011, resulting in the introduction of a carbon tax on 1 July 2012. Delta paid \$306 million of its total carbon tax liability for the year in June 2013. The legislation introduced a three-year fixed carbon price from 1 July 2012, and thereafter a fully flexible price under an emissions trading scheme, with the price to be determined by the market from 1 July 2015. Any changes to the legislation could impact Delta's profitability. Carbon price assumptions are also a key input to the modelling used to determine the carrying value of Delta's assets. Significant changes to the legislation could impact the valuation of its assets.

Performance Information

Delta provided the following unaudited information on its performance:

Year ended 30 June	Target		Actual		
	2013	2013	2012	2011	2010
Generation of electricity – gigawatt hours sent out					
Coal	21,900	19,936	19,890	21,444	21,992
Gas	55	11	26	57	7
Total	21,955	19,947	19,916	21,501	21,999
Plant availability – total all stations (%)	90.2	89.3	84.8	91.4	92.0
Thermal efficiency – total all stations (%)	35.7	34.7	34.7	34.9	34.6

Production of electricity was below target in 2012-13, mainly due to the Western operation. EnergyAustralia ran the plant at lower levels than Delta's estimated production level as a result of the low demand in the market. Delta also attributes the below budget production to flat demand due to consumers reacting to higher electricity prices, government schemes promoting energy efficiency, and renewable energy installations such as roof top solar panels.

Targeted plant availability was not achieved in 2012-13 due to boiler water wall and economiser tube leaks and the Unit 7 'A' cooling system capacity issues.

Thermal efficiency is a performance measure commonly used by power stations. The thermal efficiency percentages above indicate the average percentage of energy contained in the coal used by Delta's power stations to produce electricity (for example, measure of the overall fuel conversion efficiency for the electricity generation process). Delta's coal fired power stations at around 35 per cent continue to outperform reported worldwide averages for thermal efficiency of 28 per cent¹.

Thermal efficiency is influenced by the design, age and condition of a power plant, and by the quality of coal used. A new state of the art power station can expect to achieve a thermal efficiency in excess of 45 per cent.

Production of electricity was below target due to EnergyAustralia's low production caused by low demand in the market

The government will not reimburse for revenue foregone totalling \$570 million to Delta

1 World Coal Association: Improving Efficiencies

Other Information

Entitlement to Reimbursement under the *State Owned Corporations Act 1989*

Under the *State Owned Corporations Act 1989*, a State owned corporation is entitled to be reimbursed for the cost of complying with ministerial directions which the corporation's Board consider to not be in its commercial interest.

Delta has lodged reimbursement claims totalling \$578 million with Treasury for costs of complying with directions relating to the NSW Energy Reform process. The claims are mainly for net revenue foregone by Delta following the sale of the Western Region generating rights.

In 2012-13, advice from the Crown Solicitor to Treasury indicated that the government is not obliged to reimburse State owned corporations for revenue foregone totalling \$570 million. The claim relating to the net cost incurred of \$8 million will be referred to its advisers for consideration in future transfers of NSW electricity generation assets.

Corporation Activities

See the 'Electricity Industry Overview' in this report for general industry comment.

Delta Electricity was constituted in March 1996 as an electricity generator under the *Energy Services Corporations Act 1995* and as a statutory State owned corporation under the *State Owned Corporations Act 1989*. The shareholders are the Treasurer and the Minister for Finance and Services.

For more information on Delta, refer to www.de.com.au.

Controlled Entities

Delta Electricity Australia Pty Ltd (in receivership)

The Sunshine Electricity Joint Venture (SEJV), with the NSW Sugar Milling Corporation, continues to be in the hands of a receiver. In September 2013, Delta entered into the SEJV release deed to sell the operation with settlement date expected to be in late October 2013.

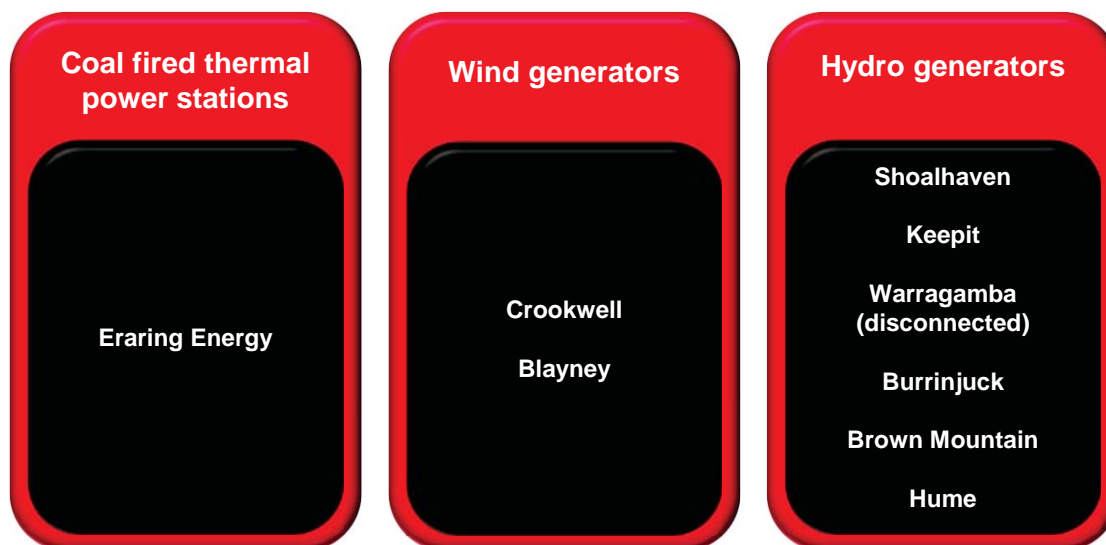
Eraring Energy

Audit Opinion

The 30 June 2013 audit of Eraring Energy is yet to be finalised.

Operational Snapshot

Eraring Energy generates and supplies electricity to the National Electricity Market from the following sources:



The output from Eraring and Shoalhaven stations was purchased by Origin Energy under Generation Trading Agreements (GTAs) in 2011.

The generation capacity of Eraring is approximately 3,330 megawatts or approximately 6.8 per cent of the National Electricity Market.

During 2012-13, Eraring Energy produced 11,874.5 gigawatt hours of electricity and received \$606 million in revenue from all sources. It declared a dividend of \$30.5 million for 2012-13 equivalent to the interest income earned under the GenTrader transaction.

Key Issues

Sale to Origin Energy

Eraring Energy's force-majeure disputes with Origin Energy relating to generator transformer failures in October 2011 and March 2012 at the Eraring power station were settled in May 2013.

The NSW Government executed a Sale and Purchase agreement with Origin Energy on 1 July 2013 to sell the Eraring power station and Shoalhaven hydro power station for \$50.0 million. It also agreed the terms for cancelling the Cobbora Coal Supply Agreement, which included a payment to Origin Energy of \$300 million. The transaction was completed on 1 August 2013.

Eraring Energy's cash assets of \$68.0 million and fully funded liabilities of \$34.0 million for insurance provisions were transferred to the Crown on 31 July 2013. The insurance provisions arose because Eraring Energy was a self-insurer for workers' compensation and dust diseases risks. The obligations will be managed in the future by the NSW Self Insurance Corporation. Eraring Energy also provided top-up funding of \$1.0 million to Pillar Administration for defined benefit superannuation schemes and \$8.0 million initial working capital funding to Green State Power Pty Limited.

Eraring power station and Shoalhaven hydro power station were sold to Origin Energy on 1 August 2013

Green State Power Pty Limited was established on 4 June 2013 as a company with a sole shareholder, the Hon. Michael Baird, Treasurer, for and on behalf of the Crown. On completion date, Eraring Energy's remaining wind and hydro generation assets were transferred to Green State Power Pty Limited at book values with the exception of Warragamba, which was transferred to the Sydney Catchment Authority.

Performance Information

Operational Performance

During the year, Eraring Energy managed a diverse portfolio of generating assets comprising thermal coal, hydro and wind. Most of its generation came from Eraring power station, which uses thermal coal. The power station produced 11,449 gigawatt hours of electricity in 2012-13 (11,895 in 2011-12).

Generation trended downwards over the past four years, primarily due to planned outages for work undertaken on the capacity upgrade project at Eraring power station and plant failures.

Indicators Eraring Energy used to assess its electricity generation performance are shown below.

Year ended 30 June	Actual			
	2013	2012	2011	2010
Generation of electricity – gigawatt hours as generated				
Thermal coal	11,449	11,895	13,971	14,116
Hydro	402.5	450.3	350.0	123.0
Wind	23.0	23.0	23.0	27.0
Total	11,874.5	12,368.3	14,344.0	14,266.0
Eraring PS Plant availability (%)	75.4	67.4	74.6	78.7
Thermal efficiency as generated (%)	37.7	37.7	37.9	37.8

Source: Eraring Energy (unaudited).

Plant availability measures the total time Eraring Power Station's generating units were producing electricity or able to produce electricity over a given period. Plant availability is directly impacted by the time required for maintenance and capital improvements. In 2011, 2012 and 2013, plant availability was impacted by the planned capacity upgrade project and major unplanned generation outages.

Thermal efficiency is a performance measure commonly used by power stations. It is influenced by the source of cooling water, the design, age and condition of the power plant, and the quality of coal used. The thermal efficiency percentages above indicate the percentage of energy in the coal used by Eraring power station to produce electricity and measure the overall fuel conversion efficiency for the electricity generation process. NSW Government-owned coal fired power stations outperform reported worldwide averages for thermal efficiency of 28 per cent.

Other Information

Major Project Expenditure

During 2013, the final boiler upgrade was completed as part of the Eraring power station capacity upgrade. The project, spanning four years, increased the nominal capacity of each of the four generating units from 660 megawatts to 720 megawatts and extended the power station's life. Total project costs, incorporating new and updated unit components together with an attenuating dam and new ash handling facility, amounted to \$591 million against a budget of \$658 million.

Generation trended downward due to planned upgrades and plant failures

The Eraring power station capacity upgrade project was completed during the year at a total cost of \$591 million

Corporation Activities

See the 'Electricity Industry Overview' section earlier in this report for general industry comment.

Eraring Energy was established as a statutory State owned corporation in August 2000 under the *State Owned Corporations Act 1989* and *Energy Services Corporations Act 1995*. The shareholders until 31 July 2013 were the Treasurer and Minister for Finance and Services.

For further information on Eraring Energy, refer to www.eraring-energy.com.au.

Macquarie Generation

Audit Opinion

I issued an unqualified audit opinion on Macquarie Generation's 30 June 2013 financial statements.

Operational Snapshot

Macquarie Generation owns and operates Liddell and Bayswater Power Stations with a combined generating capacity of 4,640 megawatts or approximately 10.3 per cent of the National Electricity Market.

During 2012-13, Macquarie Generation produced 21,862 gigawatt hours of electricity and made a profit of \$41.3 million after tax (\$120 million in 2012). It declared a dividend of \$30.0 million from its 2012-13 results (\$124 million).

Key Issue

Sale of Macquarie Generation

The government called for expressions of interest for the purchase of Macquarie Generation's electricity generator assets on 30 July 2013. The government expects to complete the sale transaction in 2013-14.

The Electricity Generator Assets (Authorised Transactions) Act 2012 was assented to on 5 June 2012, and provides for the privatisation of NSW Generator assets including those of Macquarie Generation.

Impact of Carbon Price

The introduction of the Australian Government's *Clean Energy Act 2011* (the Act) resulted in the Corporation incurring a net carbon tax expense of \$299 million in 2012-13. A \$1.0 billion write down to the value of its infrastructure assets in 2011-12 was also attributed to the introduction of this Act.

The value of infrastructure assets was not adjusted in 2012-13 on the assumption the carbon price mechanism will continue to operate as set out in the Act.

The Act introduced a three-year fixed carbon price from 1 July 2012 and thereafter a fully flexible price under an emissions trading scheme, with the price determined by the market from 1 July 2015. Any change to the Act could significantly impact Macquarie Generation's profitability and the value of its infrastructure assets.

Macquarie Generation incurred a net carbon tax expense of \$299 million in 2012-13

Performance Information

Operational Performance

Year ended 30 June	2013	2012	2011	2010
Generation of electricity – gigawatt hours sent out				
Bayswater	15,555	15,770	13,661	15,176
Liddell	6,307	8,764	7,763	9,394
Total	21,862	24,534	21,424	24,570
Plant availability				
Bayswater (%)	84.5	88.1	92.7	91.8
Liddell (%)	56.5	72.9	69.5	72.3
Thermal efficiency				
Bayswater (%)	35.3	34.9	34.6	35.0
Liddell (%)	33.7	33.9	31.9	32.8
Equivalent forced outages (%)	21.6	13.3	10.5	12.4
Earnings before interest and tax (\$m)	117.1	246.6	241.4	334.4
Interest cover (times)	2.0	3.3	3.7	6.0
Total distributions to government (\$m) (a)	126.2	187.0	249.0	273.4
Capital expenditure (\$m)	18.9	23.8	41.4	40.2

a Dividend declared plus income tax paid.

Plant availability measures the total time generation units produced electricity or were able to produce electricity over a given period. Plant availability is directly impacted by the time required for maintenance and capital improvements. Liddell's availability in 2012-13 was impacted by generator failure on Units Three and Four. This contributed to the reduced total generation and increase in equivalent forced outages.

Earnings before interest and tax decreased mainly due to the carbon tax expense referred to above.

Thermal efficiency measures the overall fuel conversion efficiency for the electricity generation process. It is influenced by the design, age and condition of a power plant, source of cooling water, and the quality of coal used. NSW Government-owned coal fired power stations outperform reported worldwide averages for thermal efficiency of 28 per cent. A new state-of-the-art power station can expect to achieve a thermal efficiency in excess of 45 per cent.

Capital expenditure was \$4.9 million lower in 2012-13 because various projects were completed in 2011-12.

Other Information

Changes in the Macquarie Generation's Operating Environment

The recent sale of NSW State owned retailers and generators, together with less volatility and generally lower electricity prices, have resulted in significant changes to the Macquarie Generation's operating environment. There is now greater vertical integration in the National Electricity Market and reduced opportunity to profit from price volatility.

The significant changes have created challenges for Macquarie Generation's business model and its risk profile.

Macquarie Generation is undertaking a range of initiatives to manage these emerging risks.

More stable electricity prices has resulted in reduced profit from price volatility

Corporation Activities

See the 'Electricity Industry Overview' section earlier in this report for general industry comment.

Macquarie Generation operates the Bayswater and Liddell coal-fired power stations in the Upper Hunter Valley.

Macquarie Generation was constituted in March 1996 as an electricity generator under the *Energy Services Corporations Act 1995* and as a statutory State owned corporation under the *State Owned Corporations Act 1989*. The shareholders are the Treasurer and the Minister for Finance and Services.

For further information on Macquarie Generation, refer to www.macgen.com.au.

Cobbora Holding Company Pty Limited

Audit Opinion

I issued unqualified audit opinions on Cobbora Holding Company Pty Limited (Cobbora) and its controlled entities' 30 June 2013 financial statements.

Unless otherwise stated, the following commentary relates to the consolidated entity.

Operational Snapshot

Cobbora was established to facilitate development of an open cut coal mine located at Cobbora in western New South Wales. Since 2009, Cobbora has acquired more than 348 square kilometres of land in and surrounding the Cobbora Coal Project application area.

Key Issues

Termination of Coal Supply Agreements

Cobbora was locked into supplying around 9.5 million tonnes of coal each year to Origin Energy, Macquarie Generation and Delta Electricity. As part of the sale of Eraring Energy to Origin on 1 August 2013, Origin Energy agreed to terminate its Cobbora coal supply agreement in return for a payment of \$300 million from the State. The Treasurer directed Macquarie Generation and Delta Electricity, State owned generators, to terminate their coal supply agreements without compensation payable.

Future Development and Operation of Cobbora Coal Mine

Termination of the coal supply agreements removed the State's obligation to develop and operate Cobbora coal mine. The capital expenditure required to develop the mine had been estimated at around \$1.5 billion.

The government currently intends to sell or lease the mine site. Cobbora is progressing with project approvals required for developing and operating a coal mine on the site. Cobbora is also developing a land management plan to improve the quality of the site and to allow for agricultural use pending the future sale or lease.

Transfer of Cobbora's Debt to the Crown

Cobbora had incurred \$149 million in borrowings used mainly to fund expenditure incurred for mine development. The Crown Entity assumed these borrowings in June 2013 by converting the debt to equity.

The State paid \$300 million to Origin Energy for terminating its coal supply agreement with Cobbora

Financial Information

Abridged Statement of Comprehensive Income

Year ended 30 June	Consolidated	
	2013 \$'000	2012 \$'000
Total revenue	6,609	1,053
Total expenses excluding finance costs, impairment losses and tax	15,148	6,461
Loss before finance costs, impairment losses and tax	(8,539)	(5,408)
Finance costs	5,112	2,556
Impairment losses	81,327	--
Loss before tax	(94,978)	(7,964)
Income tax (expense)/benefit	(3,128)	2,389
Loss after tax	(98,106)	(5,575)
Total comprehensive expense	(98,106)	(5,575)

Revenues and expenses largely reflect that Cobbora was in a start-up phase of operations.

Revenue in the current year includes \$5.1 million of finance costs assumed by the Crown Entity. Current year expenditure includes \$81.3 million of write-downs of capitalised exploration and mine development expenditure after Cobbora determined future cash flows would be insufficient to recover the value of these assets.

Abridged Statement of Financial Position

At 30 June	Consolidated	
	2013 \$'000	2012 \$'000
Current assets	18,534	13,244
Non-current assets	155,379	147,678
Total assets	173,913	160,922
Current liabilities	11,438	49,683
Non-current liabilities	19	50
Total liabilities	11,457	49,733
Net assets	162,456	111,189

Non-current assets include land of \$126 million (\$93.6 million in 2011-12), capitalised exploration and mine development expenditure of nil (\$29.9 million) and water licences of \$14.5 million (\$13.3 million).

Liabilities include borrowings from New South Wales Treasury Corporation of nil (\$40.5 million). As noted under 'Key issues', Cobbora's borrowings of \$149 million were assumed by the Crown Entity on 28 June 2013.

The Treasurer has guaranteed the State will provide sufficient funding, where it is otherwise unavailable, to support Cobbora's business costs.

Entity Activities

Cobbora Holding Company Pty Limited was incorporated to facilitate the development of the Cobbora Coal Project. It is wholly owned by the Treasurer of New South Wales.

For further information on Cobbora refer to www.cobbora.com.au. There are no legislative requirements for Cobbora to make public financial statements or to produce an annual report.

Controlled Entities

The following entities were controlled by Cobbora Holding Company Ltd at 30 June 2013:

- Cobbora Coal Mine Pty Limited
- Cobbora Rail Company Pty Limited.

The following controlled entities were wound up during 2012-13:

- Cobbora Coal Unit Trust
- CCP Holdings Pty Limited
- Cobbora Management Company Pty Limited
- Midwest Development Corporation Pty Limited
- Mid West Primary Pty Limited
- Rocky Point Holdings Pty Limited.

The entities' residual assets and liabilities were transferred to Cobbora Holding Company Pty Limited.

Further information on the structure of the group and changes occurring during the year appear in Volume Four of the 2012 Auditor-General's Report to Parliament.

Appendix 1

Agencies not commented on in this volume, by minister

The following audits resulted in unqualified independent auditor's reports and did not identify any significant issues or risks.

Entity name	Website	Period/year ended
Minister for Regional Infrastructure and Services		
Trustees of the Farrer Memorial Research Scholarship Fund	*	31 December 2012
Minister for Resources and Energy		
Ausgrid Pty Limited	www.ausgrid.com.au	30 June 2013
Networks NSW Pty Limited	*	30 June 2013
NorthPower Energy Services Pty Limited	*	30 June 2013

* This entity has no website.

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