



# The Energy Charter Disclosure Report

1 January – 30 June 2019

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# Executive summary

## About CS Energy

CS Energy is a Queensland Government-owned corporation and a major wholesale provider of electricity in Australia. We employ more than 500 people and have a trading portfolio of 4,105 megawatts (MW) in the National Electricity Market (NEM).

## Our customers

CS Energy offers boutique retail services to a small, but growing, number of commercial and industrial (C&I) customers, which range from ports to mines to large industrial developments.

We also have a 50/50 joint venture (JV) with retailer Alinta Energy to supply electricity to residential and commercial customers in South East Queensland (SEQ). Under the joint venture, CS Energy generates and supplies wholesale electricity and Alinta Energy manages the retail business.

## Progress against the Energy Charter and planned improvements

CS Energy acknowledges that we are at the start of the journey to create a more customer-focused culture in our business. The Energy Charter now acts as a constant reminder of our role in the energy industry and the five principles guide us to ensure that we meet the needs of our customers and the community.



**Principle One: We will put our customers at the centre of our business and the energy system.**

CS Energy has begun the transition from being a wholesale generator to a more customer-focused, diversified energy business. Our new strategy developed in 2019 puts a greater focus on the customer as part of our diversification initiatives.

*Areas for continuous improvement in FY2020*

Our strategic priority of 'Deliver future energy' will guide our efforts to gain a better relationship with customers to understand their needs and expand into adjacent services for these customers.



**Principle Two: We will improve energy affordability for customers.**

CS Energy's ability to keep our low-cost thermal plant available during high demand periods has contributed to Queensland having the lowest wholesale prices in the NEM over the past two years.

Our retail joint venture with Alinta Energy in South East Queensland introduced competition into a highly concentrated market and savings for customers.

*Areas for continuous improvement in FY2020*

We will continue to maintain the reliability of our generation assets and implement the required flexibility solutions that optimise our participation in a rapidly changing energy market. Maintaining our assets and having them available will continue to play a key role for energy affordability as the market transitions to a renewable energy led future.



**Principle Three: We will provide energy safely, sustainably and reliably.**

In FY2019, CS Energy achieved our safest year on record, with an All Injury Frequency Rate of 31.8. Our power stations recorded high availability and reliability factors, particularly over the recent summer, which was the warmest on record.

Our greenhouse gas emissions intensity has remained relatively stable over the past five years and we are supporting the transition to low-emission energy through our offtake agreement with the Kennedy Energy Park and our support for the QUT hydrogen project.

*Areas for continuous improvement in FY2020*

We will pursue our FY2020 safety and environment targets with an All Injury Frequency Rate of less than 30, and zero significant environmental incidents.

In pursuit of our strategy we will work to participate in the future energy market by focusing on customers, technology and distributed energy.



**Principle Four: We will improve the customer experience.**

CS Energy's relatively small C&I retail book allows our retail team to offer customers competitively priced and tailored packages to meet specific energy requirements. We recognise that we must maintain regular contact with our customers to determine their satisfaction with the products we offer and the quality of our service.

*Areas for continuous improvement in FY2020*

In July 2019, we appointed a Retail Manager to expand our customer base and manage interactions with our existing customers. As we continue to establish our retail function for C&I customers, CS Energy will seek to understand the drivers for our customers and provide additional products and services where appropriate. We will engage with our customers regularly to fully understand their needs and to make sure that we are meeting their expectations.



**Principle Five: We will support customers facing vulnerable circumstances.**

Historically, CS Energy has not been a mass market retailer and has done very little to directly help customers facing vulnerable circumstances. However, we give back to the community through our workplace giving program **Generosity** and our Community Sponsorship Program.

*Areas for continuous improvement in FY2020*

Through our joint venture with Alinta Energy, CS Energy acknowledges that we need to develop a better understanding of Alinta Energy's arrangements with regards to vulnerable customers. CS Energy has placed this as a standing agenda item for all upcoming joint venture meetings.

CS Energy will continue our workplace giving and other sponsorship donations and explore additional ways to support groups and charities that assist vulnerable groups in the community.



# Message from the Chair & CEO



CS Energy is proud to be a foundation signatory to *The Energy Charter* (Charter) – a bold, world-first initiative that has the potential to produce positive and long-lasting changes to the Australian energy industry as we move to a low emissions future.

The Charter is the first time that all parts of the energy supply chain have come together and committed to a disclosure framework to aid transparency and help deliver a more affordable, reliable and sustainable energy system for its customers.

CS Energy acknowledges that we are at the start of the journey to create a more customer-focused culture in our business. The Charter now acts as a constant reminder of our role in the energy industry and the five principles guide us to ensure that we meet the needs of our customers as well as the expectations of the broader Australian community.

The case for the Charter is obvious as corporate history is littered with businesses and industries that have fallen by the wayside because they failed to adapt to change driven by customers.

Traditional electricity supply arrangements featured limited contact between the industry and the customer, and primarily revolved around the payment of a quarterly electricity bill received through the post.

Today, the energy industry is vastly different as customer behaviour has reshaped, and is continuing to reshape, the way energy is generated, supplied and purchased and this has seen energy companies across the supply chain become more dynamic and customer-focused.

This is highlighted by the range of options now available to the customer, which include generating and selling their own electricity, negotiating the best available price, and selecting different types of energy they wish to consume.

Rising electricity prices has placed many customers under financial pressure. CS Energy has joined the Charter to play its role to address this issue.

CS Energy has recently revised our strategy to ensure we remain a commercially sustainable business over the long-term in a rapidly changing and dynamic market. Our strategy is to run our existing business well, while also diversifying our revenue streams.

A focus on these objectives will ensure CS Energy's continued presence as a business, which is essential for customers as we will play a key role in maintaining security of supply and, therefore, customer affordability.

CS Energy has started the journey to create a more customer-focused culture in the business. This report will serve as a baseline for CS Energy in the years ahead as we pursue the continuous improvement focus areas outlined for each principle.

We are always keen to hear from our customers, so if anyone has any feedback on this report please feel free to get in touch with us at any time. We look forward to hearing from you soon.

**Jim Soorley**  
Chairman

**Andrew Bills**  
CEO

CS Energy has started the journey to create a more customer-focused culture in the business

# About CS Energy

## Our purpose

**Delivering energy today,  
powering your tomorrow.**

## Who we are

CS Energy is a Queensland Government-owned corporation and a major wholesale provider of electricity in Australia. We employ more than 500 people throughout Queensland and have a trading portfolio of 4,105 megawatts (MW) in the National Electricity Market (NEM). CS Energy is one of Australia's truly regional companies with more than 50 per cent of our employees living in the communities where our power stations are based.

## What we do

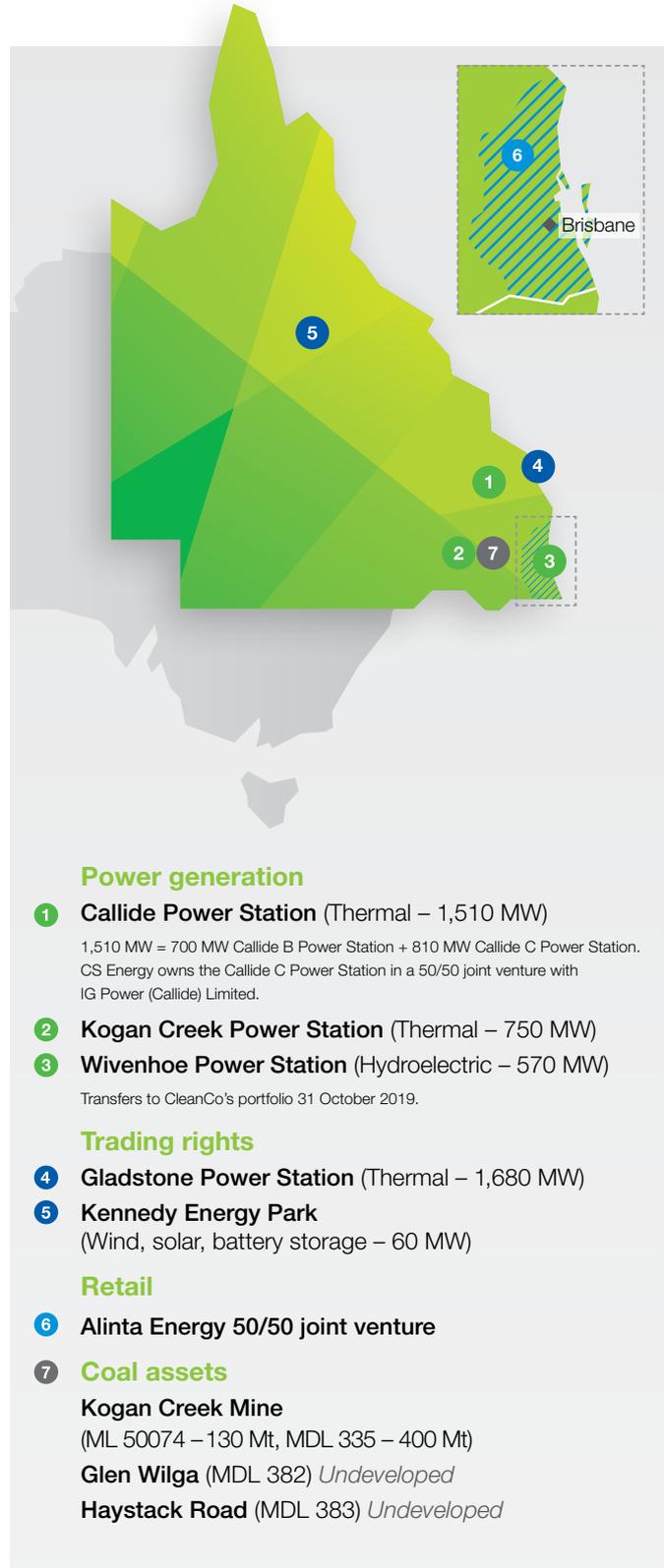
CS Energy is a major provider of electricity in Australia. We generate more than 35 per cent of Queensland's electricity and around 11 per cent of the electricity dispatched into the NEM.

CS Energy's portfolio includes thermal and hydroelectric power stations, electricity trading rights, a renewable energy offtake agreement, a retail electricity joint venture, and coal assets.

CS Energy generates electricity at the Callide, Kogan Creek and Wivenhoe power stations<sup>1</sup>, which we own and operate. We own Callide C Power Station in a 50/50 joint venture with InterGen and provide operation and maintenance services to the joint venture. Our coal assets are the Kogan Creek Mine, which supplies thermal, black coal to the Kogan Creek Power Station. Coal is supplied to the Callide Power Station from the Callide Mine, which is owned and operated by Batchfire Resources.

CS Energy sells the electricity we generate at the Callide, Kogan Creek and Wivenhoe power stations in the NEM. CS Energy is a party to the Gladstone Interconnection and Power Pooling Agreement (IPPA), which entitles us to trade the output of the Gladstone Power Station in excess of the requirements of the Boyne Island aluminium smelter.

<sup>1</sup> Wivenhoe Power Station will be transferred over to the asset portfolio of CleanCo by 31 October 2019.



## Our customers

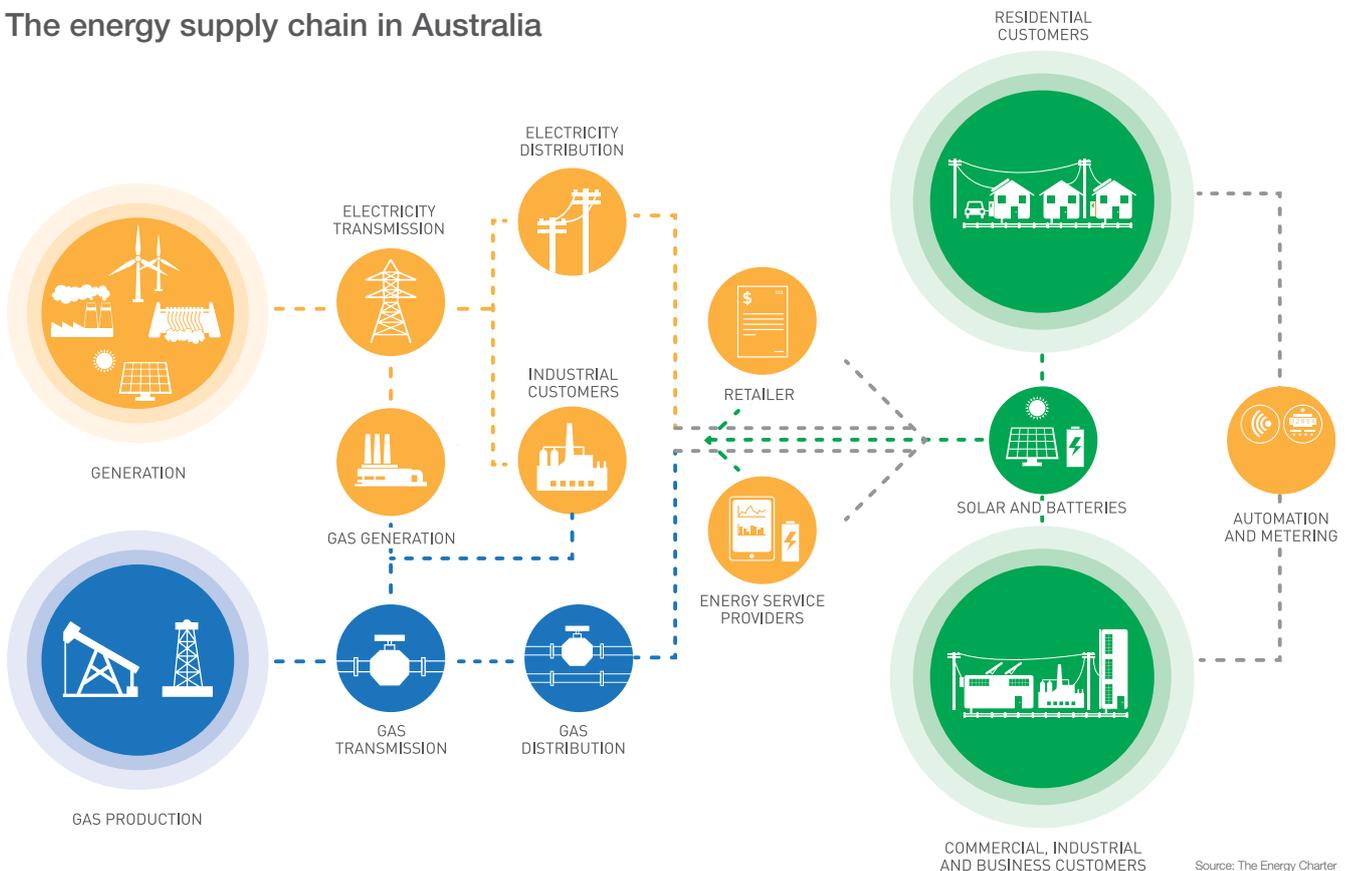
CS Energy also holds an electricity retail license. We offer boutique retail services to a small, but growing, number of commercial and industrial (C&I) customers. Our customers, who are all based in Queensland, are large business and industrial companies such as mines and ports and typically use more 20GWh annually.

Our retail team offers customers competitively priced and tailored packages to meet specific energy requirements. For example, an increasing number of commercial and industrial customers have expressed a desire for clean energy solutions through the bundling of renewable ('green') energy with firm generation from our existing coal-fired ('black') portfolio.

We have a 50/50 joint venture with retailer Alinta Energy to supply electricity to more than 190,000 residential and commercial customers in South East Queensland. Under the joint venture, CS Energy generates and supplies wholesale electricity and Alinta Energy manages the retail business.

Through our offtake agreement with the Kennedy Energy Park in North Queensland, CS Energy is helping to facilitate renewable energy development in Queensland.

## The energy supply chain in Australia



CS Energy's core business is the wholesale generation and sale of electricity in the NEM. We are growing our business into the provision of boutique retail services to large commercial and industrial users, and we have a joint venture with mass market retailer Alinta Energy in South East Queensland.

## Disclosures

### Principle One:

# We will put customers at the centre of our business and the energy system

Having the right culture underpins the way we behave, the decisions we make and the outcomes we deliver. We recognise that getting the culture right for our customers is crucial not only to deliver on our customer commitments, but also to the long-term success of our businesses.

We will develop the culture within our businesses that puts the customer at the centre and will work together and with our stakeholders to deliver the safe, affordable, reliable and sustainable energy system the community expects.

### Our approach

In recent years, CS Energy has begun the transition from being a relatively inward-looking wholesale generator to a more commercially astute and customer-focused energy business. For example, we recently updated our strategy, vision, purpose and values. Through that process, it became apparent that there was little or no focus on the customer and that we needed to change that mindset throughout the business. Our vision now clearly states that we want to be “a leading provider of diversified energy solutions to our customers”. Our values are now designed to achieve that vision.

For a number of years, we have pursued a range of initiatives to drive a constructive business culture, which is used as a platform to build success in key areas such as safety, productivity and financial performance. To measure our progress and improvement, CS Energy undertakes an employee culture and engagement survey every two years. The most recent survey was undertaken in May 2019 and we achieved some very good results with more than 80 per cent of employees agreeing that we genuinely care for each other, our leadership team makes a positive difference to our safety culture, and that we take responsibility for our actions. However, the survey also identified that employees felt an improved focus on strategic direction could assist them in getting their work done.

The results are reviewed by management and the Board and used to identify opportunities to improve our culture, and to drive further improvements across the business. In the future, there is an opportunity for CS Energy to develop and embed a genuine customer-centric focused culture as part of our broader culture improvement.

We have a long way to go to change the culture of our workforce and to embed the customer at the centre of our business. However, we have started a program that is designed to develop the culture we are seeking to create at CS Energy. One of the four strategic priorities in our recently updated strategy is ‘Deliver future energy’. The focus of this is to put the customer at the centre of everything we do by developing a deeper understanding of our customer’s needs while achieving sustainable and reliable revenue. Achieving this goal will enable our customers to identify CS Energy as:

- ✓ A knowledgeable retailer that understands the complexity of the market and regulatory environment.
- ✓ An expert provider of structured solutions, tailored to meet the needs of its customers, to deliver value in a changing energy landscape (using both existing assets and new generation sources).
- ✓ A dedicated service provider with staff that always provide a positive customer experience.

While we do have some way to go to become a truly customer-centric business, we have done some good work in recent times. An example of our focus on customer needs is the whole-of-government contract awarded to CS Energy in December 2018. The contract was secured through a competitive procurement process to supply wholesale electricity to large Queensland Government sites for 10 years from 1 January 2019. CS Energy’s bid was successful because we listened to the customer and provided a tailored response that delivered value, innovation and a commitment to customer service.

CS Energy has received the following feedback from the Queensland Government agency that administers the contract.

*“The Queensland Government is very happy with the contract as it provides a low stable price over a longer term and CS Energy have been very supportive and attentive during the transition to this new contract and continue to provide ongoing support to all departments.”*

**Customer outcomes**

**CS Energy’s values, which are approved by our Board, are integral to a constructive workplace culture. Our values are customer-friendly and guide the business in our activities.**

**CS Energy’s employees are required to act in accordance with our values and Code of Conduct. This provides customers with comfort that we uphold our values in all interactions with them.**

**Principle in action**

**1.1** Have a Board that actively oversees the business’s culture that is aligned with *The Energy Charter Principles*.

Activities January to June 2019	Evidence
<p>CS Energy undertakes an employee culture and engagement survey every two years with the last undertaken in May 2019. The results are considered by management and Board and used to identify opportunities to improve our culture, and to drive improved outcomes across the business.</p> <p>We updated our values in FY2019 to support our Board-endorsed strategy. Our values are:</p> <ul style="list-style-type: none"> <li>• Be safe</li> <li>• Act with integrity</li> <li>• Take accountability</li> <li>• Make a difference</li> </ul> <p>All employees and contractors undertook annual refresher training for our Code of Conduct.</p> <p>Our Board held meetings at our operational sites in FY2019 to interact with employees and see business initiatives in action.</p> <p>Our Board held Boardroom meetings with our key stakeholders on a quarterly basis to build and strengthen our relationships and better understand industry and market trends, as well as the needs and requirements of our customers.</p> <p>Our Board undertakes an independent evaluation of its performance each year.</p>	<p>Our Strategy is outlined in our FY2019 Annual Report.</p> <p>CS Energy Code of Conduct training is covered on our intranet.</p> <p>Board meeting held at Kogan Creek Power Station in May 2019, and at Callide Power Station in September 2019.</p> <p>In June 2019 the Board met with representatives from the Energy Charter.</p> <p>Improvements made to Board committee structure following FY2019 independent evaluation.</p>

**Principle in action**

**1.2** Have management operationally accountable for embedding a ‘customer at the centre’ culture.

Activities January to June 2019	Evidence
<p>CS Energy implemented the CODE (Culture, Ownership, Drive Energy) program across the business to improve our plant availability and safety performance. However, more work is required for our workforce to embed a culture of placing the customer at the centre of the business and the areas of improvement have been embedded into the business and individual key performance indicators (KPIs).</p>	<p>Improved availability and safety performance in FY2019. Refer to 2019 Annual Report.</p>

## Disclosures Principle One (continued)

### Principle in action

#### 1.3 Ensure their workforce is engaged and incentives are aligned to drive positive customer outcomes.

Activities January to June 2019	Evidence
<p>CS Energy undertakes an employee culture and engagement survey every two years. The results are used to identify opportunities to improve our culture, and to drive improved outcomes across the business.</p>	<p>Results from our biennial Culture and Engagement Survey in March 2019 showed a significant shift towards a constructive culture in the business compared to our last survey in 2017. This included a stronger focus on safety and business performance.</p>

### Principle in action

#### 1.4 Have robust processes to determine customer and community needs and be accountable on how feedback has been considered and incorporated into decision making.

Activities January to June 2019	Evidence
<p>Quarterly Board meetings with stakeholders.</p> <p>CS Energy held quarterly meetings with our joint venture partner, Alinta Energy, to discuss residential and commercial retail electricity customers' requirements as part of evaluating the joint venture progress and future strategic objectives.</p> <p>We communicated with community groups in the regions where our assets are located and provided information on our community investment program. We also provided feedback to unsuccessful applicants to assist with future requests for funding.</p> <p>We maintained regular contact with our shareholders to understand their needs, and the needs of the community, with regards to future energy policy.</p> <p>We have a process for communicating regularly with our customers for the whole-of-government contract.</p>	<p>Hosted Energy Charter representatives at June 2019 Board meeting.</p> <p>CS Energy offers advice to community groups every six months on preparing applications for our sponsorships.</p> <p>We meet regularly with our shareholders and report to them quarterly and annually via our annual report and quarterly reports.</p>

**Principle in action**

**1.5** Demonstrate a culture of innovation and collaboration for positive customer outcomes, including through the sharing of insights with government, research institutions and across the supply chain, as well as joint advocacy on regulatory, policy and operational issues.

Activities January to June 2019	Evidence
<p>CS Energy regularly liaised with other energy partners to provide positive outcomes for stakeholders. This included knowledge-sharing on safety, environment and plant-related issues. Much of this information was communicated on an ‘ad hoc’ basis. We recently, for example, hosted an industry workshop on process safety, but working more closely with our industry colleagues is an area that we could improve.</p> <p>CS Energy employees regularly host and present at industry events and conferences.</p> <p>With regards to joint advocacy on regulatory/policy issues, CS Energy works with our shareholder, the Queensland Government, and with the Australian Energy Council to provide a united voice where possible.</p> <p>CS Energy is a member on various industry working groups across the supply chain that meet regularly to discuss operational, regulatory and policy issues. CS Energy also has a dedicated Regulatory Manager and Market and Power Systems Specialist who both provide a significant amount of advice through these working groups and through other contacts on various aspects of the supply chain, and issues facing businesses like CS Energy.</p>	<p>CS Energy’s Head of Health and Safety chaired the Australian Energy Council Safety and Health Working Group.</p> <p>CS Energy initiated and hosted the Queensland Generator Safety Forum Innovation Awards in November 2018.</p> <p>CS Energy is a member organisation of the Australian Energy Council and participates in most of the working groups and the policy committee established by the Council.</p> <p>CS Energy also participates in other working groups, hosted by the AEMC and AEMO on specific issues (e.g. COGATI and Primary Frequency Control).</p> <p>We also proactively work with all of our key stakeholders – Queensland Government as a shareholder, as a regulator, indigenous communities, local Government, Commonwealth Government, unions, to name a few.</p>

**Continuous improvement for the Principle – expected focus areas for FY2020**

The Board will continue to monitor the performance of CS Energy as we transition to a customer-focused diversified energy company. Transitioning from a traditional wholesale generator, where we had little to no interactions with customers, to a customer-focused business is a significant challenge for the business and will take time. However, we have commenced our journey, and this is reflected in our current strategy, which includes the strategic priority to ‘*Deliver future energy*’. This priority aims to put the customer at the centre of everything we do by developing a better understanding of what the customer wants. A better relationship with customers will allow us to understand their needs and expand into adjacent services for those customers.

## Disclosures

# Principle Two: We will improve energy affordability for customers

We recognise that affordable energy is essential for Australian households and businesses.

We are committed to making energy more affordable, by running our businesses efficiently so customers benefit, by offering customers energy deals that best meet their needs, helping them manage their energy use, and by working together to put downward pressure on price, as well as innovating for cost effective solutions that meet residential and business customer needs.

### Our approach

One of CS Energy's strategic priorities is 'optimise our assets'. Thermal generation represents the lowest cost plant of all dispatchable generation in the NEM and has a key role to play in energy affordability as the market transitions to a low emissions future. This is highlighted by the fact that Queensland has the youngest thermal generation fleet in Australia and has had the lowest wholesale electricity prices across the NEM over the past two years. Our focus is to continue to maintain the reliability of our generation assets and implement the required flexibility solutions that optimise our participation in a rapidly changing energy market. By keeping our generation asset reliable, we will continue to play a role in making electricity affordable – not just for our customers but the wider Queensland community.

CS Energy offers highly competitive and tailored contracts to our C&I customers in a very competitive market. We do so by focusing on our core business of being a low-cost and reliable electricity generator. CS Energy currently has no plans to develop its own renewable energy resources, however, we are looking to diversify our revenue streams by supporting and investing in renewable offtake agreements and new technologies to facilitate the transition to a low emissions future.

In August 2017, CS Energy entered into a 50/50 joint venture with Alinta Energy to supply electricity to residential and small businesses within SEQ. Under the 10-year agreement, CS Energy provides wholesale electricity to the JV and Alinta Energy manages the retail business.

Alinta Energy entered the market with a 25 per cent discount for all customers, and then increased that discount to 28 per cent for all customers, even those who had already signed up. Following the introduction of the Default Market Offer in July this year, Alinta continues to provide a market leading offer of 16 per cent discount to the regulated rate.

CS Energy entered into this arrangement with Alinta Energy to introduce competition into a highly concentrated market as part of our strategy to diversify its business. CS Energy understood that the conditions were right for new players to stimulate competition in the SEQ retail electricity market.

As of June 2019, the joint venture had more than 190,000 connected customers, which represents a SEQ market share of approximately 12 per cent. What is evident since the launch of the joint venture is that residential and small business customers in SEQ have been the major beneficiaries of the increased competition.

A Deloitte Report released in July 2018, found that Alinta Energy's Home Saver Plus offer provided the lowest bill estimate, including discounts, of offers available in the SEQ retail market as of end of June 2018. Alinta is also a Canstar Blue winner for customer satisfaction in 2018.

A recent report into Queensland's energy retail market by the Australian Energy Market Commission showed that CS Energy's joint venture with Alinta Energy has delivered increased competition and savings for electricity consumers in SEQ. The report, released in July 2019, identified the following findings on the retail market in SEQ:

- For Queensland a number of retailers noted: an uplift in competition in Queensland following the arrangements entered into between Alinta Energy and CS Energy that has facilitated substantial discounting.
- Retail competition in Queensland has increased for electricity consumers over the past year.
- The traditional big three retailers no longer hold the three largest market shares in SEQ. Alinta Energy has captured market share following its joint venture with CS Energy and has overtaken EnergyAustralia to be the third largest retailer.
- A number of retailers noted an uplift in competition in SEQ following the arrangements entered into between Alinta Energy and CS Energy that has facilitated substantial discounting.
- Switching between big three to tier two retailers increased significantly, mainly resulting from Alinta Energy's entry and expansion in the market.

**Customer outcomes**

**CS Energy customers are offered affordable energy products.**

**Principle in action**

**2.1** Ensure that investment, commercial and operational decisions are cost efficient, and explain how customers benefit from these decisions.

Activities January to June 2019	Evidence
<p>In FY2019, CS Energy invested more than \$100 million in overhaul and capital expenditure to ensure our power stations run safely, reliably and efficiently. Having our plant available, especially during periods of high demand, ensures security of supply for Queensland and keeps downward pressure on wholesale electricity prices.</p>	<p>FY2019 thermal plant availability of 87.1 per cent, up more than three per cent on the previous period.</p>

**Principle in action**

**2.2** Offer customers energy deals that best meet their needs, supported by effective tools and incentives for customers to manage their energy use and cost.

Activities January to June 2019	Evidence
<p>CS Energy’s current strategy has a key focus on our customers. This includes a commitment to develop a deeper relationship with customers. A better relationship with customers will allow us to understand their needs.</p>	<p>A product which has improved the customer experience for the whole-of-government contract is the development of a Customer Portal. The portal allows customers to leverage their data, identify key areas of improvement to minimise energy spend, and consolidate their electricity bills.</p>

**Principle in action**

**2.3** Work cooperatively across the supply chain and with other stakeholders to improve affordability over the short and long term.

Activities January to June 2019	Evidence
<p>Our ability to keep our low-cost plant available during high demand periods contributed to Queensland having the lowest wholesale prices in the NEM over the past two years.</p> <p>A recent example of working cooperatively with our supply chain partners is our work with the owner of Callide Mine, Batchfire Resources. This engagement has resulted in consistently better-quality coal being provided to Callide Power Station, which has subsequently improved the efficiency and reliability of the site in generating low-cost electricity for Queensland.</p> <p>CS Energy also worked with the Queensland Government and Alinta Energy to deliver a retail offer that has delivered short and long-term energy affordability to customers.</p>	<p>Queensland wholesale electricity prices have been the lowest in the NEM for the past two years.</p>

## Disclosures Principle Two (continued)

### Principle in action

#### 2.4 Innovate to deliver competitive energy solutions for business and residential customers.

Activities January to June 2019	Evidence
<p>CS Energy established a precedent for delivering competitive and innovative energy solutions for our C&amp;I customers. Our offer for the whole-of-government contract was successful because we provided innovative and competitive solutions such as:</p> <ul style="list-style-type: none"> <li>• Provided a simple structure that managed risks.</li> <li>• Explained and demonstrated how we are capable of servicing the needs of a complex multi-site, multi-agency energy portfolio, with accurate and timely billing and data capture, and tracking of energy usage.</li> <li>• Incentivised and supported each site with demand-side initiatives to reduce or shift electricity consumption and increase energy efficiency.</li> </ul>	<p>CS Energy awarded the Queensland whole-of government contract in late 2018.</p>

### Principle in action

#### 2.5 Advocate on behalf of customers to improve energy affordability through engagement in regulatory and policy processes.

Activities January to June 2019	Evidence
<p>CS Energy signed up to the Energy Charter on behalf of our customers to work with supply chain partners to improve affordability.</p> <p>The key to improving energy affordability is having stable energy policy at all levels of government to provide certainty for industry and investors. CS Energy actively engages governments and industry bodies by responding to proposed regulatory and policy changes that are market led.</p>	<p>CS Energy makes submission to regulatory bodies (AEMC, AER).</p> <p>In addition, CS Energy works with the AEC and its members.</p>

### Continuous improvement for the Principle – expected focus areas for FY2020

CS Energy’s current strategy includes a strategic priority to ‘*optimise our assets*’. This focuses on continuing to maintain the reliability of our generation assets and implement the required flexibility solutions that optimise our participation in a rapidly changing energy market. Maintaining our assets and having them available will continue to play a key role for energy affordability as the market transitions to a renewable energy led future. We are also implementing an internal business improvement and efficiency program as the industry changes.

## Disclosures

### Principle Three:

# We will provide energy safely, sustainably and reliably

We recognise the essential nature of energy and the need to deliver and use energy safely, sustainably and reliably. We recognise the role of energy businesses to respond to the shift to a cleaner energy system that is already under way. We understand the value energy brings to the community and the potential consequences and impacts for customers when reliability and quality of energy supply is compromised.

We will provide energy safely, sustainably and reliably. We will listen to customer preferences and demonstrate how they inform decisions and outcomes and how the community benefits.

#### Our approach

The supply of safe, sustainable and reliable energy is CS Energy's highest priority. 'Be Safe' is one of CS Energy's four values and was embedded in all aspects of the business through a recent program to improve safety culture – CODE (Culture, Ownership, Drive, Energy).

#### Safety & Environment

In FY2019, CS Energy launched a process safety project across all three operational sites. Process safety is about ensuring CS Energy's plant operates safely, keeping the hazards that can harm our people, our plant, our operations and our environment under control. It is a priority for the business to keep process safety in all employees' mind at all times.

While CS Energy did not meet our safety key performance indicator target of a Total Case Recordable Frequency Rate (TCRFR) of less than 3.0 in FY2019, our result of 3.35 was the best since 1998. Nevertheless, we acknowledge there is more to do to achieve an injury free workplace.

CS Energy takes our environmental responsibilities seriously and has strict targets and monitoring systems in place to help meet environmental obligations. A key part of our approach is to investigate innovative ways to reduce the environmental impact of our existing assets, and to diversify our portfolio and fuel sources. CS Energy has recently installed real-time emissions monitoring equipment at both Callide C and Kogan Creek power stations and removed firefighting foams containing per- and poly-fluoroalkyl substances (PFAS) from all our sites.

CS Energy works hard to minimise the impact that our operations have on the environment. Our greenhouse gas emissions intensity has remained relatively stable over the past five years. It is important to remember that our coal-fired power stations will play an important role for many years to come in providing energy security as the economy transitions to a greater use of renewable energy.

#### Sustainability

As demand grows for cheaper renewable energy sources, CS Energy must pursue revenue opportunities outside of our core business of coal-fired generation to remain competitive in the market. For example, CS Energy has an offtake agreement with Kennedy Energy Park in North Queensland that the business is using to provide clean energy solutions for our corporate customers by bundling 'green' and 'black' energy products.

For CS Energy to remain a commercially sustainable business, improving plant asset life and flexibility is crucial for the transition to a renewable energy led market. Studies are ongoing to test the operational flexibility of CS Energy's coal-fired plant to respond to the increasing penetration of renewable energy sources into the NEM. The future success of coal-fired plant will rest with its ability to run at minimum loads during periods of low demand while then being able to ramp quickly to meet either periods when renewable energy falls away or there is high demand.

The benefit of getting this right is that it will provide CS Energy with the ability for an orderly transition of our coal-fired plant to exit the market at the end of its life without having any adverse impact on customer prices.

From a long-term perspective, as the level of renewable energy generation in the market increases, CS Energy's coal-fired plant will decrease generation and ramp up only during periods of high demand. This flexible operating strategy will lead to a significant reduction in CS Energy's total greenhouse emissions and particulates and ensure that the business maintains our social license to operate.

CS Energy is supporting the emerging hydrogen industry in Queensland by partnering with QUT in a \$7.5 million research and development project to produce hydrogen from renewable energy sources. The multi-party project brings together researchers, technology developers and industry, and will evaluate the viability of producing hydrogen from renewable energy sources. CS Energy has provided \$500k in funding and the Queensland Government is also supporting the project with a contribution of \$250k. CS Energy became involved in this project because it aligns with our long-term business objectives and will help Queensland transition to a renewable energy future.

## Disclosures Principle Three (continued)

### Reliability

CS Energy's thermal power plant performed well over the recent summer, which was Australia's warmest on record. Our power stations recorded high availability and reliability factors and, along with the wider Queensland thermal fleet, generally performed well to provide reliable and affordable energy to Queenslanders.

Despite the hot weather that saw Queensland electricity demand break the 10,000 MW barrier for the first time in February 2019, Queensland recorded the lowest prices in the NEM (\$86.37/MWh) over the summer period. Electricity affordability is a major issue for many Queenslanders and CS Energy has played its part by

maintaining plant availability, which is a key driver for wholesale prices. However, our plant availability factors are still well under the 90 per cent figure regarded as best practice within the industry. Returning our plant availability to best practice levels will lead to more supply being delivered into the market, which places downward pressure on wholesale electricity prices.

In an effort to improve our availability and ensure our plant remains reliable and ready to meet Queensland's growing peak energy needs, CS Energy will embark on a capital investment program of more than \$200 million in the upcoming financial year. This investment program includes overhauls at Kogan Creek and Callide power stations, which will be the cornerstone of Queensland's thermal

generation fleet over the next two decades. Having our plant available, particularly during period of high demand, ensures Queensland wholesale prices remain the lowest in the country and this will continue to put downward pressure on retail electricity bills.

This level of investment is a must for all coal-fired generators as they are capital intensive infrastructure that play a critical role in the sustainability of the business, customer affordability and security of supply. Evidence from the Victorian and South Australian markets have indicated that when coal-fired generators are forced out of the market without adequate planning, customers in those regions have experienced significant electricity price increases, along with security of supply issues.

### Customer outcomes

Stakeholders are confident in CS Energy's ability to provide energy safely, sustainably and reliably.

### Principle in action

**3.1** Maintain the highest standards of safety for their people, the community and the environment.

Activities January to June 2019	Evidence
<p>All work at CS Energy sites is undertaken under our health and safety strategy that aims to achieve predictable and sustainable health and safety performance outcomes and supports our goal to drive relentlessly towards an injury free workplace.</p> <p>During FY2019, CS Energy integrated process safety into our business as usual activities across all sites. Process safety is about ensuring CS Energy's plant operates safely, keeping the hazards that can harm our people, our plant, our operations and our environment under control. It is a priority for the business to keep process safety in every employee's mind.</p>	<p>Safety performance is monitored through KPIs and linked to corporate performance for all employees.</p> <p>In FY2020 we will continue to invest in safety cultural improvement programs, prioritise our process safety hazards and identify controls to manage our risks.</p> <p>No significant environmental incidents in FY2019.</p> <p>Our Environmental Management System was independently audited as meeting ISO 14001:2015.</p>

**Principle in action**

**3.2 Engage with customers and the community on investments, and manage operations in line with their expectations, demonstrating how communities benefit.**

Activities January to June 2019	Evidence
<p>CS Energy engaged with key local stakeholders for our power stations to keep them informed about our overhaul program and the additional contractors in town for these major works.</p> <p>CS Energy is one of Australia's truly regional companies with more than 50 per cent of our employees living in the communities where our power stations are based. As locals, we know it's important to play our part in making our communities better places in which to live and work.</p> <p>One way we demonstrate our social responsibility is to partner with community groups where appropriate.</p> <p>Our social investment falls into four categories:</p> <ul style="list-style-type: none"> <li>• sponsorships</li> <li>• grants, through a structured community grants</li> <li>• in-kind support</li> <li>• charitable donations, through our Workplace Giving program.</li> </ul> <p>In addition, CS Energy has adopted the principles of the Queensland Government Procurement Policy, including the principle to maximise the opportunity for local suppliers to participate in tender processes.</p>	<p>Overhauls at Callide Power Station's B2 and C3 units delivered more than \$4 million in flow-on benefits to the Biloela region in FY2019.</p> <p>CS Energy invested more than \$190k in community programs for FY2019, many of which will benefit vulnerable people in the communities where we operate. For example, we funded 12 community sponsorship applications in the Banana Shire, including the Biloela All Abilities Dance and Exercise Program. Held at the Biloela PCYC, the program is for children aged between 4 and 12 years who are living with a disability. The program aims to increase health and wellbeing, improve movement, and build strength and confidence. It also provides community participation and social connection for caregivers.</p>

**Principle in action**

**3.3 Develop business strategy and manage operations to respond to the shift to a cleaner energy system that is already under way.**

Activities January to June 2019	Evidence
<p>CS Energy updated our strategy in FY2019 to ensure our business can adapt to the transformation occurring in the energy sector. Our strategy is to run our existing business well while diversifying to develop new revenue streams.</p>	<p>CS Energy launched its new strategy in FY2019, which included our four strategic priorities that we will report against in FY2020.</p> <p>CS Energy invested \$500k in supporting the emerging hydrogen industry in Queensland.</p> <p>CS Energy has a commercial agreement with Kennedy Energy Park for the offtake of 60 MW of renewable energy.</p>

## Disclosures Principle Three (continued)

### Principle in action

- 3.4** Work with government, other energy businesses, the community and industry bodies to develop a planned transition to a cleaner energy system.

Activities January to June 2019	Evidence
As a Government-owned corporation, CS Energy worked closely with our owners to meet the Queensland Renewable Energy Target of 50 per cent by 2030.	CS Energy has recently joined the Clean Energy Council.
CS Energy worked with CleanCo to facilitate the transition of Wivenhoe Power Station to CleanCo by 31 October 2019.	CS Energy works with AEMC, AEMO and other industry and regulatory bodies to discuss the transition to a renewable led market.
CS Energy has a commercial agreement with Kennedy Energy Park for the offtake of 60 MW of renewable energy.	

### Principle in action

- 3.5** Facilitate new services and technologies that support sustainable energy solutions that meet the changing needs of the market.

Activities January to June 2019	Evidence
CS Energy's diversification will enable the business to better participate in the evolving energy market by creating new revenue streams that will allow the business the flexibility to offer customers black and green energy or a mix of both.	CS Energy has been actively investigating renewable energy offtake opportunities, with a view to matching that generation with customer requirements.
CS Energy invested \$500k in supporting the emerging hydrogen industry in Queensland.	CS Energy has invested in Queensland's emerging hydrogen industry.

### Principle in action

- 3.6** Implement solutions across the supply chain:
- that support energy connection, service and reliability that meets customers' needs.
  - to resolve service issues that impact customers and the community.

Activities January to June 2019	Evidence
CS Energy's operations do not currently extend to connection and service issues for customers.	n/a

### Continuous improvement for the Principle – expected focus areas for FY2020

We will pursue our FY2020 safety and environment targets with an All Injury Frequency Rate (AIFR) of less than 30, and zero significant environmental incidents.

In pursuit of our strategy we are working to participate in the future energy market through:

- Customers – expanding our customer base and knowledge, and by being a trusted adviser to those customers;
- Technology – leveraging innovation through partnerships; and
- Distributed energy – leveraging different types of distributed energy for and on behalf of customers, to enable more efficient energy spend.

Our strategy includes principles to guide the business as we transition to a low emissions future and requires CS Energy to engage with relevant stakeholders, and in particular, the communities in which we operate. We have excellent relationships with our stakeholders that we have been able to develop through a proactive engagement strategy. We regularly meet stakeholders to keep them up-to-date with our activities and advise them if we have an issue and seek their feedback to minimise any inconvenience from our operations.

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## Disclosures



### Principle Four:

## We will improve the customer experience

We recognise that it should be easy for customers to make informed decisions about their energy use and services, that outcomes should be transparent, and all customers should benefit from the transformation of the energy system. Customer service from energy businesses should be respectful, efficient and seamless, particularly if things go wrong.

We will make it easy for everyone to get the best product or service for them regardless of their ability to engage, or interest in, the energy market. We will continually improve our processes and communication and will work together to provide better services across the supply chain to meet customer needs.

### Our approach

Within the energy supply chain, CS Energy is vastly experienced in the generation and supply of reliable energy into the wholesale electricity market. CS Energy offers retail supply arrangements to C&I customers that are innovative, transparent and flexible. CS Energy does not participate in the residential and small business retail market under our own brand but is proud to have partnered with Alinta Energy and to have stimulated competition in the SEQ market for the past two years by offering residential and small business customers the biggest discounts ever seen in this market.

Under CS Energy's electricity retail license, we offer boutique retail services to a small, but growing, number of C&I customers. Our customers range from ports to mines to large industrial developments and have loads typically above 20GWh annually. Having a small retail book allows our retail team to offer customers competitively priced and tailored packages to meet specific energy requirements. For example, C&I customers are increasingly enquiring about clean energy solutions as part of their energy procurement arrangements through the bundling of renewable ('green') energy with firm generation from our existing coal-fired ('black') portfolio.

CS Energy must maintain regular contact with our customers to determine their satisfaction with the products we offer and the quality of our service. This hasn't always been the core focus for the business and we acknowledge that there is still more that needs to be done. In July 2019, we appointed a Retail Manager to expand our customer base and manage interactions with our existing customers. CS Energy has recognised this as a critical position to meeting the five principles of the Charter. From a customer perspective, the Retail Manager will provide them with a single point of contact to discuss and negotiate competitive electricity prices that meet their requirements.

A product that has improved the customer experience is the development of a Customer Portal. This technology provides our customers with access to innovative and independent data to help them start to understand their energy use better. They can then leverage their data and reports to help identify key areas of improvement to minimise energy spend, usage and carbon emissions and consolidate their electricity bills. The portal allows customers to produce daily, weekly and monthly reports to understand and manage their electricity consumption. We are also working on providing regular market awareness updates to our customers.

**Customer outcomes**

**We will improve the customer experience by offering innovative products and using technology to enable customers to understand and manage their energy usage.**

**Principle in action**

**4.1** Enable customers to get fair outcomes regardless of their ability or desire to participate in the energy market.

Activities January to June 2019	Evidence
<p>CS Energy’s approach to customising electricity products for our C&amp;I users is to understand their purchasing objectives, and to provide products that match those objectives in a simple, flexible and transparent way.</p>	<p>Whole-of-government contract where CS Energy was able to provide a fair and competitive offer.</p>

**Principle in action**

**4.2** Empower customers by:

- a. making sure all communication is clear, in plain terms, accessible and understandable;
- b. providing insightful and useful information and accessible tools; and
- c. streamlining access to, and portability of, customer energy data.

Activities January to June 2019	Evidence
<p>CS Energy has identified technology as a key driver towards improving the customer experience.</p> <p>As part of our whole-of-government contract, CS Energy provided agencies with 24/7 access to a secure online Customer Portal where they can obtain and view their energy usage information. The Customer Portal offers:</p> <ul style="list-style-type: none"> <li>• Different user access levels (e.g. administrator user, standard user) including definable user level restrictions based on specific access groups or national meter identifier within groups.</li> <li>• Historical statement access (archived per National Metering Identifier).</li> <li>• Detailed invoice and billing information (including energy use information).</li> <li>• Reporting.</li> <li>• Case management access for managing enquiries.</li> </ul> <p>The portal turns energy meter and billing data into usable and easily accessible information, allowing agency customers to take control of energy usage and spend. This data can be used to support individual agency efforts with respect to demand-side initiatives aimed at reducing or shifting electricity consumption.</p>	<p>CS Energy has in FY2019 established a Retail Operations Desk, which provides a single point of contact for all of our existing customers to quickly and efficiently resolve issues with billing or metering and to refer other more sales related queries to our sales team.</p>

## Disclosures Principle Four (continued)

### Principle in action

- 4.3** Ensure that innovation and design in products and services, as well as communication platforms and tools, are driven by customers' needs and preferences.

#### Activities January to June 2019

CS Energy's approach to customising electricity products for our C&I customers is to understand their purchasing objectives, and to provide products that match those objectives in a simple, flexible and transparent way.

#### Evidence

As Australia's energy transformation gathered pace in FY2019, CS Energy recruited for additional roles to strengthen our trading function and optimise our generation assets.

### Principle in action

- 4.4** Have effective and accessible dispute resolution processes, co-ordinated across the supply chain, to resolve customer issues and implement process improvements in response.

#### Activities January to June 2019

Dedicated retail team in place to help our customers understand and manage energy consumption, bill payments and any other concerns.

#### Evidence

Disputes are resolved in accordance with processes set out in our contracts.

### Continuous improvement for the Principle – expected focus areas for FY2020

In continuing to establish our retail function for C&I customers, CS Energy will aim to be known for our exceptional customer service. CS Energy will also seek to understand the drivers for our customers and provide additional product and service offerings where appropriate. CS Energy has regularly sought feedback from our largest customer but is conscious that we need to improve in this area by consistently seeking feedback from all customers. In FY2020, we will engage with our customers regularly to fully understand their needs and to make sure that we are meeting their expectations. In fact, CS Energy will undertake an independent survey of our customers to assess our performance, particularly with respect to service levels, and to identify the areas that need to be improved so that we can become more customer-focused. CS Energy's aim is to be known as:

- A knowledgeable retailer that understands the complexity of the market and regulatory environment;
- An expert provider of structured solutions, tailored to meet the needs of its customers, to deliver value in a changing energy landscape (using both existing assets and new generation sources; and
- A dedicated service provider with staff that always provide a positive customer experience.

## Disclosures

### Principle Five:

# We will support customers facing vulnerable circumstances

We recognise that some households and businesses may experience vulnerability and that this requires support from energy providers, which may require collaboration with governments and community service organisations. Not all experiences of vulnerability will be the same and providing support requires solutions tailored for different circumstances.

We will establish processes for early recognition of, and engagement with, customers facing vulnerable circumstances, support customers to navigate periods of vulnerability and collaborate with the community and government to assist those who need it most.

### Our approach

Historically, CS Energy has not been a mass market retailer and has done very little to directly help customers facing vulnerable circumstances. Through our joint venture, we have an opportunity to work with Alinta Energy to explore opportunities to provide affordable energy solutions for vulnerable customers. We plan to continue to expand our small, but growing, number of C&I customers, however, we have no plans to become a retailer for the residential and small business market.

Through the efficient and safe operation of our coal-fired plant, CS Energy has indirectly assisted thousands of vulnerable customers by placing downward pressure on retail electricity bills, which has seen the wholesale component decrease over the past two years.

CS Energy's workplace giving program **Generosity** is a way for our employees to give something back to the community. Since the launch of **Generosity** in 2008, we have raised almost \$400,000 for our charity partners who assist vulnerable people in our communities.

Every pay, staff participating in Workplace Giving donate from their pre-tax earnings. Charities we work with include: Angel Flight, Blue Care, The Cancer Council of Queensland, Greening Australia, Hannah's House, the Hear and Say Centre, Capricorn Helicopter Rescue Service, Cerebral Palsy League of Queensland and the National Heart Foundation.

CS Energy also maintains a Community Sponsorship Program. We partner with community and not-for-profit groups to build or maintain social infrastructure and run community events. For FY2019, CS Energy invested more than \$190,000 in the communities in which we operate. This includes contributions to community groups that assist victims of domestic violence, people experiencing mental health problems, financial hardship and long-term health issues.

Additionally, over the past year, parts of Queensland have been ravaged by either bushfires, drought or flood. CS Energy and our employees made significant financial contributions to support the local communities that were impacted by these events. Furthermore, CS Energy made a financial contribution to the fund set up to help the victims and families of the Christchurch massacre.

Supporting vulnerable people and communities is important to us and we are committed to helping people and communities experiencing difficulties get back on their feet.

## Disclosures Principle Five (continued)

### Customer outcomes

**We will support customers facing vulnerable circumstances.**

### Principle in action

**5.1** Have processes to enable early identification of, and engagement with, customers at risk of vulnerability, coupled with intervention measures that can prevent customers falling into hardship.

#### Activities January to June 2019

CS Energy has limited experience in this area as our customers are C&I energy users. However, should any of our C&I customers raise concerns regarding their contractual arrangement, CS Energy will always show good faith and enter discussions with options to support customers.

#### Evidence

CS Energy has no plans to become a mass market retailer, however, we will work with our joint venture partner Alinta Energy to support vulnerable customers.

### Principle in action

**5.2** Provide products and services that are tailored to customers facing vulnerable circumstances and support them to get back on track.

#### Activities January to June 2019

All commercial offers to our C&I users were tailored to meet their specific energy needs. CS Energy reviews all community group funding requests and provides particular emphasis on supporting community groups that support vulnerable people in our communities.

#### Evidence

CS Energy has no plans to become a mass market retailer, however, we will work with our joint venture partner Alinta Energy to support vulnerable customers.

### Principle in action

**5.3** Provide flexible solutions that are easy to access and are provided by specially trained frontline staff with expertise in supporting those customers who face additional barriers to engaging with the energy market.

#### Activities January to June 2019

CS Energy provided highly flexible energy solutions to our C&I customers and worked to expand our retail capabilities to work with customers and expand our customer base.

#### Evidence

CS Energy has no plans to become a mass market retailer, however, we are expanding our retail capabilities to grow our C&I customer base.

**Principle in action**

**5.4** Take a collaborative approach, partnering across the energy supply chain and with government and community service organisations to implement innovative solutions that improve outcomes (affordability or experience) for customers facing vulnerable circumstances.

Activities January to June 2019	Evidence
<p>As the first cog in the electricity supply chain, CS Energy worked collaboratively with supply chain partners and other important stakeholders, such as regulatory bodies, to ensure the best outcome for the grid, which ultimately benefits customers.</p> <p>CS Energy works extremely closely with many community groups in funding projects.</p>	<p>CS Energy invested more than \$190k in community programs for the FY2019 to improve facilities and services in the communities where we operate, many of which will benefit vulnerable people.</p>

**Continuous improvement for the Principle – expected focus areas for FY2020**

Through our joint venture with Alinta Energy, CS Energy acknowledges that we need to develop a better understanding of Alinta Energy’s arrangements with regards to vulnerable customers. CS Energy has placed this as a standing agenda item for all upcoming joint venture meetings.

CS Energy will continue our work to ensure the reliability and sustainability of our operations, in the communities where our assets are based. CS Energy will continue our workplace giving and other sponsorship donations and explore additional ways to support groups and charities that assist vulnerable groups in the community.



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