Amended Statement of Corporate Intent 2013/2014

For Parliamentary tabling

14 February 2014
Prepared by the Directors and Management of CS Energy Ltd (ABN 54 078 848 745) for shareholding Ministers

Contents

Glossary of acronyms

AIA	Alternative Individual Agreement
DEHP	Department of Environment and Heritage Protection
DEWS	Department of Energy and Water Supply
EA	Enterprise Agreement
E&IR Plan	Employment and Industrial Relations Plan
EMT	Executive Management Team
FTE	Full time equivalent
FWA	Fair Work Australia
GW	gigawatts
GWh	Gigawatt hours
IPPA	Interconnection and Power Pooling Agreement
KPI	Key Performance Indicator
LREC	Large-scale Renewable Energy Certificate
LTIFR	Lost Time Injury Frequency Rate
LTPPA	Long Term Power Purchasing Agreement
MHL	Maximum Hedge Limit
MW	megawatts
MWh	Megawatt hours
QTC	Queensland Treasury Corporation
QTT	Queensland Treasury and Trade (formerly OGOC)
SCI	Statement of Corporate Intent
SREC	Small-scale Renewable Energy Certificate
TCRFR	Total Case Recordable Frequency Rate

CS Energy’s outlook

Vision

CS Energy's vision is to become a profitable, commercially viable and sustainable business. CS Energy has a proud history as a company that can achieve positive results for its shareholders, but this has been impacted by recent substandard performance in a changing market place. This Statement of Corporate Intent (SCI) continues the process of laying new foundations upon which to rebuild and fundamentally transform CS Energy.

Main undertakings

CS Energy Limited (CS Energy) is a Queensland Government Owned Corporation established under the *Government Owned Corporations Act 1993 (Qld)* (GOC Act). CS Energy’s business includes the generation and sale of electricity, including trading electricity in the National Electricity Market (NEM) under the *Electricity Act 1994*.

CS Energy owns and operates the Callide B, Kogan Creek and Wivenhoe power stations and operates the Callide C Power Station, in which it has a 50% interest. CS Energy provides operations and maintenance services for the Callide Oxyfuel Project at Callide A Power Station. This internationally funded R&D project is demonstrating the technology required to burn coal with low emissions.

CS Energy also holds a Queensland electricity retail licence. CS Energy owns the Kogan Creek Mine, as well as the undeveloped Glen Wilga and Haystack Road coal resources near Chinchilla. CS Energy is a party to the Interconnection and Power Pooling Agreement which entitles it to trade the output of Gladstone Power Station in excess of the requirements of the Boyne Aluminium Smelter.

CS Energy’s portfolio of assets comprises:

The main operating companies within CS Energy are:

- CS Energy Ltd;
- Callide Energy Pty Ltd;
- Aberdare Collieries Pty Ltd (Kogan Creek Mine);
- CS Energy Kogan Creek Pty Ltd;
- CS Kogan (Australia) Pty Ltd;
- Kogan Creek Power Station Pty Ltd;
- CS Energy Oxyfuel Pty Ltd; and
- Manzillo Insurance (PCC) Ltd – Cell EnMach, which is CS Energy’s insurance captive.

Business context

CS Energy is a wholly Queensland Government owned corporation established under the GOC Act. CS Energy was established as a merchant generator by the Queensland Government in 1997, following a restructure of the Queensland energy industry. The Shareholder Review of Queensland Government Owned Corporation Generators (Generator Restructure) resulted in a reallocation of generation assets between the Queensland Government owned generators on 1 July 2011. As part of the restructure, CS Energy received the trading rights for the Gladstone Power Station.

The trading rights for the Gladstone Power Station are supported by the Interconnection and Power Pooling Agreement (IPPA), which also imposes the requirement to supply electricity to the Boyne Smelter. The IPPA is an onerous contract for CS Energy, because of the high fixed capacity payments and comparably high marginal costs associated with running the plant. Under a normalised operational profile, the costs of the IPPA exceed the revenues that can be derived. The future value of the onerous contract provision, as at 30 June 2013, was calculated to be $187.9 million.

CS Energy owns and operates the Callide B Power Station and has a 50% joint venture interest in the Callide C Power Station. Coal is supplied to the power stations under Coal Supply Agreements (CSA) from the adjacent Callide Mine which is owned and operated by Anglo American. Coal deliveries by Anglo American have and continue to be significantly below CSA-specified levels, both in terms of quantity and quality. The quantity shortfalls and coal quality issues significantly impact CS Energy's financial performance. CS Energy is committed to re-establishing coal delivery quantities and qualities at levels consistent with the CSAs though litigation and commercial negotiation.

With a gearing ratio above 70%, CS Energy's financial performance also continues to be impacted by the interest burden associated with a high debt position. CS Energy will continue working to identify opportunities for reducing both debt levels and the cost of debt, including programs to reduce interest rates and charges.

On 22 May 2013, the Treasurer and Minister for Trade, Tim Nicholls, announced that the Queensland Government would be implementing new wholesale electricity supply arrangements for Ergon Energy's retail load in Queensland, where electricity will be supplied predominantly through State-owned electricity generators CS Energy and Stanwell Corporation. This SCI incorporates the impact of these transactions.

Shareholder expectations

CS Energy's shareholding Ministers outlined their expectations of CS Energy in their letter of 6 September 2012 to be:

Item	Expectation
1	Proceed with only those expenditures which are absolutely essential to the ongoing operation of the business. As a guide, you should be looking to reduce operational expenditure by at least $74 million.
2	Consider opportunities to improve revenue outcomes only where cost outlays are low and risks minimal. The focus should be on protecting, and ensuring, revenue already forecast is achieved.
3	Review forward estimates and identity ongoing cost control necessary to move the business to a positive Earnings before Interest and Tax position even if the electricity market recovery is significantly slower than anticipated.
4	Commit to a detailed and specific plan to resolve the Callide Power Stations' fuel supply issues by either clarifying the provisions of the coal supply agreements in the courts or renegotiating the coal supply agreement with Anglo American.
5	Provide a detailed plan to monetise its surplus coal assets in the coming year.
6	Existing staffing levels across the organisation are to be reviewed and aggressive strategies to 'right size' the organisation are to be progressed.
7	Expenditure on corporate entertainment, hospitality, consultancies and corporate office contractors are to be eliminated wherever possible.

Shareholding Ministers have reiterated that these priorities should continue to be the company's core focus, and the 2013/2014 Statement of Corporate Intent and the 2013/2014-2017/2018 Corporate Plan are structured around these expectations to drive business transformation.

On 21 November 2013, shareholding Ministers requested that CS Energy revise the 2013/2014 Statement of Corporate Intent (SCI) and Corporate Plan to address concerns in relation to financial forecasts, particularly in relation to revenue assumptions in the later years, cash flow improvements and optimal workforce size. This amended SCI and associated Corporate Plan have been prepared in response to the shareholding Ministers request.

These documents have been prepared incorporating actual financial results and achievements against objectives in the first half of 2013/2014, and include forecast financial results and achievements against objectives in the second half of this financial year.

Key performance objectives

CS Energy has established a reform agenda to transition the organisation into a profitable, commercially viable and sustainable business. This reform agenda has already resulted in improvements in the company's underlying performance. However, there are three critical commercial issues that mask these improvements:

- The dispute with Anglo American affecting coal supply at the Callide Power Station;
- The IPPA (i.e. the onerous contract at Gladstone Power Station); and
- CS Energy's high debt level and associated interest expense.

Each of these issues is complex, long standing, and material in its impact on the company's financial performance.

Resolving the Callide Coal issue with Anglo American is CS Energy's top strategic priority. Given the nature of the court proceedings and negotiations, it remains difficult to estimate when this matter will be resolved.

CS Energy will assess the options available to minimise the impact of the onerous trading conditions in relation to the Gladstone Power Station. CS Energy is also aware that Pacific Aluminium, on behalf of the partners in the Boyne Smelter, has indicated that electricity costs have led to an evaluation of the financial sustainability of the Boyne Smelter. There are potentially significant commercial implications for the Queensland electricity market should the Boyne Smelter cease to operate at current levels. Modelling is underway to determine potential impacts on electricity prices and demand if a significant change to the Boyne Smelter operations were to occur.

CS Energy continues to work closely with Queensland Treasury Corporation (QTC) to identify opportunities for reducing both debt levels and the cost of debt, including programs to reduce interest rates and charges.

Corporate scorecard

The key performance indicators for 2013/2014 have been updated from the SCI that was submitted to shareholding Ministers on 31 May 2013, to reflect actual results and achievements against objectives in the first half of 2013/2014, and include forecast results and achievements against objectives for the second half of this financial year. For example, TCRFR has increased from less than three to less than eight, taking into account incidents that have already occurred this year, and targeting a performance of less than three for the remainder of the financial year.

Targets for 2013/2014 as well as medium and long term targets have been adjusted to reflect the continuing impacts of the Callide coal dispute on plant and financial performance. In addition, long term financial targets reflect moderated pool prices in the two outlying years.

CS Energy has established the following corporate scorecard targets for key performance indicators.

REFORM INTENT	MEASURE	2013/2014	MEDIUM TERM (3 years)	LONG TERM (5 years)
Safety and environment	TCRFR	<8	<2	<2
Morale / reputation	Employee engagement	32%	48%	58%
Plant performance	Availability	81.1%	85.5%	88.7%
Balance sheet	Debt – Gearing	75.1%	78%-75%	65%
Cash flow	Interest cover	0.9	2.6	>6
Investment return	ROA-WACC	(10.7%)	(4.0%)	3.5%
Profitability	EBITDA	$49m	$165m	$300m

To achieve the targets set out in the reform intent above, the following key performance indicators will be focal points in relation to CS Energy's core reform objectives.

	REFORM OBJECTIVE	MEASURE	2013/2014 TARGET
1	Best practice Health, Safety, Security and Environment (HSS&E)	Total Case Recordable Frequency Rate (TCRFR)	<8
		Reportable environmental incidents	1
2	Increasing revenue	Gross margin[1] per unit of generation sent out ($/MWh)	21.23
3	Targeted plant performance	Availability (%)	81.1
		Peak plant availability (%)[2]	82.2
4	Asset leadership	Major capital works IFOT, in budget and post implementation reviews completed	100%

1. Pool and contract revenue net of ancillary market charges less the cost of coal and carbon.
2. This is calculated from 1 November to 15 March each year. The Peak Portfolio Availability in 2013/2014 has been impacted by the mini overhaul at Kogan Creek Power Station in November 2013 and December 2013, and the precipitator performance at Callide Power Station, which is exasperated by high ash coal deliveries.

The following table provides a further breakdown of availability across CS Energy's portfolio.

Site	Availability (%)
Callide B	79.4
Callide C	81.5
Gladstone	n/a[1]
Kogan Creek	80.2
Wivenhoe	84.6

1. Not applicable as CS Energy does not operate the Gladstone Power Station.

Strategic actions

Safety

CS Energy will continue to improve the safety of all people who work in, or with the business and manage the company's environmental impact with a long term goal of achieving zero reportable incidents. The focus of the strategic health and safety goals include:

- Having and maintaining a safe workplace;
- Have courageous conversations and make tough decisions to get the organisation and the companies that work for us to a point of zero harm;
- Create an environment where all CS Energy stakeholders understand the core value of safety and what it means to the company;
- Every person on site feels empowered and accountable for safety;
- Reward the right behaviours displayed by individuals and work teams; and
- Building a culture of commitment, compliance and positive behaviour to deliver safe and reliable generation.

So far in 2013/2014, CS Energy has developed a contractor management process from a holistic point of view to ensure CS Energy has a robust and effective way to manage contractors safely. The procedure and process is currently under review with key stakeholders.

Also, in January 2014, a Verification of Competency process was rolled out across the business. This program targets CS Energy's duty of care to ensure that individuals are not only licensed appropriately to operate the equipment, but have also been assessed as competent. This brings CS Energy's Safety Management System into compliance with relevant legislation.

Cash flow savings

As identified earlier, CS Energy's shareholding Ministers expect CS Energy to achieve cash flow savings of $74 million.

In CS Energy's 2012/2013 Amended Statement of Corporate Intent, CS Energy committed to achieving the savings over a two year period, across:

- Site costs;
- Corporate costs;
- Net interest expense;
- Labour costs; and
- Capital expenditure cash flow savings.

Callide coal

CS Energy's Board and Management are continuing to aggressively pursue resolution of the Callide coal supply issue. CS Energy continues to face ongoing risks in relation to uncertain coal supplies and continued adverse impacts on the planned performance of Callide B Power Station and Callide C Power Station, as outlined in this SCI and the Corporate Plan.

The Callide power stations have the potential to deliver value to CS Energy, but need a sustainable footing on which to operate. Sufficient reserves of coal exist at the Callide Mine to support the power stations over their useful lives.

This reduction in coal quality and quantity is materially impacting on the economic performance of the Callide power stations. In addition, both power stations have received alleged Force Majeure claims made by Anglo American, which are contested by CS Energy and CS Energy's joint venture partner. Both power stations have also received claims from Anglo American which, among other things, seek to amend the price payable for the coal supplied under the CSAs. CS Energy is deeply concerned about the CSAs and Anglo's performance under them, particularly in light of Anglo American's assertion of continuing Force Majeure events.

CS Energy is seeking to defend the value of the CSAs though litigation and commercial negotiation, but it is unlikely that the full amount of this value will be preserved.

CS Energy is developing and implementing a range of commercial, legal and technical strategies aimed at protecting its position. This includes the actions outlined in the table below.

Action	Timing	Outcome
Finalise the Statement of Claims for Callide B and Callide C power stations	COMPLETE	Statements of claim finalised in July 2013 and lodged in November and December 2013.
Undertake an assessment of and valuation of the key risks associated with the CSAs	COMPLETE	The assessment enabled informed negotiation strategy and a valuation range to be determined.
In the event of an unsuccessful negotiation undertake actions to defend the contracts through the court process in relation to the various risks	June 2014	All documents lodged with court processes commenced. Court processes to undertake various stages. Discovery will be undertaken from February 2014. Other than continued negotiation, this process will remain the primary focus of CS Energy.

Financial sustainability

CS Energy's Board and Management Team are aggressively reforming the business, and this is evident through improvements in the company's underlying performance. However, the Callide coal dispute, onerous Gladstone Power Station contract and CS Energy's debt level and associated interest expense mask these improvements. The Board and Management Team are working to resolve those issues that are within the company's control, particularly the Callide coal dispute.

Revenue

CS Energy has a diversified portfolio of assets with the fastest ramp rate capability in the Queensland market. The market conditions remain challenging but will improve when the Gladstone Liquefied Natural Gas (LNG) plants commence operations from late 2014. Specific strategies have been implemented to respond to the market conditions.

In May 2013, CS Energy was issued a government direction under the *Electricity Act 1994* to enter into wholesale energy contracting arrangements with Ergon Energy for the 2013/2014 to 2016/2017 period (Directed Transactions).

CS Energy's pool strategy continues to respond to the above factors. These strategies will remain fluid to ensure the company is able to respond during the recovery period.

The specific strategies to be adopted for 2013/2014 are outlined in the following table.

Action	Timing	Outcome
Place a Callide B unit into reserve shutdown until 2013/2014 summer, subject to coal deliveries	COMPLETE	Improved heat rate for the Callide plant, increasing megawatts generated from the limited coal, together with a deferral of capital.
Ensure Kogan Creek is able to be dispatched effectively and registration is completed for LGCs	COMPLETE	Reduce chances of missing revenue opportunities.
Develop and implement a strategy that lowers the cost of the Gladstone onerous contract	COMPLETE	Lower net cost to the company
Assess the economics of each power station and develop specific strategies and review capital plans associated with this	COMPLETE	Maximised return from power stations taking into account market risks
Management of the risks to revenue consistent with the Board risk appetite	June 2014	Minimised risk of adverse financial performance outcomes arising from the inability to secure revenue opportunities

EBIT, costs and value

In order for CS Energy to meet its earnings targets, improved cost performance will be essential, both at the corporate level and at the sites. CS Energy's Management is driving cultural change, including an increased focus on value, and ensuring that all costs expended generate a positive return to the organisation. Management is committed to reducing costs to optimise financial performance, without damaging the business.

An active program to manage controllable costs has been implemented which includes strengthening accountability and improved cost discipline. Other key ingredients of this reform objective include better alignment of expenditure with organisational objectives, implementing procedures to optimise cost versus benefit evaluations, strategic procurement, improved work management practices and the variablisation of costs where possible.

The specific strategies to be adopted for 2013/2014 are outlined in the following table.

Action	Timing	Outcome
Review all critical contracts, and where possible, renegotiate contracts (for example review and seek to improve the Callide water contractual arrangements)	June 2014	Review has been completed on critical contracts and work has commenced on renegotiating contracts where saving opportunities have been identified.
Review material contracts, and where possible, renegotiate contracts.	June 2014	Provide optimised value of fixed and variable components of current material contracts. Covert high fixed cost contracts into more variable structured contracts.
Implement corporate cost review and enhanced reporting programs including strengthened accountability measures (based on a robust reporting system – see below)	COMPLETE	Create greater accountability for costs
Roll out a financial literacy program across the organisation	June 2014	Create greater financial literacy, and improve understanding of cost/benefit evaluations and optimising expenditure levels.
Review options for reducing both debt levels and the cost of debt, including programs to reduce interest rates/charges and, as well, identifying alternative sources of funds	ONGOING	Options for reducing debt have been identified and will be implemented when opportunities arise. In addition, CS Energy continues to consider opportunities to reduce debt costs, such as securitisation of long term contracts.
Implement and embed processes to critically evaluate expenditure on contractors, contracted services and consultants to ensure only essential expenditures with a clearly positive cost benefit trade-off are allowed to proceed	COMPLETE	Ensures that all CS Energy receives value for money on all expenditures
Eliminate non-essential corporate overheads and, in particular, corporate entertainment and hospitality	COMPLETE	Elimination of unnecessary costs and compliance with shareholder expectations
Develop and deliver improved work management processes	March 2014	Consistency with leading industry standard practice which is appropriate for the operational profile resulting in improved cost efficiencies
Improved cost reporting, including variance analysis and 'drill down' capability	COMPLETE	Increase the meaningfulness and ease of use of cost reporting to allow for more effective cost management

Debt

CS Energy's financial performance continues to be impacted by a high debt position, with a gearing ratio above 70%, and associated high interest costs.

CS Energy's current drawn debt balance is $812m and no further debt is forecast to be drawn down in 2013/2014. CS Energy continues to work to identify opportunities for reducing both debt levels and the cost of debt, including programs to reduce interest rates and charges. CS Energy also continues to focus on managing its surplus cash balances.

Plant performance

Plant performance underpins CS Energy's financial strategy and improved plant performance will provide greater opportunities to increase revenue, and is integral to transforming the organisation into a profitable, commercially viable and sustainable business. CS Energy has adopted a number of short and longer term strategies to increase plant performance, including asset and overhaul management projects.

In 2012/2013, CS Energy completed the roll out of the plant risk management system to ensure that the capital program was aligned to deliver the best plant reliability for the optimum cost. Additionally, the Integrated Service Agreements (ISA) and the IFOT (in full, on time) processes were reviewed and recommendations were implemented for CS Energy's execution of overhauls. The ISA process has successfully created competitive tension between the companies tendering for overhaul work, which will deliver significant capital expenditure savings on future overhauls.

To ensure improved plant performance, CS Energy aims to develop and deliver asset management and work management processes at the site level to deliver the core objective of safe, reliable, cost effective production of electricity and the long term management of the assets. Reliability reform is a long term project and CS Energy will be continuing to build on the foundations commenced in 2012/2013. Notwithstanding this, to ensure immediate gains are made in reliability, a number of outstanding known asset issues will be addressed as outlined in the table below. In 2013/2014, CS Energy will expand on the implementation of the plant risk management system by undertaking a sensitivity analysis on the plant risks. This will aim to optimise capital expenditure against risk profiles for the dispatch scenarios for each power station, providing the best opportunity to maximise revenue while minimising costs.

CS Energy aims to consistently deliver asset performance to the agreed SCI targets. The specific strategies to be adopted for 2013/2014 are outlined in the following table.

Action	Timing	Outcome
Maintain safe work and risk management systems	March 2014	Enable CS Energy's people to deliver reliable operational outcomes safely
Undertake sensitivity analysis on the plant risk management systems	COMPLETE	Ensure capital expenditure is optimised for the dispatch scenarios for each power station
Develop and implement enhanced operational delivery plans	COMPLETE	Alignment with the agreed performance requirements
Develop and deliver improved work management processes	March 2014	Consistency with industry standard leading practice which is appropriate for the operational profile
Develop and deliver improved major cyclical maintenance programs	April 2014	Completion of the Callide Power Station Unit C3 major overhaul in full, on time and to the approved budget
	June 2014	Completion of the Wivenhoe Power Station Unit 1 overhaul in full, on time and to the approved budget
	COMPLETE	Completion of the Kogan Creek Power Station mini overhaul in full, on time and to the approved budget
Implement enhanced robust reviews of operational outcomes and major asset management activities	June 2014	Ensuring targeted outcomes as outlined in the key performance metrics: non-financial performance table are consistently achieved
Undertake root cause analysis investigations of all major plant incidents	Subsequent to any major plant incidents	Provides greater understanding of the cause of unexpected plant outages, which will allow CS Energy to focus its maintenance program and lead to improved reliability over the longer term
Undertake quarterly presentations to shareholding Minister representatives on progress on reliability projects	Quarterly	Provides shareholding Minister representatives with information to track CS Energy's progress
Develop asset management options based on updated operational profiles or impacts	COMPLETE	Provide flexibility and alignment with the forecast generation positions
Identify and analyse the asset and associated operating and capital expenditure options associated with a changed generation plan	June 2014	Identification of consequential operational and cash flow implications and benefits to determine optimal generation plans
Define the cost and principles of outages	February 2014	Provide a greater transparency associated with the cost of outages

People

Employee reductions

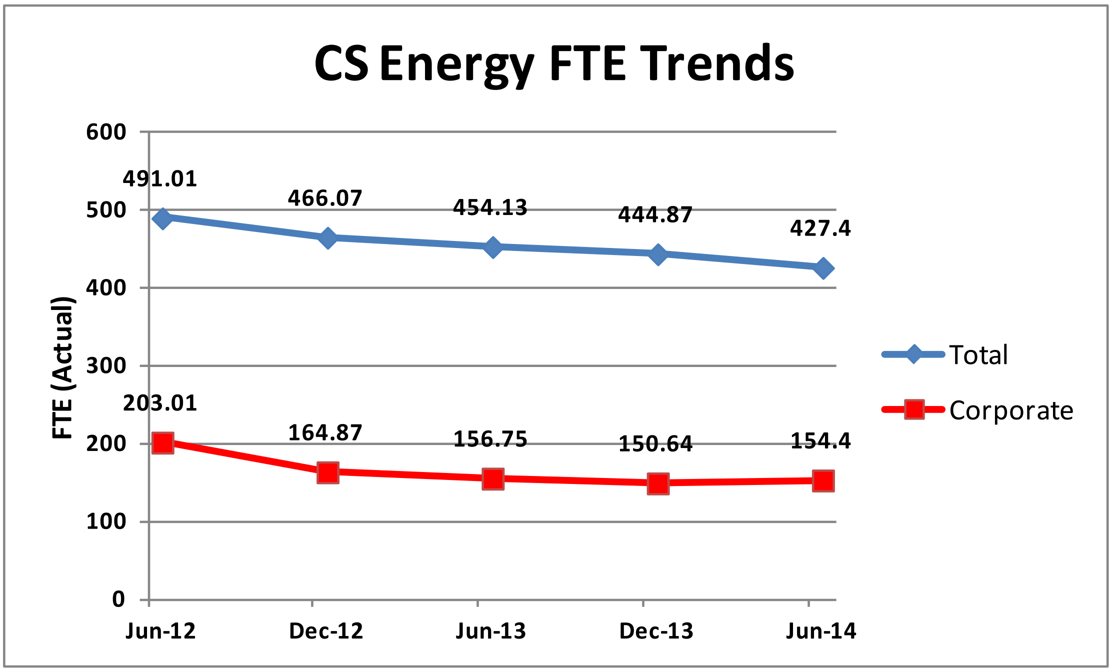
This financial year, CS Energy continues the capability re-alignment of CS Energy Corporate Office employees to ensure the company has the right capability in the right roles at the right cost to deliver CS Energy's reform objectives. The capability realignment has been rolled out in two phases. Phase one is complete, and incorporated a review and restructuring of the Corporate Office functions. Phase two focuses on the Corporate Operations division. This review aims to establish an optimal number of employees to transform the organisation into a commercially competitive and sustainable business. A review of the Workforce Plan, at 31 December 2013, has identified opportunity for further reductions in the Corporate Office for 2014/2015, and beyond.

The Callide Oxyfuel Project will cease operating at the end of December 2014. The current Callide A operational workforce of 23 full time positions will reduce by 17 by late 2014, with the remaining six positions to commence redeployment to Callide B and Callide C from January 2015. CS Energy is undertaking three strategies at Callide B and Callide C to ensure workforce numbers are brought back within budget after cessation of the project, including:

- natural attrition;
- filling positions on a flexible basis (i.e. contractors, casuals, fixed term contracts); and
- offering voluntary redundancies, if necessary.

Corporate staff reductions associated with the Oxyfuel Project includes a reduction of 1 position at the end of 2014/2015 and a further two positions in 2015/2016. The wind down of the Oxyfuel Project will result in a total reduction of 25 operational and corporate staff.

The trends in FTE levels are shown in the following graph[1].



1. Callide A FTE (23 FTE as at 30/06/2014 Budget) are excluded from the workforce numbers as this workgroup is allocated to the Joint Venture Oxyfuel project.

Productivity gains

Since 1 July 2011, CS Energy has been actively right-sizing the organisation, while ensuring productivity is not lost. The following table indicates that on a generation sent out per employee basis, productivity has been trending upwards.

	2011/2012	2012/2013
Employee numbers (FTE)	491	454
Productivity (GWhso/FTE)	34.9	36.7

There is a clear link between skilled, loyal and motivated employees and high-performing sustainable companies. CS Energy has embarked on a program to right-size the Corporate Office while ensuring adequate and efficient support for sites, consistent with expectations of shareholding Ministers. In addition, CS Energy's leadership has undergone considerable change at the Board and Executive level in order to support and enable business transition and reform.

In late 2012, CS Energy undertook an engagement survey to provide a baseline for the new leadership to build on. The effective engagement of a committed and capable workforce is integral to improving performance. In December 2013, a second survey was completed, and the results will be reported in February 2014. The leadership team will develop actions plans based on key findings that will assist in the achievement of CS Energy's strategic objectives.

CS Energy will also negotiate new enterprise agreements for the Kogan Creek and Callide power stations. These will be based on the current GOC wages policy. Further details on these agreements and CS Energy's industrial relations philosophy are included in Attachment 2 - Employment and Industrial Relations Plan.

The specific strategies to be adopted for 2013/2014 are outlined in the following table.

Action	Timing	Outcome
Undertake a scoping study to review the Industrial Relations Frameworks	COMPLETE	Provide a simplified Industrial Relations Framework, system and agreement that are aligned to CS Energy's new strategy and provide a standardised approach to industrial relations
Develop a project plan for revising the Industrial Relations Framework	COMPLETE	
Design and coordinate implementation of a leadership framework aligned to developing a high performing culture.	June 2014	Improved employee engagement by providing line of sight objectives and targets that links individual role accountability to top level goals
Capability realignment	June 2014	The right people are in the right roles at the right cost consistent with right sizing the organisation
Implementation and ongoing management of the performance management program	COMPLETE	Improve the capability of leaders and provide effective frameworks and tools to manage performance

Kogan Creek Solar Boost Project

In July 2011, construction started on the Kogan Creek Solar Boost Project. The project will enable the Kogan Creek Power Station to produce more electricity with the same amount of coal, effectively making the coal-fired plant more fuel efficient and reduce the power station's emissions intensity. The solar addition has the potential to provide up to 44 gigawatt hours of additional electricity per year.

CS Energy does not expect the project contractor, AREVA Solar (AREVA), to achieve practical completion of the project this fiscal year, with the project being significantly behind the original business case target of 14 May 2013. AREVA's schedule has been impacted by both technical and project management issues.

CS Energy and AREVA continued to attempt to resolve these issues during 2013, with the most recent talks occurring in December 2013. Commercial discussions are underway, and CS Energy will make every effort to finalise arrangements promptly. A realistic timeframe for completion of the project is fourteen months from mobilisation.

Action	Timing	Outcome
Complete construction and start commissioning the Kogan Creek Solar Boost Project	August 2015[1]	Finalise CS Energy's commitment under the Commonwealth Government's funding deed and provide up to an additional 44MW of capacity from the Kogan Creek Power Station during peak solar conditions, while ensuring the integrity of the power station.
Manage contractual issues to ensure the scheduled construction completion date is achieved	August 2015[1]	Ensure that construction of the project is completed in line with CS Energy's forecast
Assess the commercial outcomes of the Kogan Creek Solar Boost Project relative to the original business plan	Within 12 months of project completion	Ensure that the economic objectives of the project are realised

1. Assuming a project restart timeframe of early March 2014.

Coal monetisation

CS Energy has extensive coal assets as part of its portfolio. The coal reserves are located in the Surat Basin, and consist of the Kogan Creek Mine, the Glen Wilga coal resource, the Haystack Road resource and associated property ownership. The Kogan Creek Mine is the only operational coal resource at this time. The Kogan Creek Mine contains a significant volume of coal which is surplus to the Kogan Creek Power Station requirements.

The options CS Energy is exploring to monetise these coal assets include:

- Fuel source for power generation;
- Domestic coal sales;
- Export sales; and
- Sale of undeveloped coal resource.

When considering the key drivers of value in the long term monetisation strategy it was identified that poor market conditions and port/rail constraints limited the future opportunity. Opportunities will be monitored and progressed when a clear financial benefit can be realised.

Action	Timing	Outcome
Assess proposals for up to 750ktpa of surplus coal for sale from Kogan Creek Mine	COMPLETE	The preferred counterparty has since ceased negotiations and other options or counterparties are being assessed.
Finalise the collation of necessary data including the completion of the in-fill drilling program	COMPLETE	Provides information for the financial modelling of monetisation options and increases certainty of the total measured resource
Submit a preferred monetisation option to CS Energy's Board	COMPLETE	Provides certainty on a strategy to monetise surplus coal for both the long term and short term sales opportunities.
Implement monetisation strategy, pending Board approval of a strategy	Subject to external market factors	Provide greatest value to monetise surplus coal resources

Callide Oxyfuel Project

The Callide Oxyfuel Project is an internationally funded research and development project to demonstrate the technology required to burn coal with low emissions. The project is a joint venture between CS Energy, ACALET, Xstrata Coal, Schlumberger, and Japanese participants, J-Power, Mitsui and IHI Corporation. The project involves retrofitting oxyfiring technology to a Callide A Power Station unit and aims to demonstrate that carbon can be captured at a commercial scale. On 15 December 2012, an additional $27 million in funding was confirmed to extend the project's operation to the end of 2014 to meet demonstration objectives for 10,000 hours in oxyfiring mode.

The Callide Oxyfuel Project sources its coal from the Callide B coal. Given low coal deliveries from Anglo American, coal deliveries to the Callide Oxyfuel Project have been suspended. The Callide Oxyfuel Project is reviewing its future operating profile and assessing alternate sources of coal.

Action	Timing	Outcome
Provide operation and maintenance services and necessary technical support to the Callide Oxyfuel Project	Ongoing to November 2014	Provide CS Energy with the benefits of the outcomes of the Callide Oxyfuel Project joint venture

Key performance metrics

In accordance with Section 119(3) of the *Government Owned Corporations Act 1993* (GOC Act), the Board of CS Energy undertakes that the financial and non-financial targets and the financial statements will form the basis for assessment of quarterly outcomes reported to shareholding Ministers.

Definitions for the financial and non-financial SCI targets are provided in Attachment 1 and are consistent with the key performance indicator definitions included in the quarterly reporting templates submitted by CS Energy to shareholding Ministers.

Financial key performance indicators

In accordance with the above corporate and operational objectives, the Board of CS Energy undertakes to achieve or better the following performance targets in 2013/2014.

Quarter 2013/14				Financial Targets	2011/12 Actual	2012/13 Budget	2012/13 Act	2013/14 Budget
Sept	Dec	Mar	Jun					
14.0	(2.1)	27.8	9.4	EBITDA ($M) [1]	36.6	95.9	91.7	49.0
(8.7)	(24.3)	4.9	(11.9)	EBIT ($M) [1]	(49.6)	2.8	3.3	(40.1)
(16.5)	(27.2)	(6.2)	(18.2)	NPAT ($M) [1]	(76.8)	(35.5)	(38.3)	(68.1)
(28.0)	(39.0)	(18.6)	(29.6)	Economic profit ($M)	(139.2)	(94.1)	(93.3)	(115.0)
(2.0)	(5.6)	1.1	(2.8)	Return on operating assets (%)	(2.9)	0.2	0.2	(2.4)
(1.8)	(5.0)	1.0	(2.7)	Return on total assets (%)	(2.7)	0.2	0.2	(2.3)
(19.8)	(35.4)	(8.5)	(26.3)	Return on equity (%)[2]	(24.1)	(9.7)	(10.6)	(22.3)
71.5	73.6	73.9	75.1	Debt/debt + equity (%)[2]	68.3	69.8	70.6	75.1
0.9	(0.1)	2.0	0.7	Interest Cover (EBITDA / Net Interest)	0.6	1.8	1.6	0.9
7.6	16.6	26.1	22.4	Capital expenditure ($M)	121.9	113.1	70.7	72.6

1. In this table, EBITDA, EBIT and NPAT have been adjusted to exclude mark to market amounts, with the calculations of other related metrics being amended accordingly.
2. The hedging reserve has been excluded in calculating equity related metrics.

Non-financial performance targets

The Board of CS Energy undertakes to achieve the following non-financial performance targets in 2013/2014.

Quarter 2013/14 Sept	Dec	Mar	Jun	Non-Financial Targets	2011/12 Actual	2012/13 Budget	2012/13 Actual	2013/14 Budget
				Production				
				Energy sent out (GWh sent out)				
594	723	595	457	Callide B	3,606	4,344	3,537	2,370
408	375	355	280	Callide C	2,352	2,719	2,141	1,417
1,282	2,055	2,069	1,902	Gladstone	6,942	5,327	5,827	7,561
1,445	746	1,233	1,281	Kogan Creek	4,265	5,361	5,189	4,706
2	2	2	1	Wivenhoe[1]	(27)	(12)	(31)	6
3,731	3,902	4,257	4,169	CS Energy sent out	17,138	17,741	16,664	16,059
				Availability (%)				
71.8	64.8	90.8	90.8	Callide B[2]	75.4	83.3	77.9	79.4
80.7	85.6	89.8	70.1	Callide C	84.7	82.7	81.3	81.5
96.4	50.1	87.2	87.2	Kogan Creek	76.6	88.6	87.8	80.2
87.3	92.9	97.9	60.2	Wivenhoe[3]	99.6	83.2	57.9	84.6
84.4	69.7	91.0	79.6	CS Energy weighted average	82.8	84.9	77.4	81.1
				Reliability (%)				
86.8	81.3	93.1	93.1	Callide B	83.3	86.9	88.8	88.5
95.4	95.5	93.3	94.8	Callide C	88.5	89.3	91.9	94.7
96.4	96.1	90.8	90.8	Kogan Creek	90.4	88.6	88.8	93.6
99.0	100.0	99.0	98.8	Wivenhoe[3]	99.6	97.7	70.6	98.9
93.9	92.4	93.5	93.9	CS Energy weighted average	89.7	90.2	85.4	93.3
				Capacity factor (%)				
41.6	51.2	43.9	32.9	Callide B	65.0	77.3	71.3	42.4
48.3	45.3	44.5	34.7	Callide C	70.4	80.3	72.4	43.2
36.4	58.3	60.1	61.7	Gladstone	49.9	38.1	38.2	54.1
96.7	49.9	84.3	86.6	Kogan Creek	71.6	88.2	88.2	79.3
0.2	0.2	0.2	0.1	Wivenhoe[3]	0.2	0.4	0.6	0.1
				Planned outage factor (%)				
0.0	0.0	0.0	0.0	Callide B	7.3	3.6	7.6	0.0
8.9	9.1	0.0	22.0	Callide C	3.3	6.6	8.6	10.0
0.0	45.8	0.0	0.0	Kogan Creek	13.3	0.0	0.0	11.5
0.0	0.0	0.0	38.5	Wivenhoe[3]	0.0	14.5	0.0	9.6
1.5	16.1	0.0	12.0	CS Energy weighted average	6.4	5.3	3.8	7.4
				Unplanned outage factor (%)				
28.2	35.2	9.2	9.2	Callide B	16.7	13.1	11.7	20.6
10.4	5.3	10.2	8.0	Callide C	11.5	10.7	8.7	8.5
3.6	4.1	12.8	12.8	Kogan Creek	9.6	11.4	12.1	8.3
12.7	7.1	2.1	1.3	Wivenhoe[3]	0.4	2.3	26.9	5.8
14.1	14.2	9.0	8.5	CS Energy weighted average	10.3	9.8	14.5	11.5
				People				
22	22	32	32	Employee engagement (%)[4]	n/a	n/a	22	32
415.8	430.6	427.4	427.4	Net FTE staff numbers[5]	491.0	466.0	455.0	427.4
185.4	189.4	183.0	183.0	Callide	241.0	223.0	216.0	183.0
70.0	71.0	77.0	77.0	Kogan Creek	74.0	78.0	70.0	77.0
11.0	12.0	13.0	13.0	Wivenhoe	12.0	13.0	12.0	13.0
149.4	158.2	154.4	154.4	Corporate Office	164.0	152.0	157.0	154.4
9.5	11.5	11.5	11.5	Corporate Office contractors[6]	n/a	n/a	8	11.5
				Environment				
1	0	0	0	EP Act Enforcement Action[7]	0	0	0	0
All sites	All sites	All sites	All sites	Certification to ISO 14001	All sites	All sites	All sites	All sites
				Greenhouse gas intensity ($kgCO_2e$/MWh so)[8, 10]				
906	944	1,003	1,003	Callide B	923	940	911	1003
911	944	961	961	Callide C	896	902	896	961
807	807	917	917	Kogan Creek	818	835	826	917
0	0	0	0	Wivenhoe	0	0	0	0
2,312	1,808	2,069	1,902	Greenhouse emissions ($ktCO_2e$)[8]	9,741	12,068	12,568	8,031

Quarter 2013/14 Sept	Dec	Mar	Jun	Non-Financial Targets	2011/12 Actual	2012/13 Budget	2012/13 Actual	2013/14 Budget
				Safety				
2.8	3.6	2.0	2.0	Lost time injury frequency rate (LTIFR)[9]	4.3	2.0	2.7	5.0
4.5	7.9	3.0	3.0	Total case recordable frequency rate (TCRFR)[9]	12.6	12.0	5.9	8.0
65.5	42.5	40.0	40.0	All injury frequency rate (AIFR)[9]	68.2	100.0	69.3	60.0

1. Generation for 2013/2014 is shown in a gross sent out basis as this is more reflective of the performance of the power station. Previous years are shown on a net basis including pumping energy.
2. The increase in plant availability from the previous year for Callide B Power Station reflects a lower planned outage rate and a lower assumed unplanned outage rate for 2013/2014. The unplanned outage rate is expected to improve in 2013/2014 due to the ID fan replacements that took place in 2012/2013.
3. The forced outage factor of Wivenhoe Power Station is based upon the equivalent forced outage factor for pumped storage in the NERC standard derived from a sample of 115 similar stations.
4. As this is a new measure for CS Energy, there was no 2011/2012 Actual or 2012/2013 Budget.
5. Does not include contractors or externally employed apprentices and trainees. Callide A FTE (23 FTE as at 30/06/2014 Budget) are excluded from the workforce numbers as this workgroup is allocated to the Joint Venture Oxyfuel project.
6. CS Energy commenced reporting on this measure at the request of Commercial Monitoring. As such, CS Energy did not budget for this measure in 2012/2013 and actuals are not available for the 2011/2012.
7. The number of enforcement actions taken against the Corporation or its officers under the Environmental Protection Act 1994 including penalty infringement notices, environmental protection orders, restraint orders or convictions of offences.
8. Calculations based on the National Greenhouse Energy Reporting System (NGERS). Calculated on CS Energy share of generation from Callide C Power Station.
9. Figure is a 12 month rolling figure and now includes the Kogan Creek Solar Boost Project and Kogan Creek Mine site.
10. Forecast intensities have also been used for 2013/2014.

Assumptions

CS Energy's undertaking to achieve its performance outcomes is predicated upon the following key assumptions (below). The performance outcomes are highly sensitive to a range of factors including forecast electricity supply and demand; electricity market impact from the implementation of a carbon price; electricity market impact due to changing gas supply/demand; contracting market; quality and quantity of coal received from the Callide Mine; and plant reliability.

Key Assumptions	2011/12 Actual	2012/13 Budget	2012/13 Actual	2013/14 Budget
Economic indices				
CPI (average 10 years)[1]	0.9	0.0	2.0	2.6
Wages growth (%)	EBA	EBA	EBA	EBA
Long term interest rate (%)[2]	8.0	7.9	7.9	7.7
Dividend payout ratio (%)[3]	0	0	0	0
Carbon cost ($/tonne)[4]	N/A	23.00	23.00	24.15
National Electricity Market				
Time-weighted average pool price ($/MWh)[4]	29.07		67.02	

1. Reflects mid-point of Commonwealth Government target band.
2. Reflects advice from Queensland Treasury Corporation.
3. CS Energy is forecasting to make an adjusted consolidated loss in 2013/2014, therefore it will not be recommending to pay a dividend for the financial year ending 30 June 2014.
4. All dollars are in nominal terms.

Other relevant assumptions

Market and revenue

ROAM Consulting were engaged to provide an independent report on forecast pool prices. The outputs from ROAM have been adopted in the market modelling. Key assumptions are outlined below:

- Forecast energy demand is based on Australian Energy Market Operator's (AEMO) forecast for medium economic adjusted for Powerlink demand update January 2013.
- Queensland's gas price is expected to rise to reach international market parity less net back costs as a result of the Liquefied Natural Gas (LNG) plants located at Gladstone. Modelling is based on ACIL Tasman's gas price forecast sourced from the AEMO National Transmission Network Development Plan.

- Revenue hedging – This includes the electricity supply arrangements for Ergon Energy's retail load.

Assets

- CS Energy's strategy is to dispatch Kogan Creek, Callide B and Callide C power stations as base load, with Gladstone Power Station as Intermediate, and Wivenhoe Power Station as a peaking plant. In 2013/2014, Callide B and Callide C will be dispatched subject to fuel availability.
- Overhauls in 2013/2014 are:
    - Kogan Creek Power Station (1 November 2013 to 12 December 2013, 42 days);
    - Callide Power Station Unit C3 (16 September 2013 to 19 October 2013, 34 days); 19 October 2013 was in MTPASA but unit actually returned to service at around 10am on 17 October 2013;
    - Wivenhoe Power Station Unit 2 (starting 9 April 2014 to 17 June 2014, 70 days); and
    - Gladstone Power Station Units 2, 4, 5 and 6 inspection and refurbishment works (78 days) and switchyard upgrade (102 days).
- The Kogan Creek Solar Boost Project commercial operation date is uncertain due to the commercial discussions underway (refer separate section on this project).

Other

- A variable CPI range of up to 2.69% in 2015/2016 decreases to 2.58% by 2017/2018. The revenue escalation factor and non-labour costs have been escalated at 100% of CPI.
- Interest rates range from 7.7% in 2013/2014 to 7.4% in 2017/2018. No debt draw downs or repayments are included in 2013/2014.
- The budget assumes that 75% of the carbon liability is paid by June each year, with the remaining 25% paid in February of the following financial year. This results in a beneficial interest outcome as the revenue component is received upfront.
- No further equity injection is received and no dividend payments are made.

Financial statements

Group profit and loss, balance sheet and cash flow

Statement of Income
Group (Consolidated)

Quarter 2013/14 Sep $M	Dec $M	Mar $M	Jun $M		2011/12 Actual $M	2012/13 Budget $M	2012/13 Actual $M	2013/14 Budget $M
141.7	**131.8**	**163.5**	**146.4**	Sales of electricity	**380.4**	**686.7**	**634.2**	**583.4**
				Gross margin				
				Mark to Market				
				Operations, Maintenance & Services				
				Gladstone IPPA Costs				
				Other revenue/(Costs)				
11.9	**2.0**	**30.2**	**11.4**	**Operating profit/(loss)**	**75.4**	**101.1**	**76.7**	**55.5**
				Non-routine revenue/(expenses)				
9.0	**(0.1)**	**30.3**	**8.6**	**Earnings Before Interest Tax, Depreciation and Amortisation**	**72.8**	**95.9**	**78.1**	**47.9**
(22.7)	(22.2)	(22.9)	(21.3)	Depreciation and amortisation	(86.2)	(93.1)	(88.4)	(89.1)
(13.7)	**(22.3)**	**7.4**	**(12.7)**	**Earnings Before Interest and Tax**	**(13.4)**	**2.8**	**(10.4)**	**(41.2)**
(14.9)	(14.6)	(13.7)	(14.1)	Interest expense (net)	(61.5)	(53.8)	(57.3)	(57.2)
8.6	11.1	1.9	8.0	Income tax (expense)/benefit	23.4	15.5	19.8	29.6
(20.0)	**(25.8)**	**(4.4)**	**(18.8)**	**Profit/(Loss) After Tax**	**(51.5)**	**(35.5)**	**(47.9)**	**(68.9)**
14.0	**(2.1)**	**27.8**	**9.4**	EBITDA excluding Mark to Market	**36.6**	**95.9**	**91.7**	**49.0**
(8.7)	**(24.3)**	**4.9**	**(11.9)**	EBIT excluding Mark to Market	**(49.6)**	**2.8**	**3.3**	**(40.1)**
				Profit/(Loss) After Tax excluding Mark to Market				

Transactions with Owners as Owners

	2011/12 Actual $M	2012/13 Budget $M	2012/13 Actual $M	2013/14 Budget $M
Equity injections	300[1]	0	0	0
Equity withdrawals	0	0	0	0
Dividends provided	0	0	0	0
Current TEPs expense/(benefit)	(23.4)	(15.5)	(19.8)	(29.6)

1. $150 million received September 2011; $150 million received January 2012.

Statement of Financial Position
Group (Consolidated)

Quarter 2013/14					2011/12	2012/13	2012/13	2013/14
Sep	Dec	Mar	Jun		Actual	Budget	Actual	Budget
$M	$M	$m	$m		$M	$M	$M	$M
				Current Assets				
191.8	195.4	158.6	39.3	Cash	245.6	123.2	152.9	39.3
133.1	114.2	72.1	46.5	Receivables	117.4	108.8	146.8	46.5
41.5	20.3	0.0	0.0	Derivative financial instruments	42.0	0.0	43.0	0.0
64.8	81.1	81.1	83.2	Inventories	54.6	53.5	67.0	83.2
0.0	0.0	0.0	0.0	Other	0.0	0.0	0.0	0.0
431.3	**411.0**	**311.8**	**168.9**	**Total current assets**	**459.6**	**285.5**	**409.8**	**168.9**
				Non-current assets				
0.0	0.0	0.0	0.0	Investments	0.0	0.0	0.0	0.0
13.2	10.6	0.0	0.0	Derivative financial instruments	15.6	0.0	31.8	0.0
1,166.7	1,163.4	1,170.3	1,168.5	Property, plant & equipment	1,204.0	1,222.8	1,182.6	1,168.5
327.9	351.8	353.7	367.5	Deferred tax asset	195.5	223.8	221.6	367.5
3.7	3.7	3.7	3.7	Other	0.0	0.0	3.7	3.7
1,511.5	**1,529.5**	**1,527.6**	**1,539.7**	**Total non-current assets**	**1,415.1**	**1,446.6**	**1,439.6**	**1,539.7**
1,942.8	**1,940.4**	**1,839.4**	**1,708.6**	**Total assets**	**1,874.7**	**1,732.1**	**1,849.3**	**1,708.6**
				Current liabilities				
19.2	18.7	18.7	19.3	Accrued employee benefits	10.5	10.8	22.5	19.3
213.2	269.0	217.8	97.0	Creditors and Deferred Revenue	153.3	136.7	152.1	97.0
102.1	70.1	53.0	45.3	Derivative financial instruments	55.7	2.5	86.4	45.3
0.0	0.0	0.0	0.0	Borrowings	0.0	0.0	0.0	0.0
25.6	17.1	34.1	24.5	Provisions	45.7	34.1	34.1	24.5
0.0	0.0	0.0	0.0	Current tax liability	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	Dividends	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	Other	0.0	0.0	0.0	0.0
360.0	**374.9**	**323.6**	**186.2**	**Total current liabilities**	**265.2**	**184.1**	**295.2**	**186.2**
				Non-current liabilities				
51.8	51.8	51.8	65.4	Creditors and deferred revenue	49.5	66.8	51.8	65.4
1.3	1.3	1.3	1.4	Accrued employee benefits	10.9	11.3	1.3	1.4
80.3	60.2	33.8	28.9	Derivative financial instruments	12.1	1.6	55.1	28.9
812.1	812.1	812.1	812.1	Borrowings	825.0	805.0	824.3	812.1
212.6	213.8	189.3	191.4	Provisions	241.3	210.9	211.5	191.4
187.7	187.7	187.7	193.5	Deferred tax liability	87.2	99.9	90.0	193.5
0.0	0.0	0.0	0.0	Other	7.5	7.5	0.0	0.0
1,345.9	**1,326.9**	**1,276.0**	**1,292.6**	**Total non-current liabilities**	**1,233.5**	**1,203.1**	**1,234.0**	**1,292.6**
1,705.9	**1,701.8**	**1,599.7**	**1,478.8**	**Total liabilities**	**1,498.7**	**1,387.2**	**1,529.2**	**1,478.8**
236.8	**238.6**	**239.8**	**229.8**	**Net assets**	**376.0**	**344.9**	**320.1**	**229.8**
				Shareholders' equity				
1,114.4	1,114.4	1,114.4	1,114.4	Share capital	1,114.4	1,114.4	1,114.4	1,114.4
(86.4)9	(53.1)	(47.6)	(38.7)	Hedging reserve	(7.4)	(2.9)	(23.0)	(38.7)
(791.2)	(822.7)	(827.1)	(845.9)	Retained earnings	(731.0)	(766.6)	(771.3)	(845.9)
236.8	**238.6**	**239.8**	**229.8**	**Total shareholders' equity**	**376.0**	**344.9**	**320.1**	**229.8**

Statement of Cash Flows
Group (Consolidated)

Quarter 2013/14 Sep $M	Dec $M	Mar $M	Jun $M		2011/12 Actual $M	2012/13 Budget $M	2012/13 Actual $M	2013/14 Budget $M
				Cash flows from operating activities				
194.0	168.5	228.4	206.2	Receipts from customers	484.8	885.0	819.6	797.1
(132.0)	(132.1)	(220.7)	(289.6)	Payments to suppliers and employees	(402.8)	(820.6)	(784.8)	(774.4)
(16.9)	(18.6)	(14.6)	(13.7)	Net borrowing costs paid	(64.6)	(55.7)	(57.8)	(63.8)
0.0	0.0	0.0	0.0	Tax equivalent payments	0.0	0.0	0.0	0.0
45.1	**17.9**	**(7.0)**	**(97.0)**	**Net cash provided by operating activities**	**17.4**	**8.7**	**(23.0)**	**(41.0)**
				Cash flows from investing activities				
(6.1)	(14.3)	(29.8)	(22.4)	Payments for property, plant & equipment[1]	(128.3)	(111.1)	(69.7)	(72.6)
0.0	0.0	0.0	0.0	Proceeds from sale of non-current assets	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	Other	24.6	0.0	0.0	0.0
(6.1)	**(14.3)**	**(29.8)**	**(22.4)**	**Net cash provided by/(used in) investing activities**	**(103.7)**	**(111.1)**	**(69.7)**	**(72.6)**
				Cash flows from financing activities				
0.0	0.0	0.0	0.0	Proceeds from borrowings	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	Repayment of borrowings	0.0	(20.0)	0.0	0.0
0.0	0.0	0.0	0.0	Equity contributions	300.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	Dividends paid	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	Other	0.0	0.0	0.0	0.0
0.0	**0.0**	**0.0**	**0.0**	**Net cash provided by/(used in) financing activities**	**300.0**	**(20.0)**	**0.0**	**0.0**
39.0	3.6	(36.8)	(119.4)	**Net increase/(decrease) in cash held**	**213.7**	**(122.4)**	(92.7)	(113.6)
152.9	191.8	195.4	158.6	Cash at the beginning of the financial year	31.9	245.6	245.6	152.9
191.8	**195.4**	**158.6**	**39.2**	**Cash at the end of the financial year**	**245.6**	**123.2**	**152.9**	**39.3**

1. Excludes capitalised interest

Capital expenditure (including overhauls)

Description	Budgeted Project Cost $M	2013/2014 Budget $M	Expected Completion Date	Status
Kogan Creek Solar Boost Project[1, 2]	127.2	7.5	May 2015	In progress
Callide Power Station	14.4	14.4	June 2014	In progress
Kogan Creek Power Station	5.9	5.9	June 2014	In progress
Wivenhoe Power Station	1.7	1.7	June 2014	In progress
Corporate	2.3	2.3	June 2014	In progress
Coal strategy development	2.8	2.8	June 2014	In progress
Capital excluding overhauls	**154.2**	**34.5**		
Overhauls – Callide Power Station	16.9	16.9	June 2014	In progress
Overhauls – Kogan Creek Power Station	18.7	18.7	June 2014	In progress
Overhauls – Wivenhoe Power Station	2.5	2.5	June 2014	In progress
Overhauls	**38.1**	**38.1**		
Total capital including overhauls[1]	**192.3**	**72.6**		

1. Excludes capitalised interest and excludes an offset of government grants
2. Includes a contingency for potential AREVA claims and cost overruns

Additional requirements

As part of its performance agreement with shareholding Ministers, the Board of CS Energy provides the following additional undertakings.

Prudential financial information

The CS Energy Board will ensure the Company takes full responsibility to ensure that prudent financial practices are applied both within the corporation and within its subsidiaries (whether fully controlled or otherwise). Without limiting the obligations imposed on the Board and the Chief Executive by the GOC Act and, where applicable, the *Corporations Act 2001*, this includes a commitment to:

- Abide by the *Code of Practice for Government Owned Corporations' Financial Arrangements* (Code of Practice), as issued by the Queensland Government; and
- Establish, maintain and implement appropriate financial risk management policies and practices.

Capital structure

The CS Energy Board will prudently manage the financing of the CS Energy group. As an integral part of the financing of the Company, overall debt will be managed with Queensland Treasury Corporation (QTC) to ensure that CS Energy maintains the appropriate credit rating or other rating as determined by shareholding Ministers. CS Energy's Board will ensure CS Energy complies with this.

Weighted average cost of capital

The CS Energy Board will ensure that CS Energy reviews its weighted average cost of capital (WACC) on an annual basis. As part of the Statement of Corporate Intent process, CS Energy's beta and optimal capital structure are being determined in consultation with shareholder representatives. Other than the annual review process, in the event CS Energy encounters a significant change to the risk profile of its business, its WACC will be recalculated in consultation with shareholder representatives. Details of CS Energy's WACC calculations are provided in Attachment 4.

Dividend policy and payment

While the dividend process is governed by the *Government Owned Corporations Act 1993* and the *Corporations Act 2001* (Cth), the CS Energy Board will also ensure that CS Energy's dividend policy takes into account the return its shareholders expect on their investments. CS Energy's policy is to recommend and pay a dividend amount equivalent to 80 per cent (or the percentage approved by shareholding Ministers, if different) of CS Energy's adjusted consolidated profit subject to the requirements of Section 254T of the *Corporations Act 2001.*

The CS Energy Board adopts such a policy unless otherwise agreed with the shareholding Ministers.

It is expected that the dividend letter to be provided by the Board to shareholding Ministers in May 2014, will indicate that no dividend will be payable for the financial year ending 30 June 2014 as CS Energy is forecasting to make an adjusted consolidated loss for the year ending 30 June 2014. A significant contributor to this loss position is the annual interest cost to service CS Energy's debt. As part of CS Energy's core reform objective focusing on optimal costs, CS Energy will review options for reducing both debt levels and the cost of debt, including programs to reduce interest rates and charges. CS Energy is forecasting to pay dividends in the future.

When determining the actual dividend to be paid based on the audited financial results, the CS Energy Board will ensure shareholding Ministers are consulted through their departments, and that written agreement is received for any material changes to the adjustment items previously identified in May 2014, and for any subsequent new adjustment items identified. This written agreement is to be obtained by CS Energy prior to payment of the final dividend by the Board.

Corporate Governance guidelines for Government Owned Corporations

The CS Energy Board undertakes to continually monitor and review its corporate governance arrangements to reflect good practice, having regard to the *Corporate Governance Guidelines for Government Owned Corporations* (Corporate Governance Guidelines). CS Energy has adopted all of the recommendations in the Corporate Governance Guidelines.

Risk management

The CS Energy Board has ultimate responsibility for ensuring the impacts of all potential internal and external risks of the Company are managed. The Company's risk identification and management process is monitored by the Risk Committee, which is a subcommittee of the Board and which reports to the Board on a regular basis.

The risk management framework is designed to ensure that all potential financial, operational and other risks are regularly identified, assessed, monitored and reported to the Risk Committee and the CS Energy Board, as appropriate, along with risk mitigation and management plans. In particular, potential security risks have been considered and identified and a framework to respond to security threats has been developed. The CS Energy Board will continually monitor security risks and update the Company's response framework as necessary.

Risk management plans have been incorporated in CS Energy's budgetary and strategic planning processes.

Compliance with government policies

The Board of CS Energy and its subsidiaries will ensure that these entities comply with the relevant government policies and guidelines. In particular, CS Energy and its subsidiaries will comply with the approval, notification, reporting and other requirements of those policies and guidelines.

Sponsorship, advertising, corporate entertainment, and donations

Consistent with the shareholders' letter of expectation of 6 September 2012, the *Corporate Entertainment and Hospitality Guidelines* and CS Energy's Corporate Entertainment and Hospitality Policy, all non-essential and non-committed sponsorships, advertising, entertainment and donations have been removed from the 2013/2014 budget. Full details of the budgeted expenditure are provided in Attachment 3 to the Statement of Corporate Intent.

Employment and Industrial Relations Plan

An Employment and Industrial Relations (E&IR) Plan meeting the requirements of Section 149 of the GOC Act is included as Attachment 2 to this Statement of Corporate Intent. The remuneration arrangements for the Directors, the Chief Executive and all Senior Executives of CS Energy are detailed in the E&IR Plan.

Community Service Obligations (CSOs)

No Community Service Obligations have been identified for CS Energy in 2013/2014.

Performance Agreement

Directors' Statement and Agreement of Shareholding Ministers

This Statement of Corporate Intent and all attachments, for 2013/2014, are presented in accordance with Chapter 3, Part 8 of the *Government Owned Corporations Act 1993* (GOC Act).

In accordance with Chapter 1, Part 3, Section 7 of the GOC Act, the Statement of Corporate Intent represents a formal performance agreement between the Board of CS Energy and its shareholding Ministers with respect to the financial and non-financial performance targets specified for the financial year. The Statement of Corporate Intent also represents an acknowledgment of, and agreement to major activities, objectives, undertakings, policies, investments and borrowings of CS Energy for 2012/2013.

This Statement of Corporate Intent is consistent with CS Energy's 2013/2014 – 2017/2018 Corporate Plan submitted to, and agreed to by shareholding Ministers in accordance with Chapter 3, Part 7 of the GOC Act.

In signing the document, the Board of CS Energy undertakes to ensure that the document, and all reports to shareholding Ministers, are prepared with accuracy and timeliness.

In signing this document, CS Energy's Board undertakes to achieve the targets proposed in the Statement of Corporate Intent for 2013/2014.

Major changes to key assumptions and outcomes detailed in this Statement of Corporate Intent, which come to the Board's attention during the year, will be brought to the attention of shareholding Ministers. Any modifications to this Statement of Corporate Intent will be dealt with in accordance with the GOC Act.

This Statement of Corporate Intent is signed by the Chair on behalf of all the Directors in accordance with a unanimous decision of the Board of CS Energy.

Mr R Rolfe
Chairman
CS Energy Ltd

Date: 14 February 2014

…………………………………………..	…………………………………………..
Shareholding Minister	Shareholding Minister
Date:	Date:

Attachment 1 – Definitions

List of financial and non-financial target definitions

Debt/debt + equity	Debt Debt plus equity (excluding hedge reserve)
Equivalent availability (%)	[Installed plant capacity (MW) x 8760-MWh losses due to outages] x 100% Installed plant capacity (MW) x 8760 hours
Interest cover (times)	Earnings before interest and tax (excluding MTM) Interest expense
Lost time injury duration rate (LTIDR)	Lost injury time Number of Injuries
Lost time injury frequency rate (LTIFR)	Lost injury time Employee hours (million)
Megawatt hours sent out (MWhso)	Megawatt hour sent out includes generation sent out for Callide B, Callide C, Kogan Creek, and Gladstone TCE generation (excludes Boyne Smelter Load)
O&M cost ($/MWh)	O&M cost includes cost of labour, plant maintenance, support services, water & chemicals, IPPA contract costs and fixed costs. Fixed costs refer to interest payments, depreciation & site rehabilitation and leasing charges.
Operations, Maintenance, Water and Services costs ($M)	Includes all operating costs except for depreciation, overhaul amortisation, site rehabilitation costs and Gladstone onerous contract amortisation.
Planned outage factor (%)	MWh out of service due to planned outage x 100% Installed plant capacity (MW) x 8760 hours
Reliability (%)	100% - MWh out of service due to unplanned outage x 100% Installed plant capacity (MW) x 8760 hours
Return on equity (%)	Operating profit (excluding MTM) after tax Total average equity (excluding hedge reserve)
Return on operating assets (%)	Earnings before MTM, interest and tax - Investment income x 100% Average Total Assets - Average Financial Assets
Return on total assets (%)	Earnings before MTM, interest and tax (but after abnormals) Total average assets
Shareholder value added	Net Profit (excluding MTM) after interest and tax (as at end of the period) less an Equity Charge. The Equity Charge is CS Energy's equity return requirement multiplied by the average of CS Energy's equity for the last 13 months. Equity Charge based on Government advised methodology.
Site cash cost ($/MWhso)	Site cash costs include site operating cash costs, including operations and maintenance costs, water and chemicals and support services. These costs do not include fixed interest payments.
Site total cost ($/MWhso)	Site total costs include site cash costs (above), fixed non-cash costs such as amortisation, depreciation, site rehabilitation and Gladstone onerous contract amortisation. These costs do not include fixed interest payments.
System capacity factor (%)	Total annual energy (MWh) x 100 % Installed plant capacity (MW) x 8760 hours
Total case recordable frequency rate (TCRFR)	(LTIs + MTIs) X 1,000,000 total hours worked TCRFR is a rolling 12 months average which measures the number of lost time injuries (LTI) and medical treatment injures (MTI) per million hours worked.

Attachment 2 – Employment and Industrial Relations Plan

Employment and Industrial Relations philosophy and direction

Industrial Relations Strategy

Short and long term industrial relations initiatives and risk assessments have been proposed. Short term initiatives focus on a range of issues including productivity measurement and reporting and cost reductions. Long term initiatives relate to renegotiation of site Enterprise Agreements (EAs) in 2014 and the removal of provisions that restrict effective management of the workforce. These actions are consistent with the Minister's briefing on 4 October 2012, the Government Owned Corporation (GOC) Wages Policy 2012, and the new government directive to commence a long term implementation plan.

Enterprise Agreements

CS Energy maintains EAs at Callide, Kogan Creek and Wivenhoe power stations and the Corporate Office in Brisbane. Each EA is tailored to the different technologies, characteristics of the workforce and workplace of each site. These agreements have been developed in consultation with employees and relevant unions.

Remuneration arrangements

Chief and Senior Executives

Remuneration details for the Chief Executive and Executive General Managers for 2013/2014 are provided in the following table. These arrangements are reviewed annually in accordance with Company procedures. Performance payments are capped at 15 per cent maximum for the Chief Executive and each Executive General Manager. The base salaries shown below are those applicable as at 31 January 2014.

CEO / Senior Executives	Base salary [1]	Employer Superannuation contributions [2]	Car park [4]	Total fixed remuneration [5]	Other non-personal benefits	Performance payment made [6]
Chief Executive M Moore	$652,798	9.25%	Nil	$713,182	Nil	Nil
Executive General Manager Energy Markets Scott Turner	$359,176	9.25%	Nil	$392,400	Nil	$19,262
Executive General Manager Operations M Moran	$401,465	9.25%	Nil	$438,600	Nil	$16,222
Chief Financial Officer O Elsaesser	$364,119	9.25%	Nil	$397,800	Nil	$14,173
Executive General Manager Strategy and Commercial Owen Sela	$356,979	9.25%	Nil	$390,000	Nil	Nil
Executive General Counsel and Company Secretary Andrew Varvari	$324,545	10%	Nil	$357,000	Nil	$17,174

1. Includes salary sacrifice items.
2. Employer Contributions to superannuation (other than by salary sacrifice).
3. A car park is provided and a nominal allowance is paid and then deducted as a salary sacrifice amount.
4. Total Fixed Remuneration sum of base salary and employer superannuation contributions.
5. Performance Payments relating to 2012/2013 were paid in 2013/2014.

All staff, including Senior Executives, are required to have KPIs that are directly linked to the reform objectives. The Senior Executives are accountable for the delivery of one or more of the reform objectives, which form the basis of the KPIs contained in the Statement of Corporate Intent. All employees, including Senior Executives, participate in a performance review process, which includes a rating scale to determine the individual component of the KPIs for the bonus process. The Company's bonus process comprises corporate and individual KPIs, both of which are linked to the reform objectives. If an employee does not perform to the standard required, their manager addresses this in accordance with the performance management framework.

Employment conditions

General conditions of employment are provided in various Enterprise Agreements (EAs) under the *Fair Work Act 2009 (Cth),* other employment agreements and CS Energy human resources policies and procedures. Rates of pay, including productivity payments are included in EAs and all purpose allowances, where applicable (e.g. power house allowance, ability allowances, etc) are incorporated in all-up rates within those Enterprise Agreements.

CS Energy and its employees are also governed by the *Government Owned Corporations Act 1993* and Regulations, the *Electricity Act 1994* and *Regulation of 2006* and the *Fair Work Act 2009*. The *Electrical Power Industry Award 2010* is the Modern Award which applies to the power generation industry.

Alternative Individual Agreements (AIAs) provided for under EAs will continue to be offered where roles require special skills or employment flexibility, to ensure that CS Energy can attract and retain employees of the quality to compete effectively in the electricity market.

59% (266 employees) of employees are engaged under an EA and 41% (184 employees) are engaged under an AIA.

Enterprise bargaining and productivity initiatives

Enterprise bargaining

CS Energy maintains Enterprise Agreements (EAs) at Callide, Kogan Creek and Wivenhoe power stations and the Corporate Office in Brisbane. The current EAs are specified in the following table:

	Scope	Reference	Expiry	Coverage (at 31 January 2014)
CS Energy Ltd Corporate Office Enterprise Agreement 2012	Employees of CS Energy Ltd at Corporate Office	AG2012/8251	30 June 2015	137 employees
CS Energy Ltd Callide Power Station Certified Agreement 2011	Employees of CS Energy Ltd at Callide Power Station	AG2012/1484	12 June 2014	225 employees
CS Energy Ltd Wivenhoe Power Station Enterprise Agreement 2012	Employees of CS Energy at Wivenhoe Power Station	AG2012/8642	29 July 2015	11 employees
Kogan Creek Power Station Enterprise Agreement 2011	Employees employed in the classifications within the Agreement	AG2011/1528	1 February 2014	76 employees

The Kogan Creek EA and Callide EA nominal expiry dates are 1 February 2014 and 12 June 2014 respectively and will be renegotiated under the current Government Owned Corporations Wages Policy 2012 or any other policies as advised by shareholding Ministers. CS Energy has commenced the implementation of a revised Industrial Relations Framework. The framework is being used for the preparations of the renegotiation of Kogan Creek and Callide's Enterprise Agreements (EAs).

The Kogan Creek Enterprise Bargaining framework was submitted to the Public Service Commission (PSC) and subsequently the Cabinet Budget Review Committee (CBRC) on 11 September 2013. The Bargaining Framework was approved on 10 December 2013. As part of the revised industrial relations framework implementation a detailed risk assessment was completed and mitigation plans continue to be updated on an ongoing basis. Contingency plans for possible industrial action are currently being developed.

To reflect the requirements under the *Fair Work Act 2009* and the Government Owned Corporations Bargaining Guidelines a step by step project plan was developed and is being updated on an ongoing basis. A comprehensive communications plan to support the overall industrial relations reform strategy and negotiation strategy has been prepared and is being rolled out. This includes providing timely and factual information to employees following each enterprise agreement meeting.

Preparation for the upcoming Callide Enterprise Agreement negotiations has commenced. The Callide Power Station Bargaining framework was approved by the Board in November 2013 and submitted to the PSC for subsequent submission to the CBRC on 03 January 2014. A reviewed Bargaining Framework incorporating some changes has been requested by the PSC and was submitted in January 2014. CS Energy also commenced informal discussions on a new Callide Power Station EA with employee representatives and employees on 12 December 2013.

Productivity initiatives

Each EA includes a number of productivity initiatives. CS Energy will provide shareholding Ministers with quarterly reports on the implementation and progress of the productivity initiatives included in CS Energy's Enterprise Bargaining Agreements. CS Energy has recently revised the productivity initiatives as some of the existing initiatives no longer aligned with the business direction. The revised initiatives have been costed and forecast to ensure the committed savings will be achieved for each agreement. These initiatives were presented and approved by the Queensland Government, and CS Energy commenced reporting on the new initiatives from 1 January 2013.

Type of employment and workforce planning

CS Energy's workforce planning and employment policies are underpinned by a clear recognition of the need for a skilled and viable workforce.

Types of employment

Employment category	30 June 2013	30 June 2014	30 June 2015	30 June 2016	30 June 2017
Permanent full time [1]	**436.0**	**411.0**	**407.0**	**407.0**	**407.0**
Permanent part time (FTE)	5.3	3.2	3.2	3.2	3.2
Other contract	0.0	0.0	0.0	0.0	0.0
Senior Executive contract	6.0	6.0	6.0	6.0	6.0
Apprentices (in house)	5.0	5.0	5.0	5.0	5.0
Trainees (in house)	0.0	0.0	0.0	0.0	0.0
Casual employees (FTE)	1.83	2.2	1.9	1.9	1.9
Total directly employed workforce [2]	**454.13**	**427.4**	**423.1**	**423.1**	**423.1**
Apprentices (Group)	16.0	16.0	16.0	16.0	16.0
Trainees (Group)	3.0	3.0	3.0	3.0	3.0
Contractor employees (trade/technical)	-	-	-	-	-
Contractor employees professional/administrative/clerical	11.5	11.5	11.5	11.5	11.5
Labour hire (trade/technical - FTE)	n/a	n/a	n/a	n/a	n/a
Labour hire professional/administrative/clerical	n/a	n/a	n/a	n/a	n/a
s457 Temporary Visa [3]	*1.0*	*1.0*	*1.0*	-	-
Total workforce	**496.5**	**457.9**	**453.6**	**453.6**	**453.6**

1. Includes temporary employees and S457 visas.
2. Total directly employed workforce figures correspond to the Workforce Plan. Callide A FTE (23 FTE s as at 30/06/2014 Budget) are excluded from the workforce numbers as this workgroup is allocated to the Joint Venture Oxyfuel project.
3. Included in Permanent Full Time figure.

Workforce planning

CS Energy has a number of initiatives in place to enhance employment and workforce planning. Each of these initiatives assists with attracting quality candidates to CS Energy, as they promote CS Energy as a preferred employer with commitment to developing employees, building its technical and people management skills, and providing career opportunities for students, graduates, apprentices and trainees.

The initiatives include:

- A program for apprentices and trainees, employed by CS Energy and via group training schemes;
- Providing vacation employment and work experience to students;
- Support for employees to complete the postgraduate Power Engineering studies program at QUT;
- Supervisor and Emerging Supervisor Development Programs for employees in supervisory roles or who regularly relieve in these roles; and
- A number of other employee development opportunities, dependent on the individual employee's career development plan.

Workplace health and safety

Performance

Health and Safety performance targets are listed below.

Performance targets	2011/12 Target	2011/12 Actual	2012/13 Target	2012/2013 Actual	2013/14 Target
Lost time injury frequency rate (LTIFR)	<2	4.26	0	2.58	<5
Total case recordable frequency rate (TCRFR)	<12	12.6	<12	4.64	<8

The TCRFR target of less than eight (8), and LTIFR of less than five (5), for the 2013/2014 financial year reflect actual performance to 31 December 2013, and a TCRFR target of less than three (3) and LTIFR of zero, respectively, in the second half of the financial year. The targets for the remainder of the 2013/2014 year are consistent with CS Energy's desire to continually improve in this area to achieve and maintain industry best practice standards. This is founded on a belief that all incidents and injuries are preventable, as long as there are effective systems in place and an engaged workforce to implement and improve them.

Equal Employment Opportunity (EEO) and anti-discrimination

CS Energy is committed to the creation and maintenance of an environment where all employees are able to contribute and operate to their full capacity and be recognised accordingly. CS Energy aims, through education strategies, to provide a workplace that is free from unlawful discrimination, workplace harassment, bullying and vilification. All employees have access to the CS Energy *EEO Policy*, the *EEO and Appropriate Workplace Behaviour Procedure*, and the *Fair Treatment and Grievance Resolution Procedure*.

The *Recruitment and Selection Procedure* provides direction for all CS Energy recruitment and selection activities to be based on using fair, open and transparent processes to select the best people for the job within an efficient and effective process. These documents are available on the intranet or in hard copy from the People and Culture team, and are included in the induction process.

An online EEO training course is used by all new employees as part of their induction process, and an online refresher training course is available for employees to undertake refresher training every two years. This course reinforces employee knowledge on all EEO related matters and ensures they understand their responsibilities.

In accordance with Section 31 of the *Public Service Act 2008*, CS Energy reports EEO statistical data to the Public Service Commission on an annual basis. CS Energy submitted a report in July 2013. The next report is due in July 2014.

Joint Venture projects

CS Energy remains in joint venture with IG Power (Callide) Pty Ltd at Callide C Power Station. Operations and maintenance services for Callide C Power Station are provided by CS Energy under a contract to the joint venture entity. CS Energy employees and some contractors are undertaking work for the joint venture. Relevant CS Energy employees are covered by the CS Energy Ltd Callide Power Station Certified Agreement 2008.

CS Energy has a joint venture arrangement with IHI Corporation, J Power Group, Mitsui & Co, Schlumberger, Xstrata Coal and ACA Low Emissions Technologies Ltd for the Callide Oxyfuel Project at Callide A Power Station. CS Energy employees are seconded to work for the Joint Venture Project for the period of the Callide Oxyfuel Project. At this stage, there are no direct employees of the Project, although this arrangement is not precluded.

Management of the relationship between GOCs and unions

CS Energy consults with staff and unions in accordance with Enterprise Agreements. Consultative forums include site consultative committees. A Peak Consultative Committee comprising senior management from the Company and union officials meets regularly.

Redundancy provisions

CS Energy and its subsidiaries remain a party to redundancy arrangements formalised through Enterprise Agreements (EAs), which provide for retraining and redeployment, including salary maintenance, as a first alternative to retrenchment. Severance payments contained in the Enterprise Agreements provide for three weeks pay for every year of service, to a maximum of 75 weeks, plus an early separation payment of 13 weeks, pro-rata long service leave and a re-training and outplacement support costing $1,000-$2,000 per employee, depending on the site.

A “no disadvantage” provision in relation to redundancy arrangements exists for employees transferring to CS Energy from 1 July 2011 from Stanwell and Tarong (including employees at Wivenhoe Power Station) in relation to EAs applying to those employees immediately prior to 1 July 2011. This is consistent with the Government Guarantees and the Transition Principles arising out of the Generator Restructure which the Board of CS Energy is required to apply under the terms of the Direction from shareholding Ministers issued in accordance with Section 299 *Electricity Act 1994*.

Job security

Current CS Energy Enterprise Agreements (EAs) provide for no forced redundancies reflecting previous Government policy on job security. This will be reviewed in accordance with new government policy in the renegotiation of the next Enterprise Agreements (EAs).

Contracting out

CS Energy will continue to comply with Enterprise Agreements and any applicable legislation on the use of contractors.

Superannuation

In accordance with *Superannuation Guarantee (Administration) Act 1992* CS Energy offers membership of and contributes to a number of approved superannuation funds, as requested by new employees. Under CS Energy policy, the Energy Super Fund is the default fund for new defined contribution fund members.

The Energy Super Defined Benefit Fund, which closed to new employees in 2002, has an employee contribution rate of five per cent and an employer contribution rate of 10 per cent. This rate is reviewed every two years by the Fund Actuary. Presently, 25 per cent of the CS Energy workforce remains in this plan.

The remainder of the workforce are in a number of defined contribution funds, with 50 per cent of the workforce in the Superannuation Guarantee Contribution (SGC) employer fund (9% contribution) and the remaining 25 percent of the workforce are in the contributory defined contribution fund where the employee contribution is five per cent, with CS Energy contributing 10 per cent.

The SCG contribution increased from 9% to 9.25% from 1 July 2013 and will increase again to 9.5% in 2014/2015.

Consultation

Employees, unions, and representatives of Queensland Treasury and Trade (QTT), the Department of Energy and Water Supply (DEWS), the Department of the Premier and Cabinet (DPC) and the Public Service Commission (PSC) have been consulted in the preparation of this Employment and Industrial Relations Plan. Feedback has been considered and incorporated, where relevant and appropriate.

Attachment 3 – Hospitality

Table 1: Sponsorship, Advertising, Corporate Entertainment, Donations and Other Activities
Details of individual expenditure items[1]

Activity	Description / Benefit	2012/2013 Budget ($)	2012/2013 Act ($)	2013/2014 Budget ($)	Quarter 2013/2014[2] ($) Sept (Act)	Dec (Act)	Mar	Jun
SPONSORSHIP								
Opera Queensland – *Moving Opera!* school workshops	Youth development and profile-raising for CS Energy in power stations' communities. Workshops to be completed in Chinchilla and Biloela.	33,500	33,500	0	0	0	0	0
Total over $5,000		**33,500**	**33,500**	**0**	**0**	**0**	**0**	**0**
Other (total) below $5,000	Small discretionary sponsorships from Brisbane and the Callide and Kogan Creek power stations to raise CS Energy's profile.	1,600	3,554	0	0	0	0	0
TOTAL Sponsorships		**35,100**	**37,054**	**0**	**0**	**0**	**0**	**0**
ADVERTISING[3]								
Total over $5,000		**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other (total) below $5,000	Site-based, non-campaign advertising for grants programs, projects and forums.	10,000	2,128	10,500			5,250	5,250
TOTAL Advertising		**10,000**	**2,128**	**10,500**	**0**	**0**	**5,250**	**5,250**
CORPORATE ENTERTAINMENT								
Total over $5,000		**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other (total) below $5,000	Business development activities to support vertical integration opportunities.	9,500	10,427	2,500	41	85	1,187	1,187
TOTAL Corporate Entertainment		**9,500**	**10,427**	**2,500**	**41**	**85**	**1,187**	**1,187**
DONATIONS								
Generosity	CS Energy's Workplace Giving Program – staff donations matched.	6,250[4]	3,987	0	0	0	0	0
Chinchilla Community Benefits Trust	Trust established by original proponents of Kogan Creek Power Station and taken over by CS Energy on purchase. Contributes to community infrastructure projects.	25,000	25,000	25,000	0	25,000	0	0
Total over $5,000		**31,250**	**28,987**	**25,000**	**0**	**25,000**	**0**	**0**
Other (total) below $5,000	Discretionary donations to community events and activities at Callide.	0	0	6,840	0	150	3,345	3,345
TOTAL Donations		**31,250**	**28,987**	**31,840**	**0**	**25,150**	**3,345**	**3,345**

Activity	Description / Benefit	2012/2013 Budget ($)	2012/2013 Act ($)	2013/2014 Budget ($)	Quarter 2013/2014 [2] ($) Sept (Act)	Dec (Act)	Mar	Jun
OTHER								
Total over $5,000		**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other (total) below $5,000	None	0	0	0	0	0	0	0
TOTAL Other		**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL [1]		**85,850**	**78,596**	**44,840**	**41**	**25,235**	**9,782**	**9,782**

1. All expenditure is GST exclusive.
2. These figures are not cumulative.
3. Does not include recruitment advertising.
4. CS Energy's total matching contribution has been reduced in line with the focus on cost efficiency and returning to profitability.

Table 2: Corporate Entertainment
Details of Total Budgeted Expenditure under $5,000[1]

Activity	2012/2013 Budget ($)	2012/2013 Act ($)	2013/2014 Budget ($)	Quarter 2012/2013[2] ($) Sept (Act)	Dec (Act)	Mar	Jun
Corporate entertainment total							
• Staff functions	5,500	5,500					
• New business	3,500	3,500	2,500	41	85	1,187	1,187
• Stakeholder and community engagement	500	0					
TOTAL UNDER $5,000 [1]	**9,500**	**9,500**	**2,500**	**41**	**85**	**1,187**	**1,187**

1. All expenditure is GST exclusive.
2. These figures are not cumulative.

Attachment 4 – Weighted Average Cost of Capital calculation

The 2012/2013 Weighted Average Cost of Capital (WACC) methodology and calculation is based on a detailed consultants report received in May 2005 which was updated in May 2009. The methodology is consistent with Queensland Treasury Guidelines. Key variables have been reviewed and updated where appropriate, based on current Statement of Corporate Intent assumptions. The outcomes are subject to further revision based on material changes in assumptions prior to 30 June 2012.

$$WACC = k_e \times \frac{E}{V} + k_d(1-t_c) \times \frac{D}{V}$$

Where:

k_e	cost of equity = $R_f + B_e\ (R_m\ - R_f)$
$\frac{E}{V}$	market value of equity divided by total value
k_d	cost of debt
$(1-t_c)$	1 minus effective tax rate
$\frac{D}{V}$	market value of debt divided by total value
R_f	the risk free rate of return – based on government bond rates of an appropriate tenure;
$(R_m - R_f)$	the market risk premium – the return of the market as a whole less the risk free rate; and
B_e	the relative systematic risk of the individual Company's equity.

WACC Component	2013/2014 Assumptions
WACC basis	**Post-tax, nominal**
Risk Free Rate of Return	
Market Premium – premium required to hold the market portfolio over the risk free rate of return	
Pre-Tax Cost of Debt (with assumed BBB- credit rating)	
Income Tax Imputation Impact	
Asset Beta - stock volatility relative to the market	
Equity Beta – the asset beta impacted for CS Energy gearing	
Value of debt used in balance sheet financing mix	
Value of equity used in balance sheet financing mix	
Corporate Tax Rate	30%
Group WACC	