



Connecting you

# Annual Report 2014

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# Letter to Shareholders

31 October 2014

Dear Ministers,

We are pleased to submit the 2014 TransGrid Annual Report to Parliament. This Annual Report includes the financial statements for the year ending 30 June 2014 audited by the Auditor-General of New South Wales (NSW).

This Annual Report was prepared in accordance with the requirements of Section 24A of the *State Owned Corporations Act 1989*, the *Annual Reports (Statutory Bodies) Act 1984* and the reporting requirements issued by NSW Treasury.

Sincerely,

Handwritten signature of Chum Darvall in black ink.

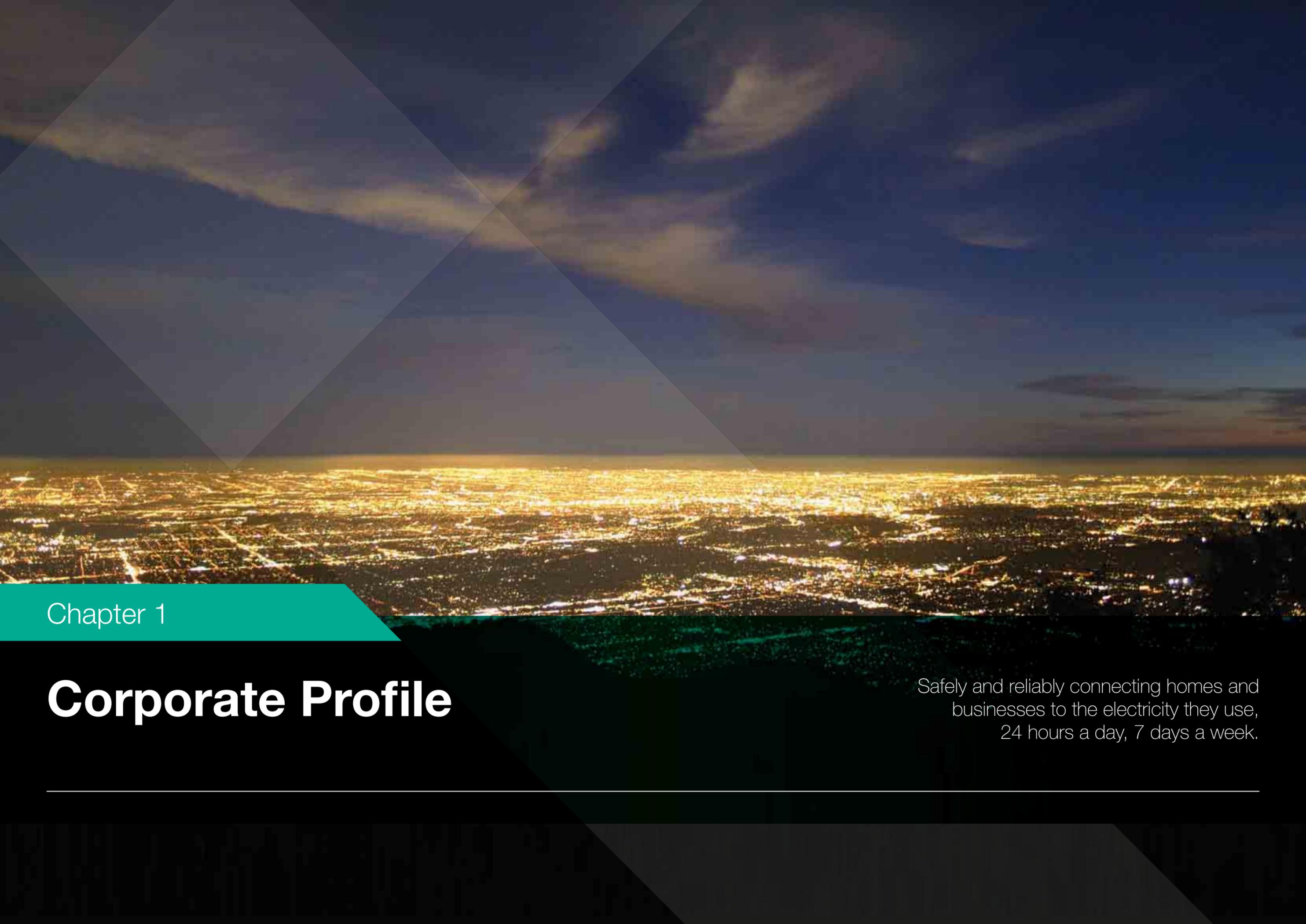
**Chum Darvall**  
Chairman

Handwritten signature of Peter McIntyre in black ink.

**Peter McIntyre**  
Managing Director

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Chapter 1

# Corporate Profile

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Safely and reliably connecting homes and businesses to the electricity they use, 24 hours a day, 7 days a week.

## 1.1

# Chairman's message



The energy industry is in a time of transformation. A shift towards renewable sources of generation, smarter ways of managing peak electricity demand, widespread adoption of energy efficiency initiatives and increased access to local generation, reflect a new world for all involved in the energy supply business.

The challenges ahead require a fresh focus, strong leadership and willingness to adapt to the changing energy environment. I am confident TransGrid will not only be responsive to this new world, but will be a leader in the industry.

At TransGrid, we are proud of our highly skilled workforce, strong reliable transmission network, capability to capitalise on new business and market opportunities and a commitment to embrace and adapt to change. TransGrid has already taken significant steps to ensure we can continue to provide safe, reliable and economically efficient services to electricity consumers in NSW and the ACT.

Over the last five years, we have undertaken a thorough review of our business activities, improved our efficiencies, reduced costs and have renewed our commercial focus whilst responding to the incentives set by the Australian Energy Regulator. Consumers will benefit from these initiatives from July 2014, with forecast revenue to be kept in line with the consumer price index.

While transmission is a small component of most bills, approximately 11%<sup>1</sup> on average for residential and small business consumers in NSW, TransGrid understands every dollar is important and that recent electricity price rises have added to household and business financial pressures. In 2012 we announced a revenue freeze for 2013/14 which delivered a reduction in price volatility for consumers.

<sup>1</sup> Correct as at end of July 2014, without a carbon price.

In June 2014, the NSW Government announced its plans to undertake a long term lease of the State's electricity network businesses if it is returned to Government after the 2015 State election. We are currently participating in a Scoping Study, which is the first significant piece of work to be undertaken as part of the lease process. While we are prepared for any possible change in ownership, we remain focused on maintaining a business as usual approach, which is continuously improving the efficiencies and effectiveness of our services.

I would like to acknowledge the work of Directors John Price and Neville Betts who retired from the TransGrid Board in August 2013 and February 2014, respectively. Their commitment and dedication over a combined period of 21 years service, has made a significant contribution to TransGrid's achievements during this time and beyond.

TransGrid has a strong history of achievement and the future will be no exception. We are committed to providing safe, reliable and efficient transmission services to achieve the best outcome for our customers, our shareholders, consumers and other interested groups.

As the energy industry evolves, so too will TransGrid. We are embracing the challenges and opportunities of doing business in this changing environment.

**Chum Darvall**  
Chairman

## 1.2

# Managing Director's report



As we reflect on the year that was, 2013/14 was significant for TransGrid with substantial changes in the external operating environment and internally within our business.

As a transmission network service provider, our continued role in safely connecting energy to consumers with reliable and cost effective electricity depends on our capacity to be responsive to change. We must consider and take into account the opinions and preferences of electricity consumers, our communities, directly connected customers and other stakeholder groups and we must be ready and willing to adapt to new ways of operating our business.

With this in mind, we have altered the way we plan, operate and maintain our network. Our new business priorities align with the changing needs of electricity consumers, build on our existing strengths and put the right foundations in place to enable us to diversify the business, by identifying and executing new commercial opportunities.

In May 2014, we submitted our 2014/15-2018/19 Revenue Proposal to the Australian Energy Regulator. This was an important milestone for TransGrid in demonstrating our ability to embrace and adapt to change. The proposal details our commitment to a business plan which is in the interests of NSW electricity consumers, while keeping pace with the changing energy landscape.

In order to minimise price rises for consumers, we worked hard to ensure our forecast revenue growth remained no higher than the consumer price index. Furthermore, we have proposed to reduce our capital expenditure by 28% over the next five years and operational efficiencies will lead to a cost saving of about \$6 million annually.

TransGrid understands electricity consumers are interested in our operations in terms of the prices they pay for electricity, their access to electricity when and where they need it and the financial, environmental and community impacts of our infrastructure. To acknowledge this, we have taken some important steps towards improving our communication channels by opening up how we plan and deliver projects, with stakeholders invited to be a part of the solution.

I invite you to explore this report in more detail as we provide information about our increased emphasis on safety with a review of our practices, our new connections to our grid, including the Gullen Range Wind Farm, our award winning demand side management program with EnerNOC, successful delivery of our capital work program and how we have leveraged off our own assets and delivered efficiencies by re-locating our people to more sustainable office spaces.

Our achievements this year are largely due to our highly skilled workforce and our core focus on safety. The dedication, knowledge and experience of our employees are among our greatest strengths as a business.

TransGrid's performance in 2013/14 demonstrates our ability to be successful in a world of new opportunities. As the energy landscape changes, so too will the role of all network service providers. TransGrid's future depends on our agility and adaptability as a business and our willingness to embrace new challenges. Based on our recent achievements and the significant measures we have put in place to help us move forward, we are on track to achieve our goals and take on what the future holds.

**Peter McIntyre**  
Managing Director

1.3

## Performance highlights

 **36%**

REDUCTION IN LOST TIME INJURY FREQUENCY RATE (LTIFR) FOR EMPLOYEES

 **67%**

OF NEW CONNECTIONS TO OUR NETWORK WERE RENEWABLE GENERATORS

 **98%**

OF OUR OPERATING EXPENDITURE IS AT OR BETTER THAN BENCHMARK PERFORMANCE

 **53%**

GROWTH IN NON-PRESCRIBED REVENUE FOR OUR CUSTOMERS OVER THE LAST FIVE YEARS

 **99.9%**

OF NETWORK RELIABILITY ACHIEVED

 **92%**

OF CAPITAL PROJECTS COMPLETED WITHIN BUDGET

 **>1,700**

ENERGY USERS AND COMMUNITY MEMBERS ENGAGED ON OUR BUSINESS AND PROJECT PLANS

 **1864**

HECTARES OF LAND IN NSW REHABILITATED AND PROTECTED BY TRANSGRID SINCE 1998

 **>\$600m**

OF CAPITAL EXPENDITURE WAS DEFERRED IN RESPONSE TO CHANGES IN ELECTRICITY DEMAND

 **3%**

INCREASE IN THE NUMBER OF WOMEN IN SENIOR MANAGEMENT IN THE LAST YEAR

 **\$911m**

REVENUE FOR 2013/14, UP BY \$23M IN THE LAST YEAR

 **>400**

STUDENTS EDUCATED THROUGH OUR SAFETY PROGRAM BESAFEKIDZ

## 1.4 Our business

TransGrid owns and operates the major high voltage electricity transmission network in NSW and the ACT, connecting generators, distributors and major end users. Our core role is to connect electricity consumers to a safe, secure and reliable network through efficient maintenance, proficient operation of assets and prudent investment.

Our network is the backbone of the NEM, enabling energy trading between Australia's three largest states along the east coast and supporting the competitive wholesale electricity market.

TransGrid has a long history of connecting people to the energy they use. The network has been developed over more than 60 years to meet demand and underpins the State's economic growth and prosperity. Our capability in planning, building, operating and maintaining the network has matured over this time, creating a sustainable business with a highly skilled workforce.

TransGrid's offices are located throughout NSW in Sydney, Western Sydney, Orange, Wagga Wagga, Yass, Tamworth and Newcastle.

We recognise that our ability to adapt to changes is important for continued business success. Focused on developing new opportunities for growth outside our regulated portfolios, we have made significant progress in diversifying our business. Over the years, our business has continued to evolve to meet changing requirements and in 2013 we branched out with a new business diversification strategy to help strengthen this further.

### Our mission

To provide safe, reliable and efficient transmission services to NSW, the ACT and the NEM.

### Our values

TransGrid's reputation and performance is influenced by the decisions our people make and the actions they take on behalf of our business each day. Our values influence these decisions and actions and guide employees on how to best conduct their work.



**Committed:**  
We deliver on our promises and are accountable for our actions.



**Collaborative:**  
We work as one to achieve our vision.



**Enterprising:**  
We embrace new ideas and are not afraid to challenge the norm.



**Caring:** We treat all people with respect and dignity.

TransGrid's network has been developed over more than 60 years to meet demand and underpins the State's economic growth and prosperity.

1.5

# TransGrid at a glance

HOUSEHOLDS AND BUSINESSES



**3 million**

CONNECTED TO ELECTRICITY  
ACROSS NSW AND THE ACT

ELECTRICITY



**61,600**

GIGAWATT HOURS OF  
ELECTRICITY MOVED IN 2013/14

OUR PEOPLE



**1,074**

QUALIFIED TRADESPEOPLE,  
ENGINEERS, TECHNICIANS,  
SUBSTATION AND TRANSMISSION  
LINE DESIGNERS, APPRENTICES  
AND CADETS, ADMINISTRATORS,  
PROFESSIONALS AND MANAGERS

NSW TRANSMISSION



**12,900**

KILOMETRES OF HIGH VOLTAGE  
OVERHEAD TRANSMISSION LINE

BUSINESSES



**27,800**

BUSINESSES WITH MORE THAN  
20 EMPLOYEES ACCOUNTS  
FOR APPROXIMATELY 70% OF  
ELECTRICITY DEMAND

CONNECTION POINTS



**400**

TO DISTRIBUTORS  
AND CUSTOMERS

INFRASTRUCTURE



**97**

SUBSTATIONS AND SWITCHING  
STATIONS AND 37,241  
TRANSMISSION STRUCTURES

UNDERGROUND CABLE



**78**

KILOMETRES OF UNDERGROUND  
CABLE OPERATING AT VOLTAGES  
OF UP TO 330 KV

CUSTOMERS



**20**

DIRECT CONNECT CUSTOMERS

GENERATORS



**52**

CONNECTION POINTS  
TO GENERATORS

RADIO TOWERS



**89**

AND MORE THAN 1,200  
KILOMETRES OF OPTICAL  
FIBRE NETWORK

INTERCONNECTORS

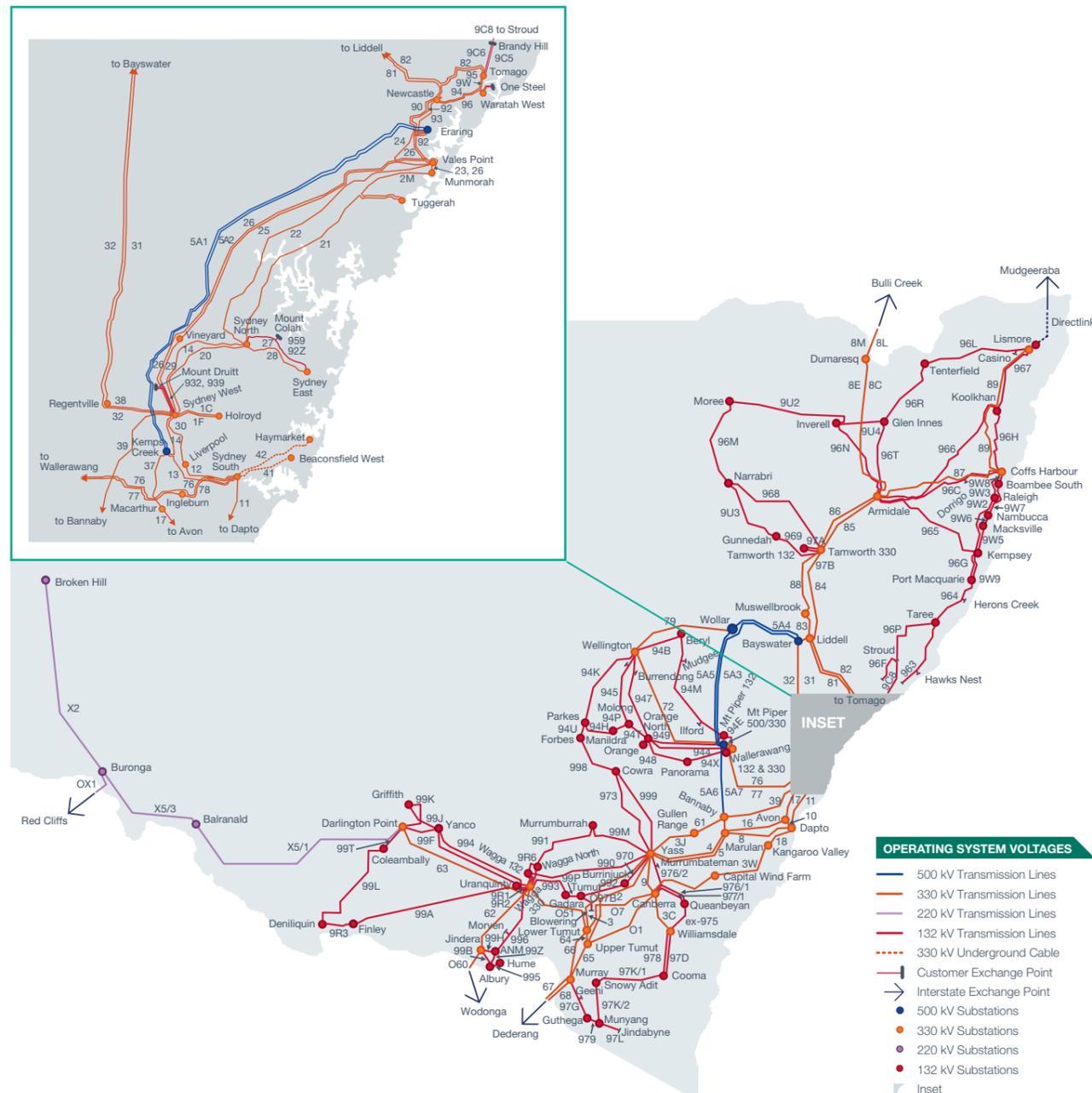


**6**

TO VICTORIA AND  
QUEENSLAND'S ELECTRICITY  
TRANSMISSION NETWORKS

## 1.6 Our network

Our network is comprised of 97 bulk supply substations and more than 12,900 kilometres of high voltage transmission lines and cables. Our network is interconnected to Queensland and Victoria, providing a strong electricity system that makes interstate energy trading possible.

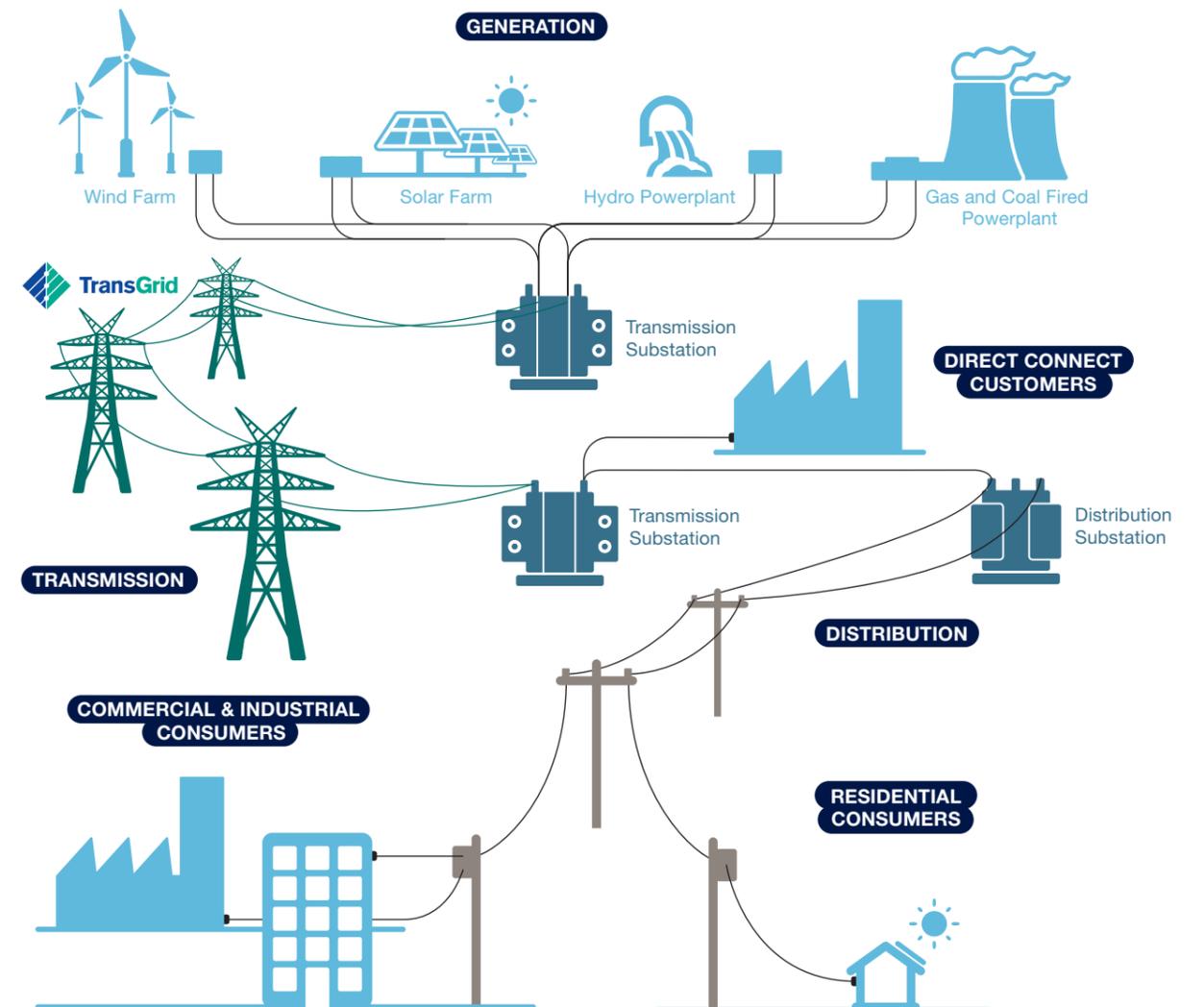


## 1.7 TransGrid's role in connecting energy to you

We have been connecting consumers to the energy they use for more than 60 years. Our network spans the eastern seaboard of NSW, from Queensland to Victoria and stretches as far west as Broken Hill.

The network carries bulk electricity from generators through high voltage transmission lines, underground cables and substations.

The high voltage electricity is then converted to low voltage electricity suitable for household consumption at substations closer to power users. Distribution networks including Ausgrid, Endeavour Energy, Essential Energy and ActewAGL deliver electricity through smaller poles and wires to more than 7 million consumers throughout NSW and the ACT.



## 1.8

# Our board

TransGrid's Board of Directors brings a wealth of knowledge, varied experience and value to our business. In guiding our business through this period of change, the Board provides strong leadership and direction.



**Chum Darvall AM**  
BA, SF Fin, FAICD  
Director and Chairman

Mr Chum Darvall was appointed as Chairman of TransGrid on 16 January 2012.

Chum brings a background in banking, treasury and Markets to the Board. He was non-executive Vice Chairman of Deutsche Bank from November 2011 to June 2014 and was Chief Executive Officer, Deutsche Bank Australia and New Zealand from July 2002 to March 2011. Prior to this, Chum worked in a variety of roles across the banking industry including Director Treasury and Head of Global Markets at Deutsche Bank and various positions in the financial markets division of Westpac.

His current Board memberships include Wilson HTM, Pinnacle Investment Management, Palisade Investment Partners, BPAY Development (NPP) Advisory Council, Financial Markets Foundation for Children, Australian Cricketer's Association Player Hardship Fund, Victor Chang Cardiac Research Institute, Macquarie University Council and the Major Performing Arts Panel of the Australia Council.



**Peter McIntyre**  
BSc, BE (Hons), MBA, FIEAust, FAIE, FAICD  
Executive Director and Managing Director

Mr Peter McIntyre was appointed to the TransGrid Board on 27 April 2010.

With more than 25 years experience in the electricity transmission industry, Peter has expertise in policy development, asset management and regulatory strategy. Before his appointment as Managing Director, Peter held three executive positions within TransGrid including General Manager/System Operations, General Manager/Network Performance and General Manager/Network Development and Regulatory Affairs.

Peter is Chairman of Grid Australia and Deputy Chairman of the Energy Networks Association. He is also a Fellow of the Institution of Engineers Australia, a Fellow of the Australian Institute of Energy and a Fellow of the Australian Institute of Company Directors.



**Trevor Danos AM**  
LLB, BEc, GradDipSc  
Director

Mr Trevor Danos was appointed to the TransGrid Board on 6 September 2010.

Trevor is a lawyer and throughout his career of more than 30 years, he has specialised in domestic and international corporate finance, as well as major procurements. Having acted for a variety of prominent domestic and overseas financial institutions as well as a number of Commonwealth and State Government authorities, Trevor brings to the Board an understanding of industry and government needs, expectations and limitations.

He is a board member of the Civil Aviation Safety Authority and the Sydney Local Health District and also a member of the Cooperative Research Centres Committee and the NSW Social Investment Expert Advisory Group. As chair of the Dean of Science's Advisory Committee at UNSW, Trevor's passion for science and engineering is a welcome addition to the TransGrid Board.



**Suzanne Jones**  
BTP (Hons), MBA, MPIA, FAICD  
Director

Ms Suzanne Jones was appointed to the TransGrid Board on 8 August 2012.

Suzanne brings expertise in infrastructure planning and development, environmental and sustainability issues to the Board. She has undertaken a business leadership course at Harvard and was awarded an international leadership fellowship by the United States government.

She has held senior public and private sector executive roles involving strategic planning, project procurement and delivery, environmental assessment, corporate governance and stakeholder management. Suzanne's previous Board positions include the NSW Public Transport Authority, Parramatta Rail Link Company Pty Ltd (which financed and constructed the Chatswood to Epping underground railway and the Parramatta Transport Interchange), the Illawarra Regional Information Service and Garrigal Housing.

Suzanne is currently the Chair of the NSW National Parks and Wildlife Advisory Council, the NSW Conservation Audit and Compliance Committee and a social enterprise, Waste Aid Ltd. She is a Director of University of New England Partnerships Pty Ltd and a member of the Newcastle Urban Renewal and Transport Board.



**Michael Nugent**  
FCPA, FAICD  
Director

Mr Michael Nugent was appointed to the TransGrid Board on 1 August 2008.

Through his career both as a company director and executive, Michael brings a strong background in management, strategy, governance, marketing and finance, combined with infrastructure management experience to his role as Director of TransGrid. Michael currently holds a directorship with Murrumbidgee Irrigation Limited, a water infrastructure company servicing farming in the Murrumbidgee irrigation area and was formerly a non-executive director of Eraring Energy, Rail Access Corporation and Snowy Mountains Engineering Corporation.

His previous appointments include Chief Executive of Goodman Fielder Limited, Managing Director of Elders Agribusiness and an executive director of its parent company Foster's Brewing Group Limited. Michael also held a number of general management, marketing and financial positions with Henry Jones IXL Limited, Provincial Traders Holdings Limited, Brambles Limited, Ansett Transport Industries, British Leyland Motor Corporation and Peat Marwick (now KPMG).

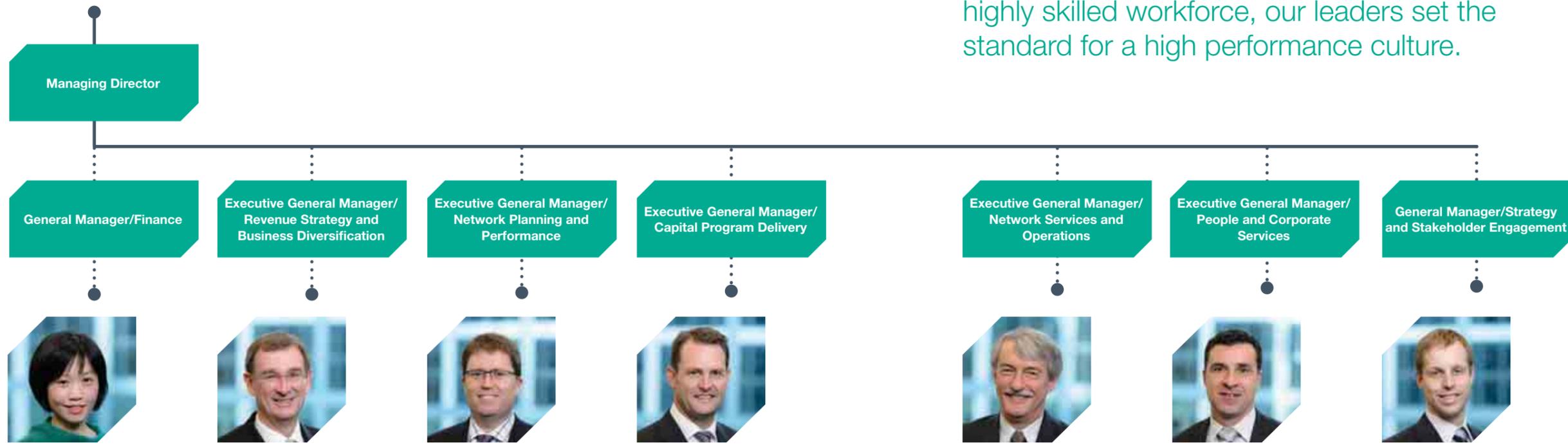
# 1.9 Our leadership team



**Peter McIntyre**

BSc, BE (Hons), MBA, FIEAust, FAIE, FAICD

TransGrid's leadership team is proactive, commercially oriented, people focused and responsive to change. Driving business operations and managing a safe, diverse and highly skilled workforce, our leaders set the standard for a high performance culture.



**Boon Thiw**

BComm (Accounting), FCPA

- Corporate reporting and taxation
- Financial planning and management accounting
- Treasury and insurance
- Risk and audit



**Tony Meehan**

BComm (Accounting, Finance and Systems), FCPA

- Revenue Proposal 2014/15-2018/19
- New business
- Customer, commercial and relationship management



**Stephen Clark**

BEng (Hons), MAICD

- Network planning and asset performance
- Capital portfolio management
- Demand management
- Regulated pricing



**Gerard Reiter**

BEng (Hons), CPPD, RPEQ

- Capital project delivery
- Engineering design
- Contract management
- Development approvals



**Lionel Smyth**

BEng, GradMgt Qual, GAICD

- Network maintenance and construction
- System operations



**Michael Gatt**

Dip Elec Eng, BComm (Business)

- Human Resources
- Health, Safety and Environment
- Information Technology services
- Procurement and logistics
- Regulation and legal services



**Greg Garvin**

BEcon, MBA

- Corporate strategy
- Stakeholder engagement
- Corporate affairs



Chapter 2

# Workplace Safety

Demonstrating leadership in health and safety by protecting our employees, contractors and the public.



## 2.1 Our safety commitment

Safety is our number one priority. We are committed to protecting the health, welfare and safety of employees, contractors and the public through demonstrated leadership in health and safety. Our strategies are aimed at continually improving our performance in this area. Representing our firm position that all accidents are preventable, our focus on risk management is key to achieving our goal of zero injuries.

Based on our health and safety risks and key initiatives, TransGrid implements an annual Corporate Health and Safety Plan. Aligned with the objectives set out in the plan, each business unit develops its own customised plan to address business specific health and safety risks.

Since the tragic fatality of one of our contractors in 2012/13, we have reviewed our safety practices and taken a number of measures to ensure we remain focused on all aspects of workplace health and safety. This year we issued a new version of our Power System Safety Rules and delivered awareness training to all field based employees to help to improve our performance in this area.

Our Workplace Health and Safety Management System is certified to Australian Standard AS/NZS 4801. We conduct health and safety system audits throughout the year and any non-conformance identified by these audits is actioned and tracked.

As an essential service provider operating in a high risk environment, meeting a strong standard of health and safety is intrinsic to everything we do. We promote a positive safety culture in which all employees and contractors are encouraged to actively manage their safety and the safety of others.



## 2.2 Our safety performance

$$\text{LOST TIME INJURY FREQUENCY RATE (LTIFR)} = \frac{\text{Total number of lost time accidents for the year} \times 1,000,000}{\text{Average number of full time equivalent employees} \times 2,000 \text{ hours}}$$

In 2013/14 we focused on a number of health and safety initiatives, all designed to reduce workplace risks and improve the health and welfare of our employees and contractors.

We have seen a reduction in the lost time injury frequency rate for TransGrid employees. To continue this trend, we took some important steps towards reducing complexities in the area of identifying and reporting risks. We conducted further analysis on our risk assessment process in order to streamline accessibility, content improvement and introduced easier methods for amending documentation.

### LOST TIME INJURY FREQUENCY RATE (LTIFR) - EMPLOYEES

**0.9** **36%**

DECREASED BY 0.5

2013/14*	0.9
2012/13	1.4
2011/12	1.4
2010/11	1.5
2009/10	2

\*The most common employee injuries were slips, trips and falls with failure to identify potential hazards the most frequent cause.

### Our contractors

Effective contractor management is a key factor in reducing the risk of injuries while improving the processes associated with contract delivery.

Whilst this is not an ideal situation, we have taken a lessons learnt approach to each one of our incidents and developed a list of eight high consequence risks. These risks identify hazards from operations, which have the greatest potential to cause serious harm to employees and contractors.

### LOST TIME INJURY FREQUENCY RATE (LTIFR) - CONTRACTORS

**4.02** **34%**

INCREASED BY 1.02

2013/14*	4.02
2012/13	3.0
2011/12	9.4
2010/11	9.0
2009/10	10.9

\*The most common type of contractor injury was impact with a moving object with lack of concentration the most frequent cause.

## 2.3

# Increasing safety awareness

TransGrid's Power System Safety Rules are an essential part of our safety management system. The rules set out the requirements that TransGrid employees and contractors must comply with in order to maintain safety standards when working on or near the high voltage transmission network. Safe systems of access to substations, switchyards, cables, overhead lines and communications facilities, as well as safe work standards are outlined in the rules.

Demonstrating our commitment to meeting the highest possible safety standards, this year we issued a new version of the rules to provide better clarification on the safety requirements around access to cabinets and tunnel boards in substations. Safety reauthorisation packages were completed and rolled out across the business. The 2013/14 reauthorisation process focused on reviewing incidents and testing the understanding of individuals through small classroom sessions.

Due to the nature of their work, our field based employees in particular have a higher level of exposure to potential safety hazards. In order to increase awareness and reinforce positive safety messages, we delivered 'Let's Talk Safety' awareness sessions to all field based employees. The sessions focused on the importance of having the right attitude to safety and accepting that interdependence (taking responsibility for one another, rather than just personal safety) is key to pursuing an effective safety culture.

To supplement the awareness sessions, we introduced a self-assessment to be carried out before a safety critical task is about to commence and a requirement for a Switching in Progress vest worn by all persons carrying out switching operations. The vest identifies the person as being in charge and alerts others not to disturb them while switching works are in progress.

In order to increase awareness and reinforce positive safety messages, we delivered 'Let's Talk Safety' awareness sessions to all field-based employees.



## Case Study

# Safety comes first at TransGrid

Our first priority is and always has been the safety of our people. Strengthening our safety culture, TransGrid's annual Safety Day brings together employees from across the business for a day of healthy competition.

Teams from across the regions go head to head to test their skills through a range of safety challenges. Reinforcing our target of zero injuries for all employees and contractors, the challenges enable participants to demonstrate competencies in communication, teamwork and their ability to work under pressure in simulated emergency situations.

In August 2013, more than 85 participants and hundreds of spectators gathered at TransGrid's Regentville substation for our 19th annual staff Safety Day. Building on the high level of engagement achieved in previous years, Safety Day 2013 featured the traditional fire fighting, first aid, risk assessment and wiring competitions. For the first time, a fitness

challenge was introduced enabling participants to demonstrate strength, agility and teamwork through a range of competitive activities.

At the conclusion of the event, only one point separated the top two teams on the leader board. This result reflects the high calibre of participants in terms of their skills, both individually and working within a team environment and an overall commitment to strengthening our safety culture. While the team from TransGrid's Yass office was awarded the Safety Day Perpetual Shield, all participants contributed to strengthening our safety culture. A win for all involved, Safety Day 2013 highlighted the importance of safety at all times, both on and off the job.



Chapter 3

# Business Performance

Increasing efficiencies in our business,  
driving down costs and promoting  
strong customer service.

### 3.1

## A new business environment

The environment in which TransGrid operates is changing significantly. As the nature of our business becomes more competitive, we are expanding our capabilities in a number of areas to ensure we are equipped to meet new challenges and maximise a broader range of business opportunities. While electricity consumers in NSW and the ACT pay amongst the lowest transmission costs in the NEM, they have not been immune to price rises in recent years. We understand that although transmission is a relatively small component of most bills, every dollar is important. For households, an affordable electricity service is essential in an environment of increasing pressures on the cost of living. For small businesses and large industrial users, an affordable electricity service can provide the competitive edge in Australian and international markets.

In recognition of this, in 2012 we announced a revenue freeze for 2013/14, which delivered a reduction in price volatility for all consumers. Our 2014/15-2018/19 Revenue Proposal forecasts revenue growth that is no higher than consumer price index for the upcoming regulatory period while also including necessary capital expenditure that contributes to the achievement of the national electricity objective and the capital expenditure objectives. These objectives are intended to minimise the price impact of our transmission services on consumers on an ongoing basis while maintaining a secure and reliable transmission network.

As the market becomes more competitive we will build on the changes we have put in place to further increase organisational efficiencies, minimise delivery, maintenance and support costs and continue to improve customer responsiveness.

### 3.2

## Business value highlights



REVENUE FOR 2013/14, UP BY \$23M IN THE LAST YEAR



GROWTH IN NON-PRESCRIBED REVENUE FOR OUR CUSTOMERS OVER THE LAST FIVE YEARS



OF OPERATING EXPENDITURE IS AT OR BETTER THAN BENCHMARK PERFORMANCE



GOLDWIND TURBINES AT GULLEN RANGE TO THE NATIONAL ELECTRICITY MARKET

### 3.3

# Spending less to keep prices within inflation

TransGrid understands electricity is an essential service and that consumers should pay no more than necessary for their electricity supply. With transmission costs accounting for around 11% of an average NSW household electricity bill, we recognise that our capacity to plan the network and operate our business as efficiently as possible has a direct impact on bill payers.

#### Capital expenditure

Our commitment to regular reviews and assessing non-network options alongside network solutions to address constraints has enabled us to defer or avoid significant capital costs associated with network investment. Over the last five years, we have deferred over \$600 million of capital expenditure in response to changes in electricity peak demand. We have connected renewable generation, pursued lower cost methods of improving network capacity and improved project initiation and delivery processes. This has enabled us to respond more quickly to emerging needs, which allows us to make investment decisions closer to when a solution is required and be more agile in our response to the changing environment. Over the next five years, our forecast capital expenditure is \$320 million per year on average, overall around 28% lower than the previous five years in real terms. This reflects a reduction in augmentation expenditure of more than 90% and increase in replacement expenditure of around 40%. This increase in replacement expenditure is due to our condition based replacement program.

#### Operating expenditure

A thorough review of our business activities, improving efficiencies and reducing costs has led to some sustainable changes for TransGrid. A review of fleet management including the standardisation of vehicles

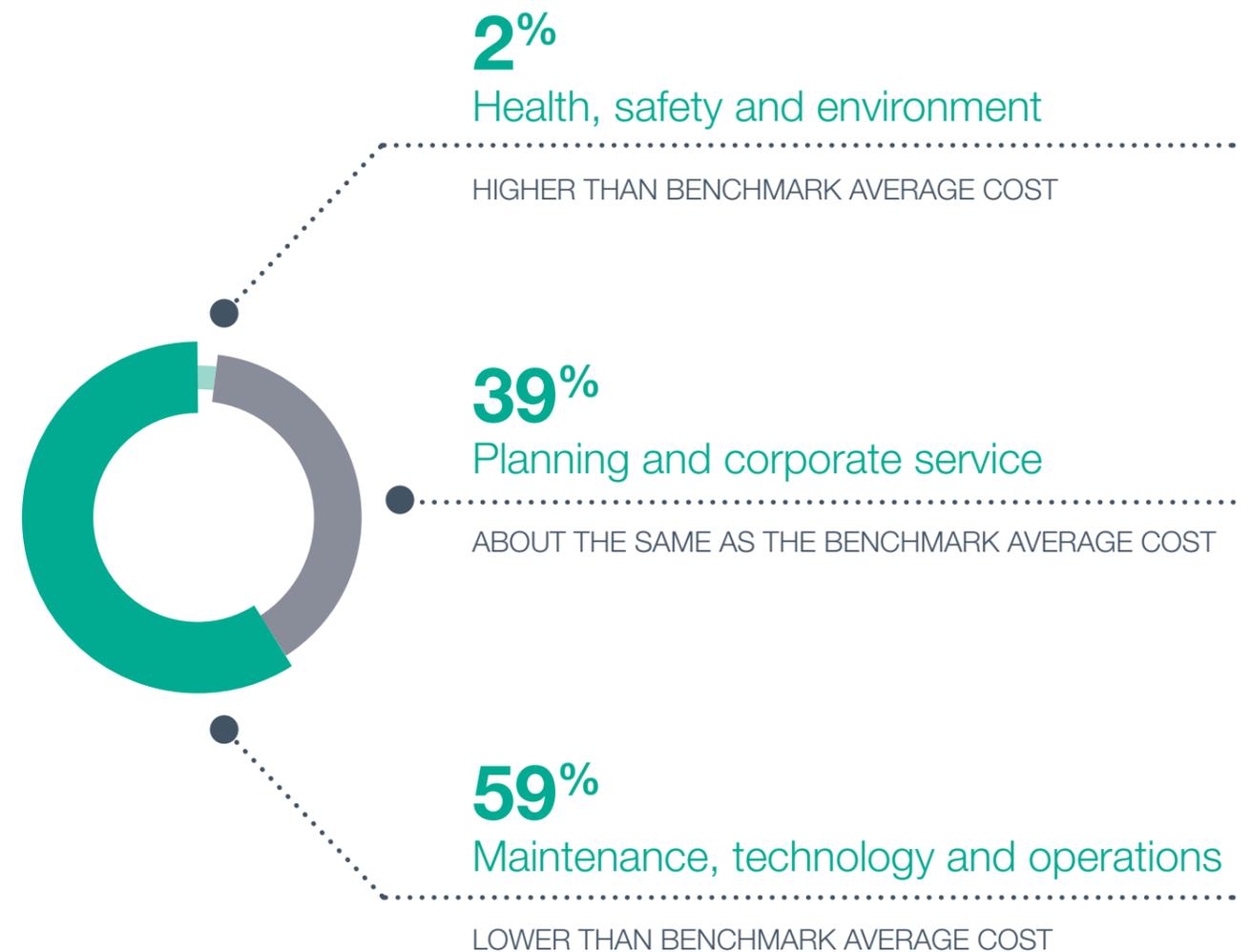
and consolidation of contracts, consolidation of inventory warehouses, a move to more sustainable office accommodation and a reduction in staff travel following the installation and increasing use of video conferencing are examples of the steps we have taken towards more efficient business operations. The cost savings from these initiatives will benefit consumers directly through a reduction in forecast operating expenditure over the next five years of \$6 million annually. Our forecast operating expenditure over the next five years is \$180 million per year on average and is comprised of the costs TransGrid requires to provide efficient and reliable transmission services to NSW and the ACT.

#### Benchmarking studies

As part of our commitment to continuous improvement and to stay at the frontier of good electricity industry practice, TransGrid participates in a number of industry studies. This enables us to benchmark our costs both internationally and within Australia. Many of the average cost benchmarks show that we are performing in line with or more efficiently than our peers, with 98% of our operating expenditure at or lower than benchmark performance.

TransGrid was one of 28 transmission network service providers to participate in the International Transmission Operations and Maintenance Study 2013. We continued to benchmark well in providing services at low cost with respect to other providers. These results demonstrate the level of effectiveness of our asset management strategies.

We are currently preparing to participate in the International Transmission Asset Management Study which will focus on asset management practices broadly and developments associated with the newly released ISO55001 Asset Management Standard.



Note: excludes costs for which no benchmark was available

### 3.4

## Preparing for a competitive future

As the energy market becomes more competitive, we recognise the importance of having the right processes in place to enable us to respond to the changing needs of our customers, stakeholders and the broader community. TransGrid's efficiency has been demonstrated over many years through benchmarking studies with both Australian and international peers. We continue to increase efficiencies in our business, drive costs down and promote strong customer service.

Building on our expertise in delivering innovative projects, working collaboratively with our partners and leveraging our existing infrastructure, we have made some important decisions to help us prepare for new business opportunities. During the year we restructured our business to improve our customer connection experience, ensure network constraints are efficiently managed, and to enhance the information provided to NEM participants, both current and future.

The restructure will enable us to be more commercially focused. A new business unit has been set up to better align and build our internal skills base to position us to be successful in tendering for work in various industry sectors. Other key business units will adopt a service role to the asset manager, thereby promoting a customer service orientation and supporting the organisation in growing profitable business.

Other initiatives to increase business value included putting in place effective preparations for the next revenue determination process, maintaining an efficient framework for regulating income and services, and building a cultural commitment to improving commercial outcomes including improved efficiency and cost reduction.

We continue to increase efficiencies in our business, drive costs down and promote strong customer service.



## 3.5 Financial summary

### REVENUE

**\$911m**

▲ 23

INCREASED BY \$23 MILLION

2013/14	911
2012/13	888
2011/12	832
2010/11	758
2009/10	695

### EBITDA

**\$723m**

▲ 6

INCREASED BY \$6 MILLION

2013/14	723
2012/13	717
2011/12	672
2010/11	612
2009/10	544

### NON-PRESCRIBED REVENUE

**\$32m**

▲ 9

INCREASED BY \$9 MILLION

2013/14	32
2012/13	23
2011/12	17
2010/11	16
2009/10	15

### CAPITAL EXPENDITURE

**\$588m**

▲ 41

INCREASED BY \$41 MILLION

2013/14	588
2012/13	547
2011/12	384
2010/11	379
2009/10	429

### OPERATING PROFIT AFTER TAX

**\$227m**

▼ 8

DECREASED BY \$8 MILLION

2013/14	227
2012/13	235
2011/12	200
2010/11	167
2009/10	162

### REGULATED ASSET BASE

**\$6,076m**

▲ 469

INCREASED BY \$469 MILLION

2013/14	6,076
2012/13	5,607
2011/12	5,175
2010/11	4,926
2009/10	4,579

## 3.6

# New business utilising our network and skills

We recognise that our ability to diversify is important for continued business success. Focused on developing new opportunities for growth outside our regulated portfolios, TransGrid has made significant progress in the area of business diversification in order to prepare for a competitive future. With future sources of regulated revenue uncertain and energy demand subdued, an opportunity exists to diversify our business through identifying ways that we can use our existing infrastructure and highly skilled workforce to further enhance business value.

Acknowledging that our success will depend on our ability to compete and promote strong customer service, TransGrid is pursuing a range of key market opportunities. Our target is to grow income, from areas other than regulated income from our assets, to \$100 million by 2018/19.

A centralised business model has been established to help us capitalise on new business opportunities and empower individuals and teams to drive revenue growth. Two main lines of business have been established as core competencies: Infrastructure and Telecommunications.

### Infrastructure

New business opportunities in relation to infrastructure will focus on extending our current negotiated connection work for generator and load connections, providing asset related services to the NEM, providing maintenance services for high voltage and secondary systems assets, and refurbishing high voltage assets when required.

### Telecommunications

TransGrid was granted a telecommunications carriers licence in February 2014. The licence enables us to install fibre underground and sell services to a new base of customers. Our dark fibre service allows customers to build transmission technology that best suits their application. Whether the requirement is for voice, video or bandwidth, our service has the capability and size to meet future needs.



## Case Study

# Connecting Gullen Range Wind Farm to the National Electricity Market

As the energy industry changes, transmission networks will be a key facilitator for the shift to lower emission and renewable energy generation sources. Our agreement with Goldwind demonstrates our commitment to connecting new generation into the NEM.

In 2013/14, 67% of TransGrid's new formal connection agreements to proceed to establish new high voltage connection to our network came from renewable energy generation sources. This is a reflection of the changing energy environment as well as our ability and willingness to continue to service this market as it evolves.

In 2012 Goldwind, the world's largest manufacturer of Permanent Magnet Direct Drive wind turbines and the largest wind turbine manufacturer in China, signed a grid connection agreement with TransGrid to connect Goldwind turbines to the NEM. Located at Goldwind's Gullen Range Wind Farm in the NSW Southern Tablelands, the project is the first in Australia to host Goldwind's cutting edge 2.5 MW Permanent Magnet Direct Drive wind turbines. In total, 73 turbines were installed as part of the project.

A 330 kV switching station was designed and constructed to facilitate connection to the adjacent 330 kV Yass to Bannaby transmission line. The switching station was ready for connection of the wind farm and energised in October 2013, approximately two months ahead

of schedule. The wind farm was connected to the switching station in November 2013. The project was completed under budget which reinforced the collaborative work on the project between the two parties and allowed for 50% of under expenditure to go back to the customer.

Throughout the project we worked closely with our contractors engaged to design and construct the switching station and to carry out the remote communications work. Effective team work ensured that project issues were resolved quickly in order to find acceptable solutions and maintain the program.

We also built a strong working relationship with Goldwind and received positive feedback on our work in a number of areas. 'We were particularly pleased with TransGrid's delivery of the project ahead of time and under budget and their technical experience and knowledge in enabling our side of the connection works to be completed and operate efficiently,' said John Titchen, Managing Director, Goldwind Australia Pty Ltd.



Chapter 4

# Customer Service

Recognising the importance of building open, collaborative partnerships, we work closely with our customers to plan, develop and manage the network to ensure it meets their service expectations now and into the future.

## 4.1

# Redefining our customer

TransGrid appreciates energy consumers are more interested in our operations in terms of the prices they pay for electricity, their access to electricity when and where they need it and the financial, environmental and community impacts of our infrastructure. We understand every dollar is important and that electricity price rises have added to household and business financial pressures. We recognise that two way communication is the key to building long term, enduring relationships with communities directly and indirectly affected by our current and future operations.

In recognition of the importance of community engagement, TransGrid has redefined the way in which we engage on capital works programs. Conversations with the community now start in the early planning stages, when a need is identified to address a supply constraint and to give consumers a voice in the development of our business plans.

This change represents a major shift in the way in which we communicate with our stakeholders. We want to involve the community in our decision making process, gain valuable input and ideas and work collaboratively to develop an effective, innovative, sustainable and holistic energy solution. Doing so involves finding ways to better consult and work more effectively with our stakeholders.

Recognising the importance of building open, collaborative partnerships, we continue to work closely with our direct connect customers to plan, develop and manage the network to ensure it meets their service expectations now and into the future. Committed to providing reliable electricity at least cost, we reviewed our pricing methodology in consultation with our stakeholders. Conversations with our direct connect customers formed a solid base for further discussion with our broader stakeholder groups.

## 4.2

# Customer service highlights



# 67%

OF NEW CONNECTIONS FROM RENEWABLE GENERATORS



# 70.9%

OVERALL CUSTOMER SATISFACTION RATING



# \$320m

PER YEAR ON AVERAGE, FORECAST CAPITAL EXPENDITURE OVER THE NEXT FIVE YEARS



# \$180m

PER YEAR, FORECAST OPERATING EXPENDITURE OVER THE NEXT FIVE YEARS

## 4.3

# Consumer engagement

TransGrid's interface has historically been with generators, distribution network service providers, large direct connected customers and communities in which we operate. However, in recent times, in recognition of growing consumer and public interest in our operations we have actively pursued a significant shift towards a more proactive and transparent approach to business operations and communication.

In 2013/14 we made some significant progress in the area of stakeholder engagement. In order to give electricity end users a voice in the development of our business plans we established a comprehensive consumer engagement program. Built on meaningful, open and honest two-way communication, the program is focused on listening to feedback, incorporating and addressing stakeholder views in our planning and responding to and acting upon the feedback we receive.

In October 2013, we launched our Have Your Say website. This website provides a platform for discussion, supplies consumers with information about our operations and projects in clear and accessible language,

encourages stakeholders to ask questions and share their views. We supported the Have Your Say website with a number of online surveys and increasing our social media activity, which has led to higher levels of engagement across all of our online communities.

Our efforts to communicate more effectively with our stakeholders also involved 'face-to-face' discussions. Throughout the year we held a number of deliberative forums, focus groups and roundtables with consumers and established two ongoing discussion groups - a Consumer Advisory Panel and a Large Energy User Roundtable. The groups were initially formed as part of the consultation program for our 2014/15 - 2018/19 Revenue Proposal and participants from both groups provided valuable feedback which we incorporated into our plans. These key stakeholders remain engaged in our operations and continue to be involved in important discussions that will help us move forward as a business.

## 4.4

# Pricing reform

We understand that consumers and businesses are feeling the pressure of rising electricity prices and we are committed to providing reliable electricity at least cost. As such, we have worked hard over the last year to investigate potential ways to improve our transmission pricing methodology. TransGrid, as coordinating transmission provider, must determine NSW transmission prices in accordance with an approved Pricing Methodology set by the AER. In submitting our Revenue Proposal to the Regulator in May 2014, we put forward a business plan which responds to the changing environment in the energy industry and is in the interests of electricity consumers.

Committed to pricing reform, we developed our proposed pricing methodology in consultation with our customers and other stakeholders. Building on conversations with our directly connected customers, our Pricing Methodology consultation comprised formal submissions,

briefings and workshops and pricing was among a range of topics discussed as part of our broader consumer engagement program. This was the first time we had extended our consultation to include residential and small business consumers, large energy users and other stakeholders such as community representatives from both urban and regional areas of NSW.

To minimise price rises for consumers, we voluntarily passed on a revenue freeze to customers in 2013 to ease price volatility. As a result, TransGrid's total transmission revenue will rise 2.4% from 2013/14 to 2014/15, less than the expected 2.9% CPI. Furthermore, we proposed to reduce our total capital expenditure by 28% over the next five years and operational efficiencies have led to a cost saving of about \$6 million annually.



## 4.5 Powering Sydney's Future

TransGrid is proactively engaging on our business with the communities we serve. We are opening our planning processes and have committed to engaging with the community from the onset of a project. We now start our conversations with the community in the early planning stages, when we identify the need to address an energy supply constraint.

Further to this, we are keen to involve the community in our decision making process, gain their input and ideas and work collaboratively to develop an effective, innovative, sustainable and holistic energy solution. As part of our commitment to improving our community engagement processes, in June 2014 we hosted our first Powering Sydney's Future forum.

The forum introduced the Powering Sydney's Future project, which aims to investigate a number of solutions to maintain the level and reliability of electricity supply to inner Sydney. Parts of the existing inner Sydney network, which supply more than half a million households and businesses, are up to 50 years old and have been identified as reaching a condition that reflects the end of their serviceable lives.

Aimed to engage stakeholders during the project's early planning stages, the forum provided stakeholders with an opportunity to consider and discuss a range of potential options to meet inner Sydney's electricity supply needs, rather than being consulted about a preferred network solution. The potential options being investigated include a network solution, energy efficiency, reliability standards, local generation and demand management.

The forum hosted close to 100 representatives and experts including consumer advocacy groups, infrastructure organisations and energy providers. It marked the start of an extensive engagement process, which seeks community input on how both network and non-network initiatives could potentially play a role in addressing the future energy needs for the inner Sydney area.

## 4.6 Making customer satisfaction a priority

Over the last few years, customer expectations have continued to rise in relation to the connection services that we provide. In order to proactively meet these expectations, we must remain committed to recognising new opportunities to improve customer focus. In June 2014, we completed our third annual Customer Experience Survey. The survey allowed us to measure our performance through feedback provided by 66 employees of customer organisations who had contact with our staff in the preceding 12 months. Our overall customer experience rating has increased by 3% this year, taking the score up to 71%.

The results tell us that our customers have seen improvements in communication and timeliness over the past year. Customers also acknowledged our approach in providing a range of flexible solutions to meet specific needs. Generators, in particular, have shown an increase in customer satisfaction of 7.7% driven by improvements in timings, issues resolution and staff empowerment. While real improvements have been made, we remain committed to continually improving the experience of our customers.

Our key areas of focus for the year ahead include improvements in:

- ◆ Processes to deliver more timely and cost effective connection solutions
- ◆ Levels of communication
- ◆ Transparency, particularly in relation to costing frameworks.



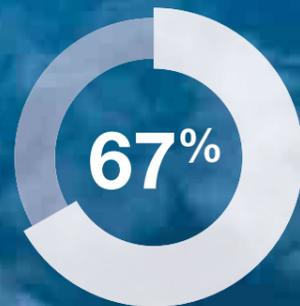
## 4.7

# Customer connections

At TransGrid, we seek to deliver responsive, flexible, cost effective solutions to meet the needs of our customers. We have continued to build on past years by delivering on our pledge to assist our customers in connecting to our network. In the 2013/14 financial year, we executed formal agreements to establish new high voltage connections to the network for the following generation and load projects.

### New high voltage connections in 2013/14

- Taralga Wind Farm
- Boggabri Coal Mine Expansion
- Broken Hill Solar Photovoltaic Plant
- Maules Creek Coal Mine
- Capital 2 Wind Farm
- Capital Solar Farm



NEW CONNECTIONS  
FROM RENEWABLE  
GENERATORS



We continue to make strong progress to systematically raise the standard of service that we provide our customers. With an increasing number of large electrical load customers and renewable energy sources looking to connect to our network, these numbers are expected to increase moving forward.



## Case Study

# Five Year Business Plan

## Our new stakeholder engagement journey

As the energy market evolves, TransGrid is transforming the way we communicate. In 2013/14 we established a comprehensive consumer engagement program to give the people of NSW and the ACT a voice in the development of our plans.

Built on meaningful, open and honest engagement, our new consumer engagement program is focused on listening to feedback, incorporating and addressing stakeholder views in business plans and responding to that feedback.

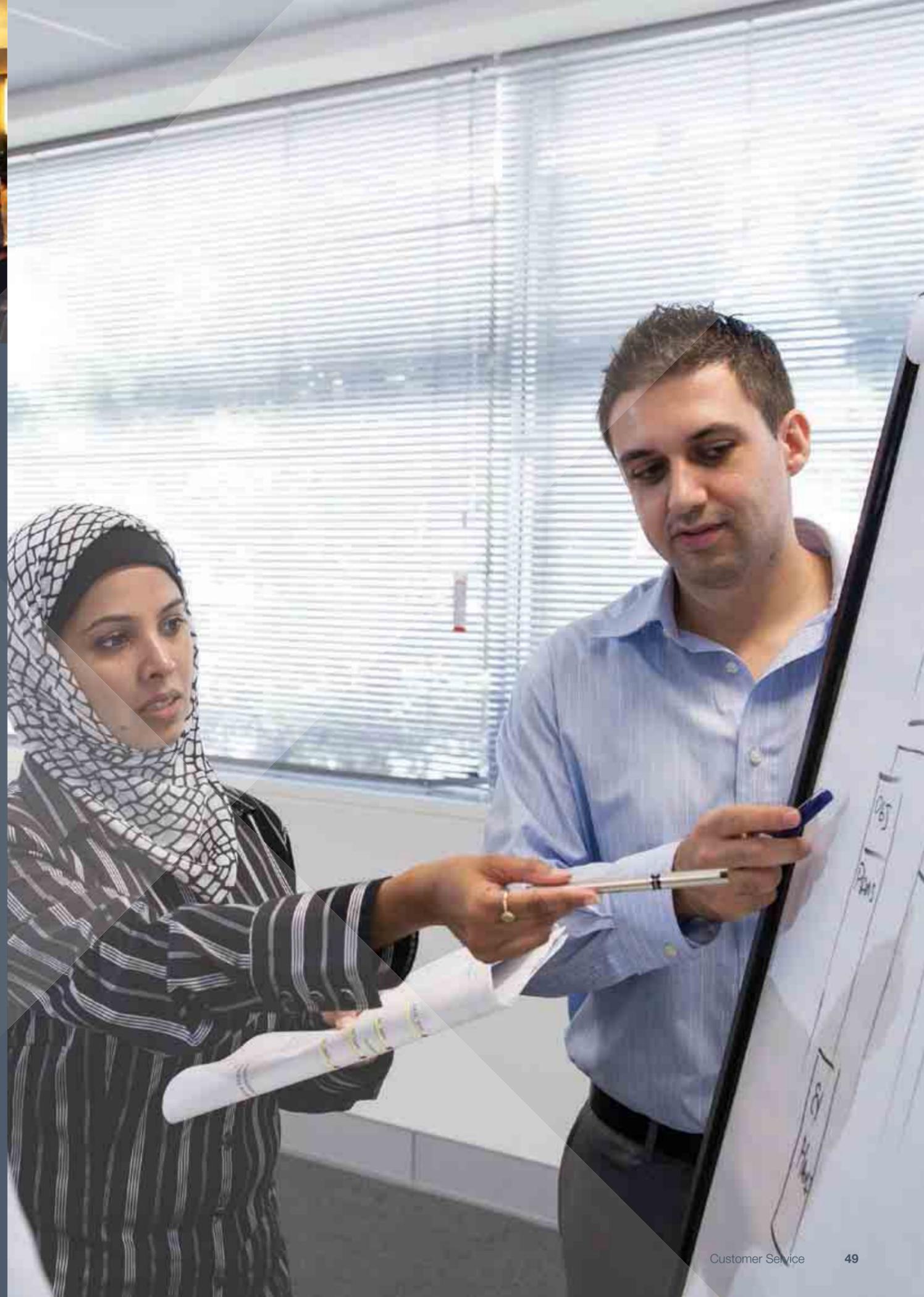
In the lead up to our 2014/15-2018/19 Revenue Proposal submission, we initiated a conversation with residential and small business consumers, large energy users and other stakeholders including community representatives from both urban and regional areas. From March to June 2013, we conducted a consumer behaviour survey and seven roundtable forums which helped us to better understand consumer priorities and expectations which informed our strategy for the next stage of the program. Building on this initial body of work, we consulted with residential and small business electricity consumers on specific elements of our Revenue Proposal. The second program included a three-hour focus group in Sydney CBD, two deliberative forums in Wagga Wagga and Parramatta and a survey to more than 650 NSW consumers.

TransGrid also opened a dialogue with consumer, business and industry associations through two Consumer Advisory Workshops in November 2013 and April 2014, in addition to ongoing personal briefings. In

order to capture the views of businesses and organisations with high electricity consumption, we held the first of two Large Energy User Roundtables in November 2013 which invited participants to share their views on the Revenue Proposal before it was finalised. This was followed by a second event in April 2014.

Having gathered valuable insight into the issues that matter most to consumers, we launched an engagement website to continue the consultation online. The 'Have Your Say TransGrid' website provides a platform to share information including timely updates on the planning process and how consumers can be involved. All content from all the workshops and forums is available on the website and has encouraged a broader base of consumers to join the energy conversation.

The launch of our consumer engagement program is one of the ways that we have adapted and enhanced our business operations to become more responsive to the changing energy environment. A key component of this change is a shift in the way operations and projects are planned and the way in which we engage with stakeholders. Conversations with the community now start in the early planning stages, when a need is identified to address an energy supply problem and to give consumers a voice in the development of our business plans.





Chapter 5

# Reliable Supply

TransGrid's role is to provide safe, reliable and efficient transmission services to NSW, the ACT and to the National Electricity Market.

## 5.1

# A strong reliable network

Committed to delivering a safe, secure, reliable and economically efficient network, TransGrid plays an integral part in providing critical infrastructure to households and businesses in NSW and the ACT.

As energy use patterns change, we will continue to provide a level of reliability that energy users are satisfied with at the most efficient cost. We undertake comprehensive planning processes to assess network capabilities and identify the areas of the network where limitations are expected to emerge in the future. These limitations could be addressed with non-network solutions, network solutions or a combination thereof.

The energy and demand forecasts form a fundamental input to this process in identifying the areas of the network which require investment. Planning and development of the network is undertaken on a cyclical and needs basis to ensure transmission service delivery to our stakeholders is cost effective, environmentally responsible, responsive to changing requirements and meets jurisdictional, contractual and national electricity rules obligations.

## 5.2

# Network highlights

 **99.9%**  
OF NETWORK  
RELIABILITY ACHIEVED

 **99%**  
OF OUR MAINTENANCE  
PROGRAM COMPLETED

 **42%**  
DECREASE IN  
SYSTEM MINUTES LOST\*

 **>\$600m**  
OF CAPITAL EXPENDITURE  
DEFERRED IN RESPONSE  
TO CHANGES IN  
ELECTRICITY DEMAND

\* A system minute is the amount of energy which would not be supplied if the whole NSW system was unavailable for a minute at peak usage.

## 5.3

# Our reliability performance

In 2013/14 TransGrid's transmission network reliability continued to exceed 99.9%. This result reflects our ability to make prudent planning decisions in line with international best practice. Our capability in effectively maintaining and operating the network, in addition to improvements to design standards and equipment procurement practices have also contributed to this outcome.

### NETWORK RELIABILITY (SYSTEM MINUTES LOST)

A system minute is the amount of energy which would not be supplied if the whole NSW system was unavailable for a minute at peak usage.

**0.64** **42%**

SYSTEM MINUTES LOST HAS DECREASED BY 0.46

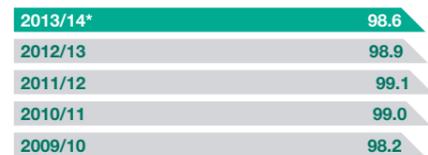


TransGrid continued to perform strongly under this measure in 2013/14.

### NETWORK AVAILABILITY (%)

**98.6** **0.3%**

REDUCED BY 0.3%



\*The drop in network availability was due to planned project related outages, not unplanned system incidents.

In a survey carried out in early 2014 in which TransGrid was testing the level of importance consumers place on reliability, 80% of respondents placed significant value on reliable electricity.

Our willingness to embrace innovative approaches to finding efficient solutions has played an important role in driving high levels of network reliability. Throughout the year we continued to:



Install online condition monitoring to provide real time diagnostics of key equipment condition allowing early detection of equipment failure

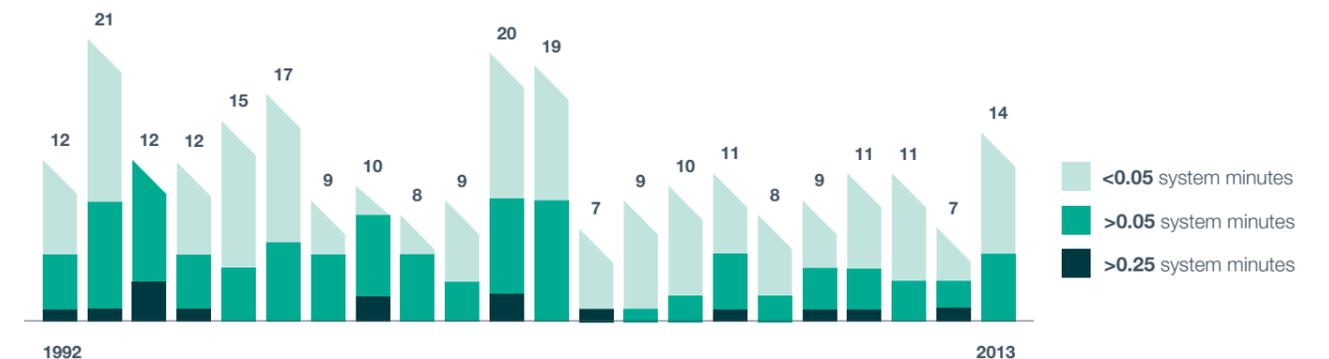


Improve visibility of switching through the use of portable tablets allowing the progression through a switching sequence to be automatically synchronised between the control room and the switcher in the field



Improve accuracy in the determination of line capacity through the installation of dynamic line rating systems on critical transmission lines

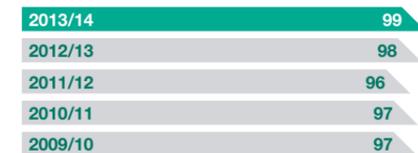
### NUMBER OF ENERGY NOT SUPPLIED EVENTS



### PERCENTAGE OF MAINTENANCE ACHIEVED (%)

**99** **1%**

INCREASED BY 1%



Maintenance achievement is calculated by comparing the maintenance work carried out during the year to the work specified by our maintenance policies. We strive to complete at least 96% of planned

work during the year with any outstanding work being completed during the first three months of the next financial year.

## 5.4 Asset strategy

### Sustainable asset renewal

In the past, TransGrid has mainly undertaken replacement and refurbishment of individual items of equipment to keep existing substations operational at the lowest cost. However, when the majority of equipment in a substation or structures on a transmission line reach a condition that reflects the end of their serviceable lives at around the same time, a complete rebuild can be a more prudent and economic option. Our Asset Renewal Program comprises the most economic combination of replacement and refurbishment options. The program is essential to ensure the ongoing safety of staff, contractors and the public and to maintain a sustainable and reliable electricity supply.

Detailed analysis and modelling forms an important part of our Annual Planning Review, the process by which we assess network capabilities and constraints and potential solutions within a 10 year planning horizon. Taking this approach enables us to defer or avoid significant capital costs associated with network investment as needs change.

Transmission equipment is typically designed and manufactured with an intended life of around 40 to 50 years. With some of our assets built during the establishment of the transmission network in the 1950s and 1960s now reaching the end of their serviceable lives, the steps we have taken towards improving our asset management strategies will help shape the network of the future. This will best serve the needs of electricity consumers.

### Asset management framework

In 2013/14 we worked towards enhancing our asset management framework through alignment to internationally recognised asset management industry standards. The enhancement of these asset management practices will add value to a number of key areas, specifically in guiding us to improve our asset management strategy by strengthening our decision making criteria, with a particular emphasis on risk based decision making.

The asset management landscape has recently undergone a significant shift with the release of the new ISO55001 asset management standard. Published in January 2014, TransGrid's asset management system has been independently reviewed against the newly released standard and we are expecting to attain full certification in November 2014.

### Adapting to lower demand

Electricity demand is a key driver of growth in transmission services. As a transmission network service provider, TransGrid is required to provide sufficient capacity to meet electricity demand at times of peak demand, within the likely operating conditions. The past few years have seen marked changes in trends for peak demand growth across NSW and the ACT. This has largely been driven by consumer response to energy efficiency policies, green energy policies, the impact of global economic conditions on major industry and consumer confidence and electricity price increases.

State based demand forecasts provided by the Australian Energy Market Operator (AEMO) and localised forecasts supplied by directly connected distribution networks help us to plan the network. Flexibility in our planning enables us to re-assess and defer projects which are no longer needed. Over the last five years, we have deferred more than \$600 million of capital expenditure in response to changes in electricity demand.



## Case Study

# Adapting to change in the Central West

TransGrid is committed to engaging with stakeholders in a proactive, transparent way that informs, consults and collaborates effectively with interested parties.

In July 2013, TransGrid began working with landowners, contractors and designers to carry out condition and environmental assessments for the reconstruction of the 132 kV Wallerawang to Orange transmission line. TransGrid was advised of new load forecasts in early 2014 that reflected lower peak loads for the Central West area.

As a result, we reviewed the transmission line rebuild project in order to consider if an alternative option may be more cost effective and meet the network capacity requirement to the area. This information was provided to internal and external stakeholders such as impacted landowners, State and Federal Members of Parliament and Orange City Council. The outcome of the review

was that TransGrid decided to decommission the line and replace it with substation reactive plant that will increase the capacity of other transmission lines to the area. This is expected to meet demand in the area and is a lower cost option than rebuilding the line.

TransGrid is committed to engaging with stakeholders in a proactive, transparent way that informs, consults and collaborates effectively with interested parties. Our effort to review and assess alternative options to the Wallerawang to Orange transmission line is one example of our proactive approach to finding solutions.

## 5.5

# Preparing for extreme weather

Bushfire risk management forms an integral part of our overall asset management. Effective management of our infrastructure helps to ensure public safety, reduces interruptions to electricity supply and minimises the possibility of fire ignition by electricity assets.

Each summer we ensure easement maintenance has been completed and all vegetation that may pose a bushfire risk has been rectified. Ground based inspections and aerial patrols are carried out on our transmission lines, substation and radio repeater sites, buffer zones, gutters and compounds are inspected and maintained.

In preparing our assets for extreme weather we work closely with emergency services, particularly with the NSW Rural Fire Service (RFS). Our control room staff have access to the RFS Incident Control Online Notification system which provides full details of fire operations in real time. Through this system we are able to provide feedback to the RFS regarding the proximity of our assets to their identified hazards which then assists in their operations.

Our operations staff use a spatial information system which displays any bushfire related activity reported by the RFS. The system also displays rain, wind, lightning and storm data tracking which helps us assess potential impacts to our assets enabling us to make informed decisions relating to hazards that may affect the power system or safety of our staff working in the field.

Together with bushfires, storms are the biggest environmental threat to the transmission network. Historically, bushfires and storms combined cause approximately 90% of all transmission line trips. Whilst there is little that can be done to mitigate against the physical impact of a storm, considerable investment has been made in weather monitoring systems so that operator situational awareness is maximised.

This monitoring uses information provided by the Bureau of Meteorology, overlaid onto a map of the network. Predicted storm paths and intensities allow decisions to be made regarding the risk to the network. This is then factored into the generation dispatch process to reduce loading on the lines at risk, meaning that if the lines under threat from the storm do trip the overall impact on the network is minimised.

In the event of a storm having a widespread impact, control room staff are trained in the management of Critical System Incidents and have contingency plans in place to minimise the impact and optimise the restoration process.

## 5.6

# Supporting the National Electricity Market

During the year, TransGrid signed an agreement with the Australian Energy Market Operator (AEMO) to supply Network Support and Ancillary Services (NSCAS) in NSW until mid 2019. NSCAS are non-market ancillary services acquired by AEMO or transmission network service providers, in this case to maintain power system security and reliability and to maintain or increase the power transfer capability of the transmission network. The success in being awarded the contract demonstrates our commitment to driving our business forward. The agreement provides significant benefits to both the NEM and TransGrid, a significant cost reduction for market participants and increased business value for TransGrid.

To drive maximum business value, we implemented an accelerated program with various project tasks being undertaken in parallel. The provision of six reactors onto the network required significant effort in order to deliver the project on the ground within an ambitious timeframe. The team maintained regular communication with the supply chain to ensure all plant and equipment were delivered and installed as scheduled and the environmental assessments were completed on time to enable the site works to commence.

The site construction contract was awarded in June 2013 and work started onsite at Yass and Murray in July and August 2013 respectively. There were a number of challenges associated with the construction work. TransGrid's Southern construction team managed both sites simultaneously to resolve issues during construction. This allowed progress to be maintained while ensuring safety, environmental and quality compliance.

The first shunt reactor was commissioned in February 2014, only 12 months after the award of the AEMO contract. The remaining reactors were progressively commissioned throughout February and March 2014. All reactors are now available to fulfil the required NSCAS to AEMO. This achievement is three months ahead of the nominated target date, nine months before they were contractually required by AEMO and well under the approved project budget.



Chapter 6

# Infrastructure Excellence

In shaping the transmission network of the future, we have committed to responding to the changing environment by altering the way we plan, operate and maintain our network.

## 6.1

# Delivering efficient infrastructure

In order to complete our capital works projects on time, on budget and as efficiently as possible, we are often faced with challenges which require innovative solutions. Our people bring a wealth of knowledge, skills and experience enabling us to fulfil our role in planning, building, operating and maintaining a safe and reliable transmission network across NSW and the ACT.

Our application of innovative engineering principles and practices, cutting edge technology and effective project management continued throughout the year. In 2013/14 we completed a number of complex capital works projects essential to maintaining a reliable electricity supply at least cost for consumers.

Alongside our delivery of efficient network solutions is our demonstrated commitment and growing support for non-build options. The evolution of the demand management market brings new opportunities for us to work collaboratively with market participants to find solutions to network constraints that will benefit consumers through lower transmission prices.

Openness to new ways of engaging and working collaboratively with our stakeholders including the community, our customers and partners within the electricity industry will enable us to continue providing innovative solutions to efficiently connect the people of NSW to their power.

## 6.2

# Infrastructure highlights



PROJECTS COMMISSIONED TO MAINTAIN A RELIABLE ELECTRICITY SUPPLY



OF MAJOR CAPITAL PROJECTS COMPLETED WITHIN BUDGET



INSTALLATION AT OUR SYDNEY WEST OFFICE EXPECTED TO REDUCE SITE PEAK ELECTRICITY DEMAND BY UP TO 50%

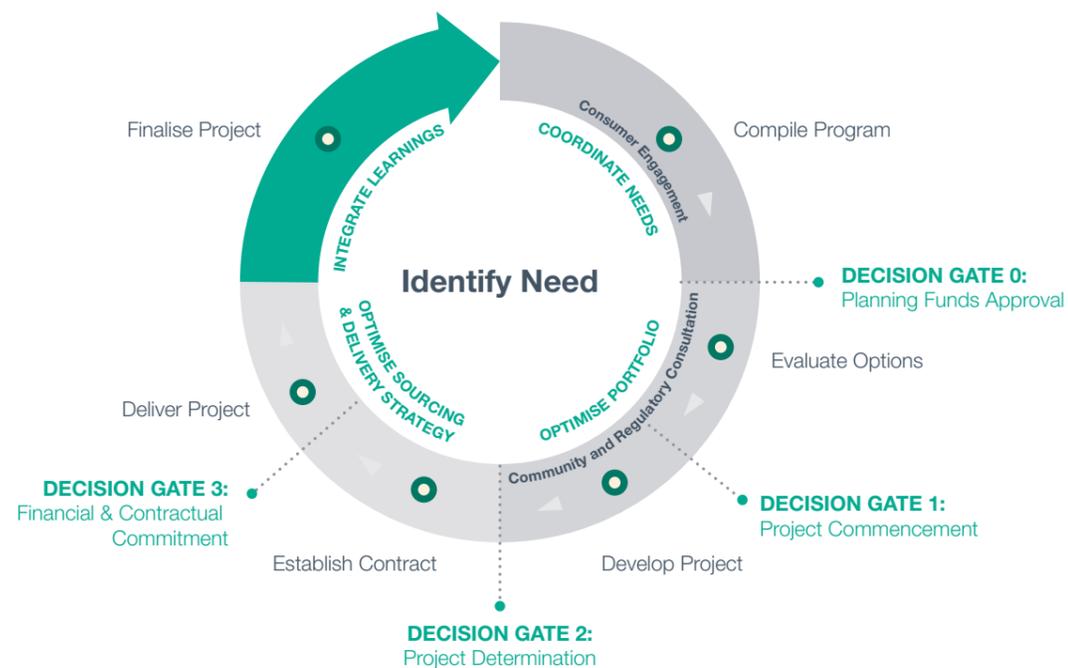
BEACONSFIELD SUBSTATION PROJECT WON THE PROJECT MANAGEMENT CATEGORY AWARD AT THE ANNUAL ENGINEERING EXCELLENCE AWARDS 2013

## 6.3

# A robust planning process

A comprehensive planning and analysis process is undertaken to assess network capabilities and identify areas of the network where limitations are expected to emerge in the future. These limitations could be addressed with non-network solutions, network solutions or a combination thereof.

Our governance framework for network decision making promotes an integrated, whole of business approach to capital program management. The process enables us to resolve key risk areas such as environmental approvals, property acquisition and scope definition early in the project delivery process. It also incorporates structured documentation around options evaluation and project scoping to enhance the transparency of decision making. Early communication with stakeholders throughout the planning cycle, including engagement with the community from the onset of a project demonstrates our commitment to opening our planning processes.



## Portfolio Management Office

The Portfolio Management Office was established in 2011 as a single point of accountability and ownership of the entire capital program. This has helped us to embed an integrated, whole of business approach to capital program management while facilitating optimisation of investments, including non-network options, across augmentation and asset replacement/renewal streams.

Responsible for overall governance of the network investment process, the Portfolio Management Office enhances the transparency of decision making through structured documentation around options evaluation and project scoping. This governance role is also focused on the early resolution of key risk areas such as environmental approvals, property acquisition and scope definition.

In response to reduced forecasts of peak load growth, we have deferred \$600 million of capital investment related to projects where the need has been postponed and subsequently cancelled projects that are no longer required. Consumers will benefit from this responsive behaviour directly from the start of the following regulatory control period, through a lower opening regulatory asset base and consequent reduction in forecast revenue of some \$230 million over the next five years.

Significant projects that have been deferred/cancelled include:

- Bannaby to South Creek 500 kV transmission line
- Dumaresq to Lismore 330 kV transmission line
- Tomerong 330 kV substation
- Beaconsfield 330 kV busbar
- Stroud to Taree 132 kV transmission line
- Kempas Creek to Liverpool 330 kV transmission line.

## Procurement

Our procurement framework ensures that our activities achieve value for money in support of corporate strategies, while being fair, ethical and transparent. TransGrid is committed to pursuing continuous improvement and adapt to change in the markets in which we procure.

We have made notable progress in a number of areas throughout the year in order to optimise our approach to procurement. Restructuring our business has enabled better internal alignment and more efficient procedures through the establishment of centralised ordering processes for power systems and high voltage equipment.

By introducing processes and systems to monitor and manage contractor performance we have improved our performance and are able to better manage relationships with suppliers. As one of our corporate initiatives, a supplier performance management system was implemented in September 2014.

Other improvements include the introduction of key performance indicators and performance monitoring across key areas of work such as legal services, substations panel, design services and vegetation management. Throughout the year we also focused on strategic sourcing, including improvements to process, evaluation and negotiation strategies.

## Waste Reduction and Purchasing Policy

TransGrid has an ongoing commitment to incorporating the principles of the NSW Government's Waste Reduction and Purchasing Policy (WRAPP) into our operations.

Since 1999, we have supported the WRAPP framework by maximising resource efficiency and reducing waste generation through avoidance, reduction, reuse and recycling.

Our WRAPP plan includes the following waste reduction initiatives for the office environment:

- Reduction in paper use
- An increase in recycling.

In our last biennial WRAPP report that was submitted in late 2013, we achieved:

- A 90% recycling target for office paper and cardboard
- A 100% recycling target for combined paper (excluding office paper reported above)
- A 100% recycling target for used printer cartridges
- A 90% recycling target for construction and demolition materials over
- In relation to procurement, the sourcing of A4 white paper with a 95% recycling content, A3 white paper with a 65% recycled content and 96% of concrete having some recycled content.

It should be noted that the WRAPP program has now been discontinued by the NSW Government. It has been replaced by the Government Resource Efficiency Policy (GREP).

## 6.4 Proactive support of non-build options

We are committed to assessing non-network options alongside network solutions to address network constraints where feasible and cost effective to do so. By taking this approach, we can defer or avoid significant capital costs associated with network investment and deliver benefits to consumers through lower transmission prices.

In our planning, we consider demand management solutions such as load curtailment or shifting, embedded generation, energy efficiency and energy conservation measures wherever these factors reduce load on the network.

The market for demand management in NSW is developing. We applied for and received a Demand Management Innovation Allowance for our 2009/10-2013/14 regulatory period. During 2013/2014, the allowance was used to fund the following projects:

- iDemand: a peak demand management installation including 100 kilowatts of solar panel capacity and 400 kilowatt hours of battery storage at our Sydney West office. This is expected to reduce electricity demand of the office at peak times by up to 50%.
- Completion of a research study by the University of Technology Sydney on key drivers of peak demand for electricity and their potential avoidance.

In our 2014/15-2018/19 Revenue Proposal submitted in May 2014 we proposed procuring 'pre-emptive' demand management from summer 2014/2015 in the Sydney inner metropolitan area. This proactive approach to demand management is intended to grow the market of intending participants in advance of a potential network constraint in supplying the area.

In response to reduced demand forecasts, we placed on hold a number of initiatives and have shifted focus to three key objectives. They are:

- Collaboration
- Market development
- Technology trialling.

We will continue to monitor demand forecasts and respond as required.



### TransGrid recognised at the Energy Efficiency Council Awards

Adding to our list of achievements in 2013, TransGrid claimed the top award in the Best Demand Response category of the Energy Efficiency Council Awards. During the summer of 2012/13 we partnered with EnerNOC, the world's largest demand response provider and leading energy intelligence software company, to deliver a demand management project involving more than 80 sites across metropolitan Sydney.

Historically, electricity networks have leveraged peaking electricity generation plants (such as gas and hydro) to increase power generation to meet demand. Demand response works from the other side of the equation – instead of adding more generation to the system, it encourages users to shift consumption outside peak periods. TransGrid facilitates demand response capacity because it allows the deferring of new build projects and reduces the strain on the network. This is another example of our commitment to bring costs down for consumers.

This collaboration saw a reduction of about 600 kW from each of the 80 sites and subsequently a possible reduction of peak demand for the summer of 2012/13 by a total of 48 MW, which represents almost 150% of targeted savings. As a result of our strong partnership with EnerNOC, we were able to utilise existing relationships with Sydney's large energy users to trigger changes in power use when peaks were forecast.

**'We're honoured to receive this award for our partnership with TransGrid, a proven leader in innovative demand side management, integrating demand response into its network planning and development of major projects.'**

Christian Weeks, Managing Director, EnerNOC Australia and New Zealand pictured with TransGrid Managing Director Peter McIntyre

## 6.5

# Understanding future energy demands

Since the summer of 2008/09, both energy use and energy supply patterns have changed. For the first time since TransGrid's inception, we have seen a decrease in electricity demand and a decrease in rate of peak growth. There has also been a growth in renewable generators looking to connect to our network. To understand this shift we have contracted leading research bodies to look into the change. Some of the key studies commissioned by TransGrid throughout 2013/14 include:

- NSW Consumer Electricity Consumption (Capitalis)
- The Potential Influence of Electric Vehicles on the Transmission Network Serving Sydney (University of Sydney)
- Demographic Outlook for the Inner Metropolitan Area and CBD (KPMG)
- Powering Sydney's Future - Energy Efficiency (CSIRO)
- Understanding Peak Demand and Underlying Policy Drivers (UTS).

These studies are helping us plan for NSW's future electricity supply and are assisting us to prepare concrete actions to support an electric future.

To investigate the possibilities for battery storage combined with renewable generation, we have started building a holistic demand management system at our Sydney West centre. Named iDemand, the system combines 400 kWh of lithium polymer batteries, 53kW of conventional solar panels, 45 kW of thin film solar panels, and energy efficient LED lights to assist in managing peak demand at the site. Once construction of iDemand is complete, the system will have an active role in promoting technology. Data from the system will be made available on our website in real time, as well as being offered to research organisations to increase industry knowledge.

On the supply side, we work closely with renewable generators to assist in connecting to the network. Since 2008, there have been five new large scale renewable generators connected to the grid in NSW, with another scheduled for completion in November 2014. Interest in connecting to the network is consistently growing, with new developments under way in the Northern and Southern Tablelands and Broken Hill.

## 6.6

# Innovative project delivery

In order to complete our capital works projects on time, on budget and as efficiently as possible, TransGrid consistently looks for innovative ways to overcome challenges that may arise.

### Working innovatively

In 2013/14 we demonstrated our ability to find innovative solutions to deliver a number of complex projects. In order to achieve the best possible outcomes, TransGrid makes it a priority to stay up to date with the latest trends around the world including new technologies that enable us to provide reliable transmission services as efficiently as possible. One example was the recent Western Sydney Supply Project which showcased innovative engineering practices by utilising a specifically designed Thermal Aluminium Clad Steel Reinforced conductor. This was the first of its kind in the country, enabling engineers to reduce the impact of electromagnetic radiation on nearby properties. In other projects, our engineers have overcome challenges using their own experience and knowledge. During the upgrade to a substation at Narrabri, a new spill oil system was required to manage run off from the entire site. The site was very flat, meaning that traditional designs were not applicable. TransGrid experts rose to the challenge, redesigning the system to meet our high environmental protection criteria.

### Working together

Our commitment to open and clear communication has enabled us to build collaborative working relationships in the delivery of our capital works program. In 2013/14, we worked closely with Glencore at their Mangoola Coal mine, as well as our contractor. During construction of nearly 11 kilometres of new 500 kV transmission line on Glencore's land, there was a need to reschedule planned outages which required renegotiation with the local community. TransGrid was open and honest with impacted stakeholders, keeping them up to date with project changes.

### Working smarter

The NSW transmission system is one of the most intelligent networks in the country, however, in the past year we have been working to make it even smarter. We started developing power system software back in the 1960s. While this software was very effective, it was not able to keep up to date with the changing energy environment, for example wind farm modelling. We have chosen to update the software to a new system, which will allow us to keep up with the changes. However we have also worked internally to develop solutions. In Sydney, our operations team has developed and installed a new system to communicate weather station data to our control systems which assist in our increased understanding of the impact of changing climate conditions on the underground cables that supply the inner Sydney area.

## 6.7 Engineering excellence

Innovation and best practice solutions are central to the way we plan, build, manage and operate the transmission network. In order to ensure we are well positioned to respond to the changing energy environment, TransGrid is active in pursuing and fostering a culture of innovation across the business. Our partnership with The Warren Centre for Advanced Engineering, an independent engineering think tank at the University of Sydney and our win at the Engineering Excellence Awards are among our achievements in this area.

### Collaborative partnerships to support innovation

This year, TransGrid and The Warren Centre for Advanced Engineering joined forces to try and find innovative ways to lift performance outcomes in areas of Australian engineering.

An independent engineering think tank at the University of Sydney, The Warren Centre fosters excellence and innovation in advanced engineering throughout Australia. Through robust, collaborative processes together with its extensive networks in academia, industry and government, the centre aims to find solutions and answer questions in an increasing complex economic, technical and social environment. A key player in The Warren Centre's Professional Performance, Innovation and Risk (PPIR™) project, TransGrid piloted the protocol for performance to increase efficiency in risk planning and ensure that risk management expectations align with real life engineering risk.

Our collaboration with The Warren Centre is one of a number of initiatives we have been part of to drive positive outcomes for engineering practices in Australia. Now in Phase 3, the project's ultimate aim is to achieve widespread adoption of the PPIR™ change plan across Australian engineering platforms and support innovation in engineering by encouraging our people to explore new ways to design solutions.

### Engineering excellence recognised

While TransGrid is consistently proud of the work done by our engineers, this year a key project was recognised at the Annual Engineering Excellence Awards. The Beaconsfield Substation Project, located in inner Sydney, won the Project Management Category Award 2013 in recognition of the project being delivered on time and under budget despite its complexity.

As one of two major electricity supply points to the Sydney CBD, Beaconsfield substation is crucial to the power supply of Australia's largest city. The project involved the refurbishment of the substation to ensure safe and reliable electricity supply. We installed the world's first major in-situ Gas Insulated Switchgear replacement and it is the largest 132 kV substation of its type in the southern hemisphere. Located in a densely populated industrial area, the team worked with the local community and around the existing infrastructure to deliver the project on time and under budget.



## Case Study

# Western Sydney Supply Project

The Western Sydney Supply Project is part of our plan to secure Sydney's future power supply. Innovative engineering and a collaborative approach to working with stakeholders enabled us to deliver the project with minimal disruption to the community.

A leader in the design of high voltage substations and transmission lines, we have a solid track record in delivering innovative solutions to meet the changing needs of the energy environment. The Western Sydney Supply Project not only demonstrates our ability to apply cutting edge technology and implement innovative engineering principles and practices, it shows how working collaboratively with our stakeholders can lead to an efficient outcome for all involved.

The project included the construction of two new 330 kV/132 kV substations (Holroyd and Rookwood Road), the installation of a new double circuit 330 kV underground transmission cable between the two substations and the upgrade of a 10 kilometre double circuit 330 kV overhead transmission line between an existing TransGrid substation at Eastern Creek and the new Holroyd substation.

In order to minimise the impact of the project on the community and the environment, we utilised a Sydney Water pipeline easement for

installation of the underground transmission cable. The installation of the overhead transmission line was performed by acquiring and remodelling a transmission line from Endeavour Energy. This eliminated the need to construct a new corridor, which not only drastically reduced the environmental impact of the project, but also diminished the impact to surrounding landowners and businesses.

The 330 kV cable component of the project demonstrates engineering excellence at its best, with this being the first use of Cross Linked Polyethylene (XLPE) cable technology at this voltage in Australia. Recognising that there were gaps in the existing knowledge on XLPE technology, we undertook additional testing to push the boundaries of the technology. The findings of these tests translated into cost and time savings during installation and were captured in a paper presented at the global Council on Large Electric Systems sessions in Paris in 2014.

## 6.8

# Capital delivery programs

The following projects were completed from 2012/13 to 2013/14:

Project	Location	Purpose	Status
<b>Construction of short sections of 330 kV transmission line</b>	NSW Mid North Coast	Increase the capacity of the transmission system to meet present limitations	Completed
<b>Installation of 132 kV transmission line between Tarro and Essential Energy's Stroud substation</b>	NSW Mid North Coast	Increase the capacity of the transmission system to meet present limitations	Completed
<b>Western Sydney Supply Holroyd Substation and Sydney West-Holroyd transmission line (with Endeavour Energy)</b>	Western Sydney	Maintain reliable supply	Completed
<b>Connection of Essential Energy's Heron's Creek substation to TransGrid's Taree-Port Macquarie 132 kV transmission line</b>	NSW Mid North Coast	Maintain reliable supply to Lew/Laurieton area with backup	Completed
<b>Installation of control devices on existing equipment</b>	NSW New England, Northern Tablelands	Power quality control	Completed
<b>Wallerawang substation replacement</b>	NSW Central Tablelands	Condition based replacement to maintain reliable supply	Completed
<b>Installation of a cable link between Beaconsfield West and Haymarket substations</b>	NSW Inner Metropolitan Sydney	Maintain reliable supply	Completed
<b>Replacement of shunt reactors at Murray switching station and Yass substation</b>	NSW Snowy Mountains	Maintain voltage control and relieve constraints on the Canberra to Kangaroo Valley 330 kV transmission line	Completed
<b>Connection of Gullen Range Wind Farm to a new switching station</b>	NSW Southern Tablelands	Connecting renewable energy to the network	Completed
<b>Transformer and reactor replacement program</b>	NSW Central Tablelands, New England Northern Tablelands, North West Slopes, Inner Metropolitan Sydney and Snowy Mountains	Condition based replacement to maintain reliable supply	Completed
<b>Replacement of secondary system at Tumut substation</b>	NSW Snowy Mountains	Condition based replacement to maintain reliable supply	Completed

## Committed developments

Committed and underway network solutions, which have financial and contractual commitments, are under development and have passed Decision Gate 3 of TransGrid's Network Investment Process.

Project	Location	Purpose	Status
<b>Orange substation replacement</b>	NSW Central West	Condition based replacement to maintain reliable supply	Committed Due Q2 2017
<b>Western Sydney Supply Rookwood substation and cable installation (with Ausgrid)</b>	NSW Sydney CBD and Western Sydney	Maintain reliable supply	Underway Due Q3 2014
<b>Munmorah Power Station 330 kV generator disconnection</b>	NSW Central Coast	Retirement of power station	Underway Due Q3/4 2014
<b>Upper Tumut switching station rehabilitation</b>	NSW Snowy Mountains	Condition based replacement to maintain reliable supply	Underway Due Q1 2015
<b>Murray-Guthega 132 kV line remediation</b>	NSW Snowy Mountains	Remediation to restore capacity to maintain reliable supply	Underway Due Q4 2014
<b>Cooma substation replacement</b>	NSW Snowy Mountains	Condition based replacement to maintain reliable supply	Underway Due Q4 2015
<b>Yanco substation refurbishment</b>	NSW South West	Condition based replacement to maintain reliable supply	Underway Due Q3 2015
<b>Capacity upgrade of Bannaby-Gullen Range 330 kV and Gullen Range-Yass 330 kV lines</b>	NSW Southern Tablelands	Maintain reliable supply	Underway Due Q4 2014 / Q1 2015
<b>Transformer replacement at Newcastle, Griffith and Yanco substations</b>	NSW Hunter and South West	Condition based replacement to maintain reliable supply	Underway Due Q4 2014
<b>Capacitor Bank replacement at Canberra, Yass and Orange substations</b>	ACT, NSW Southern Tablelands and Central West	Maintain adequate power transfer capability	Underway Due Q4 2014 / Q2 2017



Chapter 7

# Contribute to the Community

Committed to developing strong relationships with the communities in which we work and operate.

## 7.1

# Our commitment to our local communities

TransGrid is committed to delivering a comprehensive and targeted community engagement approach. We continuously work to improve our community engagement in line with best practices and endeavour to develop strong relationships with the communities in which we work and operate.

### The principles guiding our community engagement approach are:



#### Accessibility:

Identify relevant stakeholders and work with them throughout the project



#### Communication:

Proactively develop two-way communication channels tailored to the needs and interests of each community



#### Transparency:

Feedback will be sought and incorporated into planning processes



#### Inclusiveness:

Through early and open engagement we will integrate interests of stakeholders into our outcomes

## 7.2

# Community highlights



# 1,864

HECTARES OF LAND IN NSW REHABILITATED AND PROTECTED BY TRANSGRID SINCE 1998



# \$417k+

CONTRIBUTED THROUGH OUR PARTNERSHIP AND SPONSORSHIP PROGRAM



# >400

STUDENTS EDUCATED THROUGH OUR SAFETY PROGRAM BESAFEKIDZ



# 11

ORGANISATIONS PARTNERED WITH THROUGH OUR COMMUNITY PARTNERSHIPS PROGRAM

## 7.3

# Keeping our communities safe

We are committed to protecting the safety and health of our employees, our contractors and the public. In ensuring our assets are maintained and operating safely, we meet strict guidelines and implement robust processes to protect the safety of our employees, our contractors and the public. We also work with our contractors and the relevant authorities to safely manage works in and around our assets. Another important aspect of our public safety commitment is our promotion of electricity awareness to those living near our substations or transmission lines. Extensive information is available on our website and through our community information line. We also provide property owners with easement guides and regular updates about living and working around powerlines.

### BeSafeKidz

Over the last year, we continued to enhance our BeSafeKidz program. Aimed at primary school students, the program targets schools where we are actively working in the community, either building new assets or upgrading existing assets.

BeSafeKidz covers a range of topics including, the history of electricity, an overview of TransGrid, safety around our assets and general electrical safety and our environmental commitment. In 2013/14 we delivered the program to more than 400 students at five schools in NSW.

## 7.4

# Building better partnerships

TransGrid is committed to supporting communities across NSW and the ACT. In 2013/14 we were proud to contribute more than \$417,000 through partnership and sponsorship programs to assist a variety of organisations to support their local communities and initiatives. Our Community Partnerships Program (CPP) supports communities in which we are building new assets or undertaking network upgrades by offering specific financial grants. This forms part of our ongoing commitment to help build positive relationships with our stakeholders.

At a grassroots level we provide additional support by sponsoring a variety of local initiatives of the communities in which we work. We also assist our employees in fundraising activities they undertake in their own communities such as charity fun runs and provide dollar for dollar donations to a selection of fundraising events selected by TransGrid employees each year. Environmental partnerships are another important aspect of our community involvement as is our sponsorship of a range of initiatives to support education and diversity within the engineering industry.

### Community Partnerships Program

Through our Community Partnerships Program we support local communities by providing funding for initiatives that deliver lasting benefits to communities in areas where our infrastructure is located or where we are undertaking network upgrades. This forms part of our ongoing commitment to help build positive relationships with our stakeholders.

In 2014, we rolled out our third annual program across the Tamworth and Cooma-Monaro regions, where substation rebuild projects were being undertaken.

A female youth safety campaign for Cooma YMCA, the replacement of essential equipment for Tamworth Meals on Wheels and therapy cottage upgrades at Monaro Early Intervention Service were among the

initiatives to receive a grant under the 2014 program. Other successful organisations include Colinton Rural Fire Brigade, Tamworth Power Station Museum, Cooma North Preschool, Bredbo Tennis Club, Cooma Challenge, Cooma Public School, Monaro High School and Lambie Street Preschool.

Since its establishment in 2012, TransGrid's CPP has delivered almost \$200,000 in grants to support local initiatives, providing lasting and tangible benefits for a wide range of communities. We will continue to support the communities in which we work, with a plan to review and improve the program before it is rolled out in 2015.

Project	Organisation	Funding
<b>Tamworth Substation Rebuild Project</b>	Tamworth Meals on Wheels	\$9,300
	Tamworth Power Station Museum	\$10,000
<b>Cooma Substation Rebuild Project</b>	Bredbo Tennis Club	\$2,254
	Colinton Rural Fire Brigade	\$2,000
	Cooma Challenge	\$2,000
	Cooma North Preschool	\$5,000
	Cooma Public School	\$2,500
	Cooma YMCA	\$3,300
	Lambie Street Preschool	\$4,300
	Monaro Early Intervention Service	\$7,500
	Monaro High School	\$5,500



## Supporting local community initiatives

Throughout the year we continued to support a range of local community initiatives. Our sponsorship of the Snowy Hydro SouthCare rescue helicopter was one of the ways in which we supported residents of the ACT and South Eastern NSW. A critical medical care tool within these communities, the helicopter is specially fitted with instruments that make it easier for the crew to retrieve patients and provides the ability to transfer up to four stretcher patients at a time. With safety as our number one priority at TransGrid, we extended this message into our communities through our sponsorship of the Child Safety Handbook, a resource for parents, carers and teachers. A fundraiser for NSW Police Legacy, the Handbook enables people of all ages to develop strategies to deal with difficult situations. It covers issues such as bullying at school, personal safety, first aid, safety online, fire prevention, road safety, healthy living and drug and alcohol awareness.

Recognising that health and fitness is an important part of community life, during the year we sponsored the Tenterfield District Tennis Association to upgrade their facilities. We also provided support to a variety of local schools in Southern NSW such as Mount Carmel School and Berimba Public School, as well as the Yass Rotary Club and TAFE NSW Riverina Institute in Wagga Wagga.

## Environmental partnerships

We continued to support environmental initiatives in 2013/14 through our partnership with Greening Australia, our sponsorship of a research facility at The Australian Botanic Garden, Mount Annan and by supporting the Deep Decarbonization Pathways Project initiated by Climate Works Australia

GreenGrid, our award winning environmental partnership with Greening Australia has evolved to become a series of greening projects around Yass, Bredbo, Gunning and other parts of the Southern Tablelands. Since its inception in 1998, GreenGrid has rehabilitated and protected

1,864 hectares of land in NSW, including the erection of 450 kilometres of fencing and planting of 280,000 native tubestock. GreenGrid has featured an extraordinary level of broad scale revegetation through direct seeding - some 2,000 kilometres of tree line and in the past decade, sequestered more than 32,000 tonnes of carbon.

A whole of catchment collaborative partnership, the Boorowa River Recovery was among the environmental initiatives funded by GreenGrid throughout the year. The project is improving biodiversity and water quality in the Boorowa Catchment through developing native riparian vegetation management on farms and promoting sustainable land management practices more broadly. We are now extending GreenGrid to forge new partnerships with other community groups across the state, as well as continuing the relationship with Greening Australia, to widen the impact and reach of this program across the network.

Our sponsorship of the Australian PlantBank, a science and research facility of the Royal Botanic Gardens and Domain Trust located near our Macarthur substation at Mount Annan, is now in its third year. Officially opened in October 2013, PlantBank will safeguard the future of precious plant species through 'seed-banking', research and information-sharing. This facility will bring together the best science and the best scientists to recover degraded landscapes, generating new knowledge for better conservation planning and responding to climate change.

We demonstrated our commitment to reducing our carbon footprint on a global scale through our sponsorship of the Deep Decarbonization Pathways Project. A collaborative initiative convened under the auspices of the Sustainable Development Solutions Network and the Institute for Sustainable Development and International Relations, the project aims to show how individual countries can transition to a low carbon economy. Climate Works Australia and the Australian National University were appointed to lead the Australian Research team and are supported by modelling undertaken by the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and Victoria University's Centre for Policy Studies. Australia is one of 15 countries participating in the project and TransGrid is the only energy industry sponsor.



### Employee fundraising

TransGrid recognises the importance of community wellbeing by encouraging and supporting our employees who participate in a broad range of charity fundraising events. In 2013/14 we made a donation to the Sir David Martin Foundation in support of an employee who participated in the AMP Abseil for Youth 2013, supported the Kids Cancer Project by donating 50 per cent of each TransGrid employee's entry fee to the Spring Cycle 2013 and sponsored a TransGrid team that participated in the Central West Dragon Boat Regatta in support of breast cancer research. During the year we also made donations to Father Chris Riley's Youth Off the Streets in support of an employee who participated in the Sydney to Surfers Bike Ride and to the St Vincent de Paul Society in support of our Managing Director's participation in the Vinnies CEO Sleepout.

Each year TransGrid employees vote for a selection of charities and fundraising days that they would like to see the business support. Events such as morning and afternoon teas and BBQs are held to support these charities and TransGrid matches employee donations dollar for dollar. During 2013/2014 Prostate Cancer Awareness Month, Pink Ribbon Day, Heart Week and Australia's Biggest Morning Tea were supported.

### Shaping the future of our industry

Encouraging innovation in engineering, fostering a culture of knowledge sharing, supporting research and encouraging greater diversity across our industry are some of the ways that TransGrid contributes to the community. In November 2013, we sponsored the Research Conversazione, a showcase of research results of postgraduate and undergraduate students from the School of Electrical and Information Engineering at the University of Sydney. In January 2014, we sponsored and participated in the Women in Engineering Summit hosted by the University of Wollongong. The two day event 'So you think you can engineer?' is an annual initiative to support and inspire young women interested in a career in engineering.

In June 2012 TransGrid developed a partnership with the National Centre of Indigenous Excellence (NCIE). Throughout this financial year our work with NCIE has continued, providing us with opportunities to connect with Indigenous Australians including those interested in developing their careers with TransGrid. Our partnership with NCIE has opened new opportunities to have meaningful engagement with Indigenous communities as part of our wider community engagement program.

Other industry sponsorships for 2013/14 included Engineers Australia (Sydney Division) for their annual Excellence Awards event and the annual conferences of the Energy Users Association of Australia and the Energy Networks Association.



## Case Study

# Monaro Early Intervention Service

TransGrid's Community Partnerships Program delivers lasting benefits to our communities. Each year we support a range of health and safety, education and environment initiatives driven by communities across NSW and the ACT.

Delivering vital programs to the Cooma community, the Monaro Early Intervention Service was one of 11 recipients of financial support through TransGrid's 2014 Community Partnerships Program. The non government, not for profit organisation is run by a group of local specialist and dedicated support volunteers.

Based in Cooma, the Monaro Early Intervention Service provides family centred early childhood intervention services for young children 0 – 6 years who have a disability or developmental delay and supports their families.

Early intervention can include screening and assessment, therapy, education, health services, inclusion support in early childhood services, support during times of transition and other formal and informal family support and the provision of information and support for transitions to early childhood services and to school.

Helping families across the regions of Cooma Monaro, Snowy River and Bombala, the organisation aims to promote the child's development, wellbeing and participation in community life while empowering the family with knowledge and skills to achieve this.

TransGrid supported the Monaro Early Intervention Service through a \$7,500 grant delivered through our Community Partnerships Program. The grant contributed to a building fund for a therapy cottage allowing the organisation to help more families with a range of specialised services. The funding has contributed to the cottage renovations including an upgrade of the kitchen and laundry facilities, essential electrical work and fitting it out for occupational therapy and speech pathology services.



Chapter 8

# Performance Culture

Supporting our people to develop the skills they need to achieve their goals, at an individual, team and organisational level, is key to TransGrid's future success as a business.

## 8.1

# Developing our people

We will continue to ensure we have the right people, skills and culture required to deliver on our vision now and well into the future.

Our people define the success of our business. We are committed to building a performance culture that will support learning and development, while leveraging the wealth of knowledge and experience of our highly skilled people. We believe that this approach will help us to deliver on our vision, ensure we have the right skills in the appropriate areas to help drive our business forward and prepare for a competitive future.

Leadership continues to be an important area of focus for TransGrid. We have put the foundations in place to achieve business success by supporting our leaders, both current and future, to develop the skills they need to be more proactive, commercially oriented, people focused and open to change.

In delivering on our commitment to developing our leaders, we have made some significant progress in 2013/14 through our new Leadership Development Framework and improved High Potential Leaders Program. An increase in participation in our Performance Management Process supports a higher level of employee engagement, which is a positive step towards improving our performance culture.

## 8.2

# Performance culture highlights



**1,074**

PEOPLE EMPLOYED  
BY TRANSGRID



**97%**

OF EMPLOYEES PARTICIPATED  
IN THE PERFORMANCE  
MANAGEMENT PROCESS



**154**

EMPLOYEES ATTENDED  
13 LEADERSHIP COURSES



**14%**

OF OUR SENIOR MANAGEMENT  
TEAM ARE WOMEN

## 8.3 Fostering leadership

Supporting our people to develop the skills they need to achieve their goals, at an individual, team and organisational level, is key to TransGrid's future success as a business. Our leadership strategy for 2013/14 set out to foster a performance culture through providing focused leadership development. To equip our leaders to deliver on the organisation's goals and change agenda, we focused on a number of areas including creating change, customer focus, and organisational learning.

One of our key achievements for the year was the roll out of our Leadership Development Framework in September 2013. Based on best practice leadership and commercially focused managerial techniques, the framework was developed to help build leadership capabilities for employees at various career stages to deliver an aligned and focused leadership group.

Program	Description	Outcomes	Number of Participants
<b>Executive Leadership Development</b>	A program developed around the outcomes from the organisational culture survey and related 360 degree performance assessments	To support TransGrid's senior and executive leadership team to develop in the areas of creating change, customer focus and organisational learning.	8
	A 12 month program comprised of workshops: leadership; self, others and the organisation; change management; intra/entrepreneurship; customer service; and strategic financial management		
<b>High Potential Leaders Program</b>	The final participants were chosen from more than 40 applicants, all of whom underwent a series of online and face-to-face assessments	To assess and develop high potential employees to build the leadership capabilities TransGrid needs to deliver its goals now and into the future.	14
<b>Leadership Development Framework</b>	A series of leadership and management modules aimed to develop capacity for TransGrid employees at various career stages	The framework provides a series of training options to expand our leaders' ability, at all levels of their career, to help lead our teams to achieve personal, team and organisational goals.	154
<b>Performance Management Process (PMP)</b>	A process to enable employees to monitor progress, track achievements, and identify opportunities for improvement	Focused on employee development, and setting clear individual goals and performance indicators linked to the priorities of the business, the PMP provides an effective measurement system for performance.	97%

## 8.4 Culture and engagement

TransGrid is committed to fostering a performance culture through developing, recognising, valuing and empowering our people. As the electricity industry evolves, it is important that we prepare for the challenges and opportunities ahead. As we respond to the changing environment around us, ensuring our employees remain focused and ready to contribute to the future success of our business is essential for a smooth transition.

In 2013, we launched our first survey on organisational culture. Culture is generally defined as the values, attitudes, beliefs and behaviours that are followed and adopted each day. These are the deeply held aspects of an organisation's identity that are often difficult to assess. The information from this survey combined with feedback from past engagement surveys (more an individual measure) has helped shape people strategies around training, leadership and employee development.

Pulse surveys were used during the year to provide feedback and as a measure of how these strategies were impacting the business. Progress from the business has been positive with particular efforts made in improving culture and engagement in the areas of performance management, role rotations and building experience into the teams.

### Equal Employment Opportunity initiatives implemented during 2013/2014

We are committed to the development of a culture that is supportive of employment equity and diversity principles. We promote management policies and practices that reflect and respect the social and cultural diversity contained within the sector and the community and support NSW Government goals. Key Equal Employment Opportunity (EEO) initiatives implemented during 2013/2014:

- Continued support of the online retirement planning program to enable access for employees and their families at regional and remote locations
- Launched the Diversity and Inclusion Framework including the formation of the Diversity and Inclusion Committee
- Gold sponsor of the Women in Engineering Summit at Wollongong University
- Sponsor of the National Centre of Indigenous Excellence
- Delivered a cultural engagement session to our executive leadership team and managers who manage, or will potentially manage, indigenous staff
- Disability Accessibility is available at all of our offices
- Partnered with a specialised recruitment organisation to improve recruitment and retention of people with a disability.

Our Women@TransGrid forum was established by our Diversity and Inclusion Committee on International Women's Day 2014, as a place in which all employees can connect, share ideas and communicate our experiences.

## 8.5

# Careers at TransGrid

To ensure our business has the right mix of skills TransGrid offers a number of placement opportunities to graduates, trainees and apprentices. These development programs play a key role in supporting resource planning through the provision of holistic on the job learning and development across various vocations. As we diversify as a business, so too will our workforce as we move towards new challenges arising from the changing environment. In recognition of these challenges, we reviewed our recruitment program and refreshed our employer brand to better position ourselves to attract quality candidates.

### Young Professionals Program

This year we welcomed 16 new young professionals to a range of disciplines across the business including legal, communications and engineering. Through our Young Professionals Program, participants receive structured training and development in a variety of areas including leadership development, individual development plans and planned rotations offer graduates a unique experience allowing them to gain an insight into different areas of the business, as well as the chance to work with our many different subject experts.

### Apprentices and trainees

We currently employ 50 apprentices and trainees in roles such as line worker, electrical fitter and communications. These individuals

are at varying stages of their training from first to fourth year. These apprentices and trainees are part of a program aimed to develop individuals in areas relevant to our industry and to assist with workforce planning needs for the future. They are provided with challenging and interesting opportunities while learning from experienced employees who are keen to share a wealth of industry knowledge and technical expertise. After completing the program, these apprentices and trainees are eligible to apply for a technical role within our business.

### Recruitment

Our new careers brand 'Make it Happen' was shaped following consultation with TransGrid employees from across many different roles, locations and demographics. When asked what they enjoy most about working with the organisation, the most resounding response was the strong sense of satisfaction and pride they felt by making a difference and providing an essential service to the community. The brand reflects the role our core business plays across the state and the positive impact the organisation has on consumers, the community and our stakeholders.

To mark the launch of the brand, we produced a video which demonstrates the ways in which TransGrid can 'make it happen'. The video helps future employees to understand who TransGrid is and our role in connecting consumers to the energy they use every day.



## Case Study

# Smart move towards better collaboration

TransGrid's move to more sustainable accommodation supports smarter working and improved collaboration. Our commitment to creating an open, dynamic environment for our people will help drive efficiencies and increase productivity.

In February 2014, more than 680 of our people made the move to new office accommodation. TransGrid went into the Smart Move project with a clear vision – our new buildings accommodating employees and contractors in Sydney, Sydney West and Tamworth would not only support our new way of working but foster a culture of openness and transparency.

The consolidation of our two Sydney CBD offices involved the relocation of around 400 people to more sustainable, energy efficient accommodation constructed above an existing TransGrid building at Ultimo. TransGrid occupies the first three levels of the building and the remaining six levels will be leased. Video Conferencing technology was installed in a number of meeting rooms enabling better collaboration and improved productivity through a reduction in travel time and costs. Our efforts to reduce our environmental footprint have been recognised with the new building being awarded a 'World Leadership' 6 star rating for environmentally sustainable construction by the Green Building Council of Australia.

Around 200 employees relocated to a new adjacent working space at our Sydney West office located at Eastern Creek. The Sydney West

office has been redesigned for smarter working and collaboration, supporting the whole of business approach we need to deliver for our customers. There is room for future growth, with a new, energy efficient building. The Sydney West office originates from the regional office that services our Sydney West 330/132 kV substation, which powers some of Sydney's western suburbs.

Further north, around 80 employees moved to an adjacent office on our existing site in Tamworth. The new office comes with improved staff amenities including casual break out areas to further drive collaboration.

Moving into new spaces offered rare opportunities to re-examine old habits, review priorities and rethink the way we work. We also recognised that in order for the move to be successful, it was important to put preparations in place early on.

The move was accompanied by an intensive cultural and communication awareness campaign. The program was also supported by an adjacency review which focused on the strategic placement of teams to help promote a culture of openness.



Chapter 9

# Corporate Governance

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TransGrid's Board and management support an environment that encourages accountability amongst all employees to a deliver a service in the best interests of shareholders, the community and our stakeholders.

## 9.1

# Our charter

TransGrid was established as a state owned corporation on 14 December 1998 by and under the *Energy Services Corporations Amendment (TransGrid Corporatisation) Act 1998* (NSW).

Section 6C of the *Energy Services Corporations Act* (1995) gives TransGrid, as an energy transmission operator, two principal functions:

- To establish, maintain and operate facilities for the transmission of electricity and other forms of energy
- To provide services for the transmission of electricity and other forms of energy in accordance with the relevant regulatory regime.

Section 6C also empowers TransGrid to use and develop its electricity transmission facilities to carry out telecommunications services.

On 4 February 2014, the Australian Communications and Media Authority granted a carrier licence to TransGrid under the *Telecommunications Act 1997* (Cth).

The principal legislation TransGrid operates under includes the *Energy Services Corporations Act 1995* (NSW), the *Electricity Supply Act 1995* (NSW) and the *State Owned Corporations Act 1989* (NSW).

## 9.2

# Our shareholders

TransGrid's Board is responsible and accountable to the voting shareholders, being the NSW Treasurer and the Minister for Finance and Services, who each hold one share for and on behalf of the NSW Government in accordance with the *State Owned Corporations Act 1989*.

## 9.3

# Our board of directors

### Board charter

The TransGrid Board has a charter which is reviewed annually and is available on TransGrid's website [www.transgrid.com.au](http://www.transgrid.com.au).

The Charter aligns with the recommendations in the NSW Treasury Guidelines for Boards of Government Businesses as well as the ASX Limited Corporate Governance Principles and Recommendations.

The current Charter includes details on the role, powers and specific responsibilities of the Board as well as details of the key stakeholders and Board operations.

### Purpose

The principal objectives and functions of TransGrid and the structure and composition of the TransGrid Board are laid out in the following:

- *Energy Services Corporations Act 1995 No. 95*
- *State Owned Corporations Act 1989 No. 134*
- TransGrid's Constitution
- NSW Treasury Guidelines for Boards of Government Businesses

### Role and Delegation of Authority

The Board's role is to provide leadership and direction for the organisation.

Section 20L (1) of the *State Owned Corporations Act 1989* provides that all decisions relating to the operation of TransGrid are to be made by or under the authority of the Board.

Section 20L (2) of the *State Owned Corporations Act 1989* and Article 16.7 (a) of TransGrid's Constitution provide that the Managing Director is responsible for the day to day management of operations of TransGrid in accordance with the general policies and specific directions of the Board. This direction is prepared in the form of an "Instrument of Delegation of Functions to the Managing Director". This document is reviewed every two years or as required.

### Responsibilities

In carrying out its role, the Board has, but is not limited to, the following specific responsibilities:

- Reviewing and approving the overall corporate strategy proposed by the Executive team
- Providing input into and final approval of the Statement of Corporate Intent
- Overseeing the implementation of an effective system of corporate governance
- Overseeing compliance with relevant Government policies
- Overseeing executive development and succession planning
- Appointment of the Managing Director in consultation with the voting shareholders
- Ratification of the appointment and removal of senior executives, where appropriate
- Reviewing performance of senior executives including the Managing Director
- Reviewing and endorsing risk management and internal control systems
- Approving and monitoring financial and other reporting
- Approving and reviewing the progress of major capital expenditure, capital management, and major acquisitions and divestitures
- Appointment of the Board Secretary.

## Key stakeholders

In undertaking its responsibilities, the TransGrid Board takes into consideration a number of key stakeholders:

- The voting shareholders currently being the Treasurer and the Minister for Finance
- The portfolio Minister for Resources and Energy
- NSW Treasury
- Regulatory bodies and other governing organisations
- Electricity industry counterparts
- Our customers
- The community
- Suppliers and contractors
- TransGrid employees.

## Code of Conduct

The TransGrid Board has a Code of Conduct which binds all Directors and which is reviewed on an annual basis.

## Board committees

Under Section 20.9 (a) of TransGrid's Constitution, committees of Directors may be formed, consisting of one or more Directors.

TransGrid is required to have an Audit and Risk Committee and a Remuneration and Structure Committee. Committee structure and membership is reviewed on an annual basis. Each committee has a charter governing the activities of the Committee.

An Executive Board Committee, consisting of the Chairman and another Director, can also be formed out of session of the monthly schedule of board meetings. The Board must delegate prior authority to the Executive Committee to exercise approval on behalf of the Board.

Additional committees relating to other specific functions of the Board may also be created as and when required.

The Board currently has a Board Health and Safety Committee and a Board Regulatory Committee, both of which have a Charter governing their activities.

## Role of the Chairman

The Chairman provides leadership and promotes the cohesiveness and effectiveness of the Board.

Key roles performed by the Chairman include:

- Assisting the Board to develop good relationships with the Shareholding Ministers and Portfolio Minister, with the Managing Director and with other key stakeholders and interested parties
- Assisting individual Directors, and the Board as a whole, to understand their role, responsibilities and accountabilities
- Helping Directors understand their risks and liabilities as individual members and as a Board
- Ensuring a comprehensive agenda is presented to each meeting of the Board.

In a situation where the Chairman is absent from a Board Meeting, an Acting Chairman may be elected for that meeting and exercise all the powers and authorities of the Chairman.

## Role of the Board Secretary

Under Section 23.1 of TransGrid's Constitution, the Directors are responsible for appointing the Board Secretary. The Directors may also remove any Board Secretary who has been appointed.

Key roles to be performed by the Board Secretary include:

- Being a source of advice and counsel for Directors and management
- Preparing the agenda for approval by the Chairman and compiling the supporting papers
- Arranging for members of the management team and expert advisors to provide advice and, if required, attend meetings of the Board to present this advice
- Advising on and working to enhance Board practices and procedures
- Keeping abreast of and informing Directors of any changes to legislative requirements of governance expectations.

## Operation of Board meetings

The Board meets every month (excluding January). Board Committees will meet at least quarterly. Additional meetings may be called upon depending on the business requirement.

Under Section 20.2 of the TransGrid Constitution, the quorum for meetings of the Board is three Directors and under Section 20.9 (d) of the Constitution the quorum for meetings of Board Committees (where the Committee consists of two or more Directors) is two Directors.

## Circulation of Board and Board committee papers

Board and Board Committee Papers are circulated in advance of the meeting.

## Conduct of Board meetings

All decisions of the Board are made on the basis of consensus and votes are only taken where consensus cannot be reached. All decisions and individual Director dissent is recorded, if requested by the Director.

## Board minutes

Under Section 22.1 of TransGrid's Constitution, minutes of all Board Meetings and Board Committee Meetings are to be retained and filed appropriately. These minutes are circulated to all Directors at the following meeting, where they will be confirmed by the Board or Board Committee meetings. The Board Secretary will action resolutions of the Board in a timely manner.

## Board structure

The *Energy Services Corporations Act 1995* provides for the Board to consist of the Managing Director and at least three (3) other directors, to be appointed by the voting shareholders at their discretion.

## Terms of office

In accordance with Schedule 8, Clause 5 of the *State Owned Corporations Act 1989*, a Director holds office for such period (not exceeding five years) as may be specified in the director's instrument of appointment.

The voting shareholders may remove a Director, or the Chairman, from office at any time for any or no reason and without notice (but only at a duly convened meeting of the voting shareholders).

## Remuneration

The remuneration of each Non-Executive Director is paid out of TransGrid funds, and is determined by the shareholders. The total income received, or due receivable, by all directors of TransGrid is listed in the Notes to the Financial Statements. The Managing Director is not entitled to any additional remuneration for being an Executive Director.

## Method of appointment

Directors are to be appointed pursuant to a written instrument of appointment which must: be signed by the voting shareholders; be delivered to the Secretary at the office of the corporation; specify the term of office of the Director; and specify the terms of the appointment.

## Conflict of interest

Director independence plays an important role in ensuring good corporate governance. All TransGrid Non-Executive Directors are considered independent.

On occasion, a situation may arise where a Director must disclose interests to the Board (which includes positions and pecuniary interests) in corporations, partnerships or other businesses that maybe relevant to the activities of the Board or an associated Committee. A register of such interests is maintained by TransGrid and the process is clearly documented in the Code of Conduct.

## Meetings of the Board

Name	TransGrid Board	
	Meetings attended	Meetings entitled to attend
Mr C Darvall	11	11
Mr P McIntyre	11	11
Mr N Betts**	5	7
Mr T Danos	11	11
Ms S Jones	11	11
Mr M Nugent	11	11
Mr J Price*	1	1

Name	Board Audit and Risk Committee		Board Health and Safety Committee		Board Regulatory Committee		Board Remuneration and Structure Committee	
	Meetings attended	Meetings entitled to attend	Meetings attended	Meetings entitled to attend	Meetings attended	Meetings entitled to attend	Meetings attended	Meetings entitled to attend
Mr C Darvall	5	5	-	NM	7	7	4	4
Mr P McIntyre	5	5	4	5	7	7	4	4
Mr N Betts**	-	NM	2	2	NM	NM	-	NM
Mr T Danos	5	5	5	5	7	7	-	NM
Ms S Jones	5	5	5	5	7	7	-	NM
Mr M Nugent	5	5	-	NM	7	7	4	4

\* Mr John Price's term as a Director ceased on 4 August 2013

\*\* Mr Neville Betts' term as a Director ceased on 24 February 2014

NM Denotes that this Director is not a member of the Committee and therefore does not attend these Committee meetings unless specially invited.

## Board committees

To assist the Board in fulfilling its responsibilities, the Board currently utilises four committees as follows:

- The Board Audit and Risk Committee
- The Board Remuneration and Structure Committee
- The Board Health and Safety Committee
- The Board Regulatory Committee
- A Charter governing each of these committees is available on the TransGrid's external website [www.transgrid.com.au](http://www.transgrid.com.au) website.

Each Committee is chaired by a Non-Executive Director and a report detailing the items considered by the committee is tabled at the following Board meeting.

## Executive Board Committee

The Board may also convene the Executive Board Committee usually consisting of the Managing Director and the Chairman. Other Directors may be invited to sit on this committee as and when required or considered appropriate. The purpose of this committee is to consider matters between board meetings which would otherwise require Board approval.

## The Board Audit and Risk Committee

Chaired by Michael Nugent, the primary function of the Board Audit and Risk Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing:

- The overall audit process of the organisation
- The systems of internal control which management and the Board of Directors have established
- Risk management process and determination of risk appetite for the organisation
- The process for monitoring compliance with laws
- The Code of Conduct and financial information which will be provided to the Board Audit and Risk Committee from time to time.

## The Board Remuneration and Structure Committee

Chaired by Chum Darvall, the primary function of this Board committee is to assist the Board in determining the remuneration and employment conditions of TransGrid's executive and senior management and reviewing the organisational structure of TransGrid.

## The Board Health and Safety Committee

The primary function of this Board committee is to assist the Board in fulfilling its responsibilities relating to the health and safety of the organisation's employees and contractors.

This Committee is currently chaired by Suzanne Jones. During the 2013/14 year there were a number of changes to the Chair. John Price was the Chair to 4 August 2013, Trevor Danos was appointed Chair from 4 August 2013 to 16 June 2014 and Suzanne Jones commenced her Chair of the committee on 17 June 2014.

## The Board Regulatory Committee

Chaired by Trevor Danos, the primary function of the Committee is to assist the Board in preparing TransGrid's Revenue Proposal for the 2014/15-2018/19 regulatory period.

The committee also has such other functions in relation to managing and reviewing regulatory changes and/or regulatory decisions arising from the National Electricity Law, Rules and Regulations as are delegated to it by the Board from time to time.

## 9.4

# Remuneration paid

Name	Title	Total remuneration paid 2013/14
Peter McIntyre	Managing Director	\$778,043
Lionel Smyth	Executive General Manager/Network Services and Operations	\$410,461
Gerard Reiter	Executive General Manager/Capital Program Delivery	\$406,791
Tony Meehan	Executive General Manager/Revenue Strategy and Business Diversification	\$393,544
Michael Gatt	Executive General Manager/People and Corporate Services	\$388,853
Stephen Clark	Executive General Manager/Network Planning and Performance	\$388,520
Boon Thiow *	General Manager/Finance	\$155,769
Greg Garvin**	General Manager/Strategy and Stakeholder Engagement	\$155,769

\* Appointed 25 November 2013, figure reported reflects total remuneration paid from time of employment to the end of the financial year

\*\* Appointed 16 December 2013, figure reported reflects total remuneration paid from time of employment to the end of the financial year

## 9.5

# Our executive leadership team



**Peter McIntyre, Director and Managing Director was assessed by the Board as having achieved the performance criteria set in the Corporate Plan and the Statement of Corporate Intent including revenue, profitability, efficiency, reliability targets and stakeholder engagement. Key achievements include:**

- Continuing improvement of the commercial focus of the organisation
- Improving the organisation's focus on customer service delivery and engagement with consumers and stakeholders
- Growing TransGrid's unregulated business
- Improving regulatory arrangements for transmission networks in the National Electricity Market
- Developing a business and culture adaptable to future challenges and opportunities.

**Ms Boon Thiew, General Manager/Finance was assessed by the Managing Director as having achieved her performance criteria, including:**

- Managed the financial performance of the corporation to deliver a higher dividend return to the shareholder with a profit after tax result of \$226.9 million, \$25 million above the budget
- Undertook active debt management through the modification and restructure of the debt portfolio to lower the cost of funds and minimise interest expense volatility, for improved profitability in the longer term
- Led improvements in the financial planning and budgeting processes.

**Mr Tony Meehan, Executive General Manager/Revenue Strategy and Business Diversification was assessed by the Managing Director as having achieved his performance criteria. Key achievements include:**

- The development and submission of both TransGrid's Transitional Revenue Proposal for 2014/15 and its Revenue Reset Proposal 2013/14-2018/19 to the Australian Energy Regulator
- Established the Business Diversification function in TransGrid including agreement on target markets and business growth strategies and has developed an effective capability to provide timely and professional bids for customer work
- Building strong relationships with key potential non-prescribed customers.

**Mr Stephen Clark, Executive General Manager/Network Planning and Performance was assessed by the Managing Director as having achieved his performance criteria. Key achievements include:**

- Led an excellent engagement with stakeholders on TransGrid's proposed new pricing methodology
- Completed documentation for over 200 projects as part of TransGrid's revenue proposal
- Championed innovative non-network solutions for future supply shortfalls to the Sydney inner metro area which was well received by stakeholders
- Contributed strongly to recent improvements in TransGrid's customer satisfaction survey performance.

**Mr Gerard Reiter, The Executive General Manager/Capital Program Delivery was assessed by the Managing Director as having achieved his performance criteria. Key achievements include:**

- Significantly improved TransGrid's capital works portfolio 'on time and on budget' performance
- Delivered ahead of time and under budget of non-regulated works contributing significantly to non-regulated profit
- Improved equipment procurement methodologies to gain greater economies of scale and value
- Delivered significant improvements in tendering methodology and approach for non-regulated works to improve customer experience, delivery times and value for money.

**Mr Lionel Smyth, Executive General Manager/Network Services and Operations was assessed by the Managing Director as having achieved his performance criteria. Key achievements include:**

- Helped deliver a good safety performance for both staff and contractors and through the delivery of improved Safety Rules
- Achieved the highest ever recorded maintenance achievement result, in excess of 99%
- Delivered major capital works at both greenfield and brownfield sites across the State
- Completed the major property development at Ultimo and accommodation projects at Wallgrove and Tamworth.

**Mr Michael Gatt, Executive General Manager/People and Corporate Services was assessed by the Managing Director as having achieved his performance criteria. Key achievements include:**

- Negotiated an Enterprise Agreement that reflects and complements TransGrid's future environment
- Provided significant progress in strategic human resource management and by implementing leadership development programs
- Developed and implemented strategic procurement strategies and performance indicators realising significant savings across multiple lines of business
- Continued to drive support cost efficiency in the business, by process rationalisation and a detailed fleet review reducing both capital expenditure and ongoing operational costs.

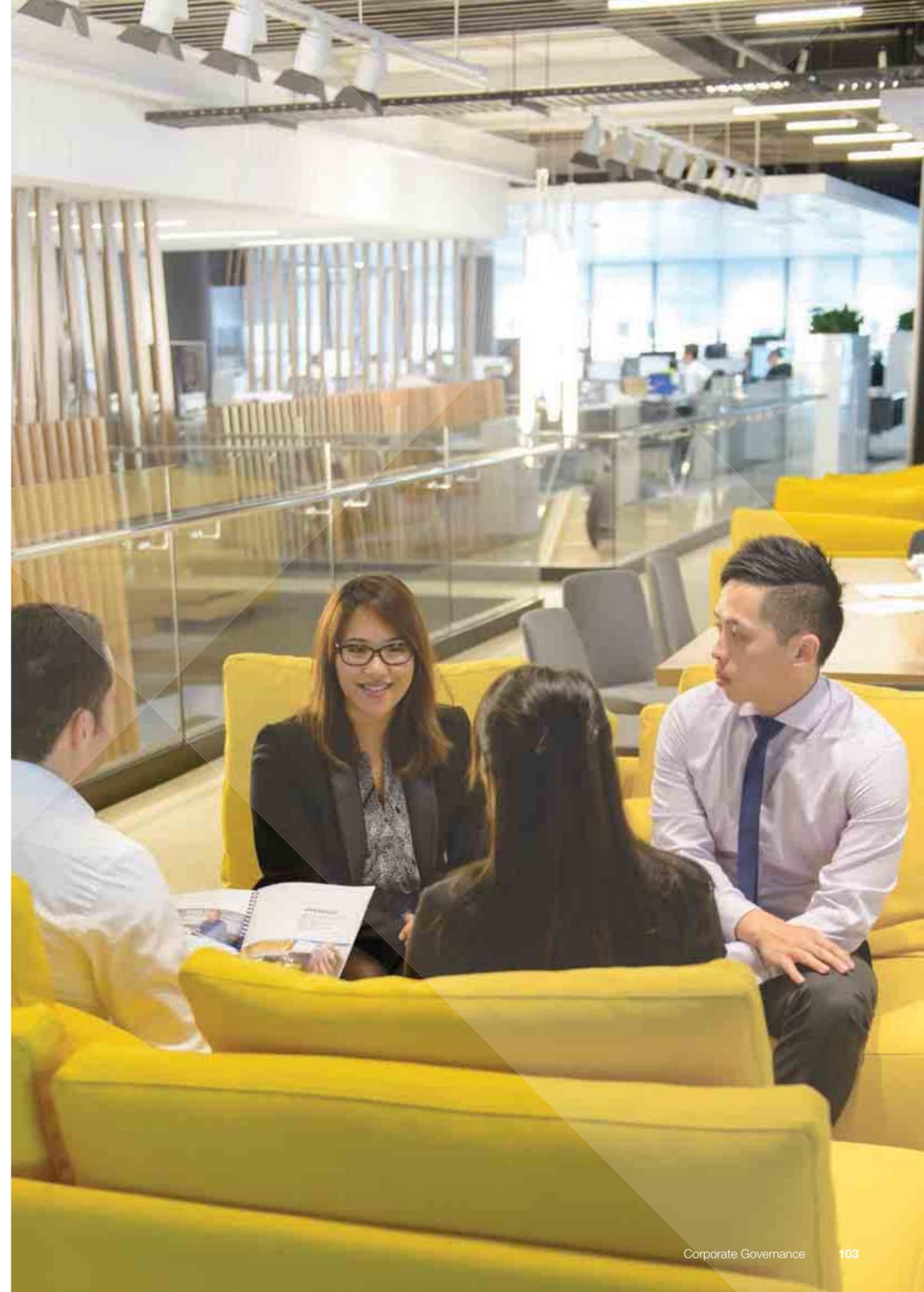
**Mr Greg Garvin, General Manager/Strategy and Stakeholder Engagement was assessed by the Managing Director as achieved his performance criteria. Key achievements include:**

- Improved TransGrid's engagement with key stakeholders and consumers, leading the engagement process associated with the revenue reset and with Powering Sydney's Future, which is TransGrid's most comprehensive and effective community and stakeholder engagement process to date
- Improved TransGrid's strategic planning process
- Implemented improved performance monitoring processes and systems.

## Employee related expenditure relating to senior management

BAND (Converted to SES equivalents)	2013/14	
	Female	Male
Band 4 (Secretary)	0	1
Band 4 (Deputy Secretary)	1	6
Band 2 (Executive Director)	1	16
Band 1 (Director)	12	60
<b>Total</b>		<b>97</b>

BAND (Converted to SES equivalents)	Range \$ (SES grades)	Average Remuneration
		2013/14 \$
Band 4 (Secretary)	422,501 - 488,100	778,043
Band 4 (Deputy Secretary)	299,751 - 422,500	397,643
Band 2 (Executive Director)	238,301 - 299,750	266,138
Band 1 (Director)	167,100 - 238,300	205,890





Chapter 10

# Statutory Information

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## 10.1

# Agreements with the Community Relations Commission

TransGrid is not a party to any agreement with the Community Relations Commission under the *Community Relations Commission and Principles of Multiculturalism Act 2000*.

## 10.2

# Community activities

Project	Community publications (including newsletter, construction notification and fact sheets)	Community activities and events (including information session, survey, focus group or event)	Stakeholder briefings (in person or via correspondence including local council, MPs, key stakeholders)
Tomago to Stroud project	2	-	-
Far North NSW (Dumaresq to Lismore) project	4	2	17
Tamworth substation rebuild	2	-	3
Northern telecommunication link	3	-	18
Western Sydney Supply project	45	-	250
Wallerawang to Orange transmission line rebuild	2	1	8
Powering Sydney's Future	2	1	12
Cooma substation rebuild	3	7	11
Yanco substation rebuild	1	-	6
Rebuild of Uranquinty to Yanco 132 kV line	1	-	10
Orange substation rebuild	2	1	7
Sydney East substation	3	-	4
Yass substation rebuild	-	-	4
<b>Total</b>	<b>36</b>	<b>12</b>	<b>150</b>

## 10.3

# Complaints management

Effective complaints and enquiry management increases stakeholder satisfaction and recognises our principal objective to exhibit a sense of social responsibility by having regard for the interests of the community in which we operate.

A large majority of complaints received during the year related to impacts from our capital works program. These are primarily construction related impacts and noise from existing substation and transmission line assets.

Over the next year, we will continue to improve our complaints management processes across the business to support effective community and stakeholder engagement.

All complaints received were addressed in a timely manner with the complainant.

## 10.4

# Consultant fees

During the year, \$710,789.23 was spent on consulting services relating to the preparation of environmental impact assessments.

## 10.5

# Credit card usage

TransGrid has in place policies and procedures on credit card usage which have been developed considering the various NSW Government policies and procedures. We continue to promote the correct usage of corporate credit cards and continually reviews usage characteristics and authorisations.

## 10.6

# Cost of annual report

Production costs of this Annual Report have been kept to a minimum with content limited to recording performance and meeting statutory requirements. In light of a possible shareholder transaction in the coming financial year, a small print run may be produced to facilitate ease of information transfer. The report has been produced in colour as it is to be viewed online and will be made available at [www.transgrid.com.au](http://www.transgrid.com.au) and to the relevant agencies. The total external costs for producing this Annual Report were \$38,258 (incl. GST). TransGrid has no in-house design capability, therefore production of the report was outsourced.

## 10.7

# Digital information security

TransGrid's corporate Digital Information Security policies and procedures are annually reviewed and aligned to best practices and industry standards including ISO27001.

Areas where there is a high level of compliance include:

- Security policy and accountability
- Organisation of Information security
- Financial systems security
- Human resources security
- Communications and operations management
- Access control including user and other general controls
- Information security incidents.

Other features of TransGrid's Digital Information Security system include:

- Contractual agreements with third parties for a range of data security management services including: protection, monitoring, testing and incident resolution
- A segmented data network with associated access controls
- User security awareness testing
- Periodic internal and external audits.

TransGrid's self-assessment for corporate Digital Information Security is considered at maturity level 3 (defined), which is characterised by defined policies and procedures, defined security organisation and improving user awareness.

## 10.8

# Disability Action Plan

TransGrid's Disability Action Plan is consistent with the NSW Government's Disability Policy Framework, the *NSW Disability Services Act 1993* and the *NSW Anti-Discrimination Act 1977*.

TransGrid will continue to remove barriers to services for people with a disability, giving information in a range of formats, making our buildings and facilities physically accessible to people with a disability, helping people with a disability participate in public consultations and increasing employment participation of people with a disability.

## 10.9

# Disclosure of controlled entities

TransGrid has no controlled entities for the 2013/14 reporting year.

## 10.10

# Electronic service delivery

TransGrid uses many different communication tools to engage the public, customers, employees and suppliers.

TransGrid provides employees with facilities to securely access electronic corporate applications, such as the intranet and their email account through the internet.

TransGrid's website [www.transgrid.com.au](http://www.transgrid.com.au) provides a range of information to meet the needs of stakeholders. The public can subscribe to regular updates on capital projects, media releases and regulatory documents. The website also facilitates simple access to the e-tendering and e-recruitment sites.

## 10.11

# Equal Employment Opportunity

Figures as at 20 June 2014, may be a slight variation to account for end of financial year as of 30 June 2014.

Current selections			
Cluster	Reporting Entity		
Trade & Investment, Regional Infrastructure & Services	TransGrid		

1. Size of agency (headcount)					2. Workforce Diversity (EEO) survey response rate (non-casual headcount at Census Date)			
	2012	2013	2014	% Change 2013 to 2014		2012	2013	2014
<b>Headcount at Census Date</b>	1,069	1,083	1,071	-1.11%	<b>Non-casual headcount at Census Date</b>	1,069	1,082	1,069
<b>Non-casual headcount at Census Date</b>	1,069	1,082	1,069	-1.20%	<b>Non-casual Workforce Diversity (EEO) survey respondents at Census Date</b>	707	706	689
					<b>Response rate</b>	<b>66.14%</b>	<b>65.25%</b>	<b>64.45%</b>

Note: All calculated Workforce Diversity data in Tables 1 and 2 are based on employee status as at Census Date.

3. Workforce Diversity actual staff numbers (non-casual headcount at Census Date) 2014										
Remuneration level of substantive position	Total staff (men, women & unspecified)	Respondents	Men	Women	Unspecified gender	Aboriginal & Torres Strait Islanders	People from racial, ethnic, ethno-religious minority groups	People whose language first spoken as a child was not English	People with a disability	People with a disability requiring work-related adjustment
\$0 - \$42,625	8	4	7	1	0	0	0	0	0	0
\$42,625 - \$55,985	31	17	27	4	0	1	0	0	0	0
\$55,985 - \$62,587	16	9	16	0	0	0	1	1	0	0
\$62,587 - \$79,199	139	83	98	35	6	2	12	8	4	1
\$79,199 - \$102,418	381	234	292	77	12	2	38	49	10	1
\$102,418 - \$128,023	284	200	238	42	4	1	45	55	11	0
\$128,023 > (Non SES)	209	141	175	31	3	0	38	31	6	0
<b>Total</b>	<b>1,068</b>	<b>688</b>	<b>853</b>	<b>190</b>	<b>25</b>	<b>6</b>	<b>134</b>	<b>144</b>	<b>31</b>	<b>2</b>

Note 1: Unspecified gender includes unknown, withdrawn, or indeterminate/intersex recorded values.

4. Workforce Diversity actual and estimated staff numbers (non-casual headcount at Census Date) 2014											
Remuneration level of substantive position	Total staff (men, women & unspecified)	Actual				Unspecified gender	Aboriginal & Torres Strait Islanders	People from racial, ethnic, ethno-religious minority groups	People whose language first spoken as a child was not English	People with a disability	People with a disability requiring work-related adjustment
		Respondents	Men	Women							
\$0 - \$42,625	8	4	7	1	0	0.0	0.0	0.0	0.0	0.0	
\$42,625 - \$55,985	31	17	27	4	0	1.0	0.0	0.0	0.0	0.0	
\$55,985 - \$62,587	16	9	16	0	0	0.0	1.0	1.0	0.0	0.0	
\$62,587 - \$79,199	139	83	98	35	6	2.0	12.0	8.0	4.0	1.0	
\$79,199 - \$102,418	381	234	292	77	12	2.0	38.0	49.0	10.0	1.0	
\$102,418 - \$128,023	284	200	238	42	4	1.0	45.0	55.0	11.0	0.0	
\$128,023 > (Non SES)	209	141	175	31	3	0.0	38.0	31.0	6.0	0.0	
<b>Total</b>	<b>1,068</b>	<b>688</b>	<b>853</b>	<b>190</b>	<b>25</b>						

Note 1: Estimated figures are calculated on the basis of the number of employees that have responded "yes" to the Workforce Diversity category as a proportion of the total number of employees who have responded to the Workforce Diversity (EEO) survey, multiplied by the total amount of employees in the salary band i.e. Estimated People with a Disability from salary band 1 = (Actual number of People with a Disability in salary band 1/ Total number of respondents from salary band 1)\* Total number of Staff in salary band 1.

Note 2: Estimated figures are only calculated for those agencies with a response rate of greater than 65%. For those agencies with response rates less than 65%, actual figures are used to calculate the representation and distribution of these groups.

Note 3: Respondents are classified as employees who have provided an answer for any of the Workforce Diversity questions, whether they have chosen to withdraw their response or not i.e. all employees who do not have "missing" as their response.

Note 4: Separated employees are excluded in the above table.

Note 5: Unspecified gender includes unknown, withdrawn, or indeterminate/intersex recorded values.

4a. Workforce Diversity actual and estimated staff numbers (non-casual headcount at Census Date) as percentage 2014											
Remuneration level of substantive position	Total staff (men, women & unspecified)	Actual				Unspecified gender	Aboriginal & Torres Strait Islanders	People from racial, ethnic, ethno-religious minority groups	People whose language first spoken as a child was not English	People with a disability	People with a disability requiring work-related adjustment
		Respondents	Men	Women							
\$0 - \$42,625	8	50.0%	87.5%	12.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
\$42,625 - \$55,985	31	54.8%	87.1%	12.9%	0.0%	3.2%	0.0%	0.0%	0.0%	0.0%	
\$55,985 - \$62,587	16	56.3%	100.0%	0.0%	0.0%	0.0%	6.3%	6.3%	0.0%	0.0%	
\$62,587 - \$79,199	139	59.7%	70.5%	25.2%	4.3%	1.4%	8.6%	5.8%	2.9%	0.7%	
\$79,199 - \$102,418	381	61.4%	76.6%	20.2%	3.1%	0.5%	10.0%	12.9%	2.6%	0.3%	
\$102,418 - \$128,023	284	70.4%	83.8%	14.8%	1.4%	0.4%	15.8%	19.4%	3.9%	0.0%	
\$128,023 > (Non SES)	209	67.5%	83.7%	14.8%	1.4%	0.0%	18.2%	14.8%	2.9%	0.0%	
<b>Total</b>	<b>1,068</b>	<b>64.4%</b>	<b>79.9%</b>	<b>17.8%</b>	<b>2.3%</b>						

Note 1: Estimated percentages are calculated in a similar manner to the estimated figures in table 4, only they are expressed as a percentage i.e. Estimated Percentage of People with a Disability from salary band 1 = (Actual number of People with a Disability from salary band 1/Total number of respondents from salary band 1).

Note 2: Estimated figures are only calculated for those agencies with a response rate of greater than 65%. For those agencies with response rates less than 65%, actual figures are used to calculate the representation and distribution of these groups.

Note 3: Unspecified gender includes unknown, withdrawn, or indeterminate/intersex recorded values.

## 5. Parliamentary Annual Report Tables

5a. Trends in the representation of Workforce Diversity groups				
Workforce Diversity Group	Benchmark/target*	2012	2013	2014
Women	50%	16.7%	17.4%	17.8%
Aboriginal People and Torres Strait Islanders	2.6%	1.1%	0.9%	0.6%
People whose first language spoken as a child was not English	19.0%	20.7%	20.2%	13.5%
People with a disability	N/A	5.1%	4.8%	2.9%
People with a disability requiring work-related adjustment	1.5%	0.4%	0.3%	0.2%

5b. Trends in the distribution of Workforce Diversity groups				
Workforce Diversity Group	Benchmark/target*	2012	2013	2014
Women	100	94	95	98
Aboriginal People and Torres Strait Islanders	100	N/A	N/A	N/A
People whose first language spoken as a child was not English	100	108	108	108
People with a disability	100	101	103	104
People with a disability requiring work-related adjustment	100	N/A	N/A	N/A

\*Information in section 10.11 is presented as per NSW Public Service Commissioner Workforce Profile reporting standards. The Benchmark/Target represents a metric (Distribution Index) which is outlined in Notes 1 and 2 on page 112.

Note 1: A Distribution Index of 100 indicates that the centre of the distribution of the Workforce Diversity group across salary levels is equivalent to that of other staff. Values less than 100 mean that the Workforce Diversity group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the Workforce Diversity group is less concentrated at lower salary levels.

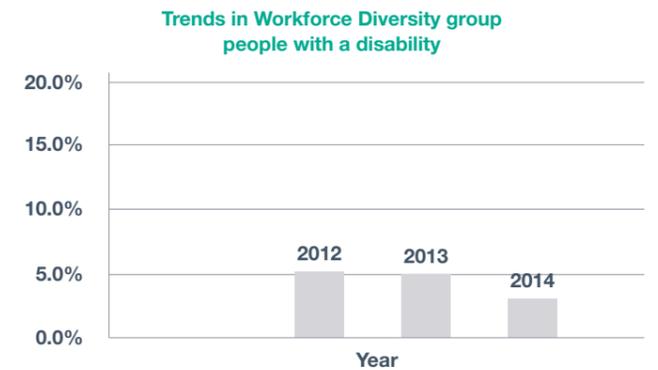
Note 2: The Distribution Index is not calculated where Workforce Diversity group or Non-Workforce Diversity group numbers are less than 20.

## 6. Representation of Workforce Diversity groups - graphs

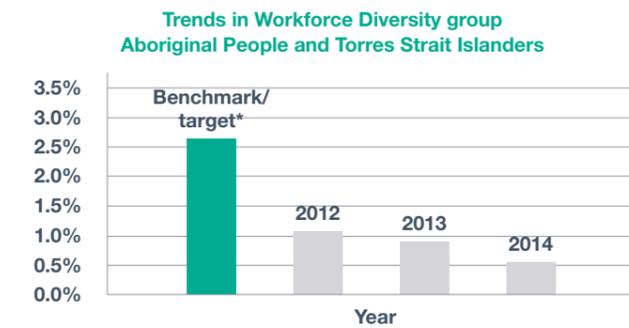
Workforce Diversity group	Benchmark/target*	2012	2013	2014
Women	50%	16.7%	17.4%	17.8%



Workforce Diversity group	Benchmark/target*	2012	2013	2014
People with a disability	N/A	5.1%	4.8%	2.9%



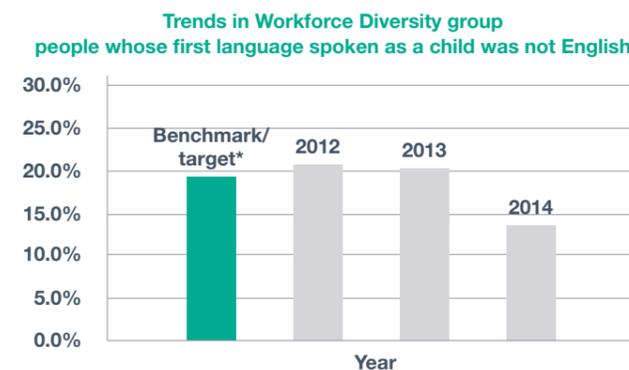
Workforce Diversity group	Benchmark/target*	2012	2013	2014
Aboriginal People and Torres Strait Islanders	2.60%	1.1%	0.9%	0.6%



Workforce Diversity group	Benchmark/target*	2012	2013	2014
People with a disability requiring work-related adjustment	1.5%	0.4%	0.3%	0.2%



Workforce Diversity group	Benchmark/target*	2012	2013	2014
People whose first language spoken as a child was not English	19.0%	20.7%	20.2%	13.5%



\*Information in section 10.11 is presented as per NSW Public Service Commissioner Workforce Profile reporting standards. The Benchmark/Target represents a metric (Distribution Index) which is outlined in Notes 1 and 2 on page 112.

## 10.12

# Government Information (Public Access) Act 2009 (GIPA)

**Table A: Number of applications by type of applicant and outcome**

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Media	0	0	0	0	0	0	0	0
Members of Parliament	0	0	0	0	0	0	0	0
Private sector business	0	0	0	0	0	0	0	0
Not for profit organisations or community groups	0	0	0	0	0	0	0	0
Members of the public (application by legal representative)	1	0	0	0	0	0	0	0
Members of the public (other)	1	0	0	0	0	0	0	0

### Explanatory Recordings relating to Table A

No formal access applications were received in the 2013/2014 financial year. Therefore, TransGrid did not refuse, either wholly or in part, any applications because the application was for disclosure of information for which there is a conclusive presumption of overriding public interest against disclosure.

Two (2) informal requests for information were made, and the information requested was provided in full (access granted in full). One request was made by a legal representative on behalf of a member of the public and the other was made by a member of the public.

**Table B: Number of applications by type of application and outcome**

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications	0	0	0	0	0	0	0	0
Access applications (other than personal information applications)	0	0	0	0	0	0	0	0
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0

**Table C: Invalid applications**

	Number of applications
Application does not comply with formal requirements (section 41 of the Act)	0
Application is for excluded information of the agency (section 43 of the Act)	0
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	0
Invalid applications that subsequently became valid applications	0

**Table D: Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 of the Act**

	Number of times consideration used
Overriding secrecy laws	0
Cabinet information	0
Executive Council information	0
Contempt	0
Legal professional privilege	0
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0

**Table E: Other public interest considerations against disclosure: matters listed in table to section 14 of the Act**

	Number of occasions when application not successful
Responsible and effective government	0
Law enforcement and security	0
Individual rights, judicial processes and natural justice	0
Business interests of agencies and other persons	0
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

**Table F: Timeliness**

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	0
Decided after 35 days (by agreement with applicant)	0
Not decided within time (deemed refusal)	0
<b>Total</b>	<b>0</b>

**Table G: Number of applications reviewed under Part 5 of the Act (by type of review and outcome)**

	Decision varied	Decision upheld	Total
Internal review	0	0	0
Review by Information Commissioner*	0	0	0
Internal review following recommendation under section 93 of Act	0	0	0
Review by ADT	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Table H: Applications for review under Part 5 of the Act (by type of applicant)**

	Number of applications for review
Applications by access applicants	0
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0

## 10.13

# Judicial decisions

During the reporting period, there were no decisions which affected TransGrid's operations, financial position or financial performance to a material extent.

## 10.14

# Land disposal 2013/14

Date Disposed	Description
25/09/2013	Long Street Smithfield
30/06/2014	Boambee South 132 kV substation DP 117958
30/06/2014	Boambee South 132 kV substation DP 1049350
30/06/2014	Boambee South 132 kV substation DP 861057
30/06/2014	Boambee South 132 kV substation DP 1049350
30/06/2014	Boambee South 132 kV substation DP 263412
30/06/2014	Boambee South 132 kV substation DP 263412
30/06/2014	Boambee South 132 kV substation DP 263412

The land disposed of in the 2013/14 financial year was surplus to the future requirements of TransGrid and was subsequently made available for sale. The properties were sold for less than \$5 million and were not sold by public auction. The Smithfield properties were sold by public tender. Access to documents relating to the disposals can be obtained under Government Information (Public Access) Act 2009.

## 10.15

# Legislative change

During the reporting period, there were no changes in legislation which significantly affected TransGrid's operations.

## 10.16 Overseas visits

Below is a listing of the overseas visits undertaken by TransGrid employees over the reporting period.

Position	Title	Countries visited	Purpose of visit
G. Chubb	Manager	USA/Czech Republic	Attend ITOMS steering committee meeting
M. Sturman	Manager	USA	Attend executive development program
J. Abbatantuono	Manager	New Zealand	Attend CIGRE annual meeting
D. Paton	Manager	New Zealand	Attend CIGRE annual meeting
K. Fernando	Plant Engineer	Canada	Witness testing of 145 kV disconnectors and earth switch
M. Grierson	Engineering Officer	Thailand	Witness factory acceptance testing of 132 kV transformer
D. Yoga	Plant Engineer	Sweden	Witness factory acceptance testing and inspection of static var compensators
H. Nguyen	Professional Engineer	Sweden	Witness factory acceptance testing and inspection of static var compensators
J. Theore	Engineering Officer	Thailand	Witness factory acceptance testing of 132 kV transformer
M. Ibrahim	Professional Engineer	Czech Republic	Attend ITOMS conference
H. Tan	Chief Information Officer	Philippines	IT service provider account management and initial performance review
S. Barber	Manager	Philippines	Establish IT service desk, staff briefing and training
S. Varelis	Service Delivery Analyst	Philippines	Establish IT service desk, staff briefing and training
M. Barion	Technical Support Officer	Philippines	Establish IT service desk, staff briefing and training
A. Maloney	Service Delivery Analyst	Philippines	Review of outsourcer performance customer survey result briefing and program improvement
M. Gatt	Executive General Manager	Philippines	Executive account engagement and briefing on business process outsourcing
E. Loois	Manager	Philippines	Review of outsourcer performance customer survey result briefing and program improvement

## 10.17 Privacy

TransGrid is committed to adherence with the principles of sound privacy practice to ensure that personal information is managed in accordance with the *Privacy and Personal Protection Act 1998*.

TransGrid has a Privacy Management Plan which facilitates adherence to the principles of the Act and to communicate to employees how privacy is managed within the organisation.

TransGrid's Privacy Management Plan is available to all employees on the intranet.

## 10.18 Public Interest Disclosure

Statistical Information on Public Interest Disclosure (PID) – 30 June 2014			
	PIDs made by Public officials in performing their day to day functions	PIDs that are made under a statutory or other legal obligation	All other PIDs
Number of public officials who made PIDs	0	0	2
Number of PIDs received	0	0	2
Of PIDs received, number primarily about:	0	0	
- Corrupt conduct			2
- Maladministration			Nil
- Serious and substantial waste			Nil
- Government information contravention			Nil
- Local government pecuniary interest			Nil
- Contravention			
Number of PIDs finalised	0	0	2

TransGrid has an internal reporting procedure "Reporting of corruption, maladministration, serious and substantial waste or government information contraventions". The procedure has been established to provide guidance to employees on the *Public Interest Disclosures (PID) Act 1994*, its confidentiality provisions, how disclosures will be managed within TransGrid and TransGrid's commitment to the proper investigation and the protection of employees making disclosures.

This procedure was implemented in accordance with a detailed communications plan. Communication activities included an email from the Managing Director, posters, an information pack for managers and team leaders and a page on the intranet. Further organisational updates will be made via the intranet and targeted communications as appropriate.

## 10.19

# Reporting exemptions

The following reporting exemptions have been granted by NSW Treasury to enable financial reporting requirements that apply, to be broadly consistent with Corporations Act reporting requirements.

Statutory requirements	Act/regulation reference	Comments
Summary review of operations	ARSBR Schedule 1	Exemption subject to a condition. The condition is that comments and information relating to the 'summary review of operations' are to be disclosed in a summarised form.
Management and activities	ARSBR Schedule 1	Exemption subject to a condition. The condition is that comments and information relating to 'management and activities' are to be disclosed in a summarised form.
Research and development	ARSBR Schedule 1	Continuing exemption as notified by NSW Treasury in March 2006
Human resources	ARSBR Schedule 1	Continuing exemption as notified by NSW Treasury in March 2006
Consultants	PM 2002-07 ARSBR Schedule 1	Exemption subject to a condition. The condition is that the total amount spent on consultants is to be disclosed along with a summary of the main purposes of the engagements.
Payment of accounts	TC 11/21 ARSBR Schedule 1	This exemption only applies to statutory State Owned Corporations as they are not subject to the payment of accounts provisions in s15 of the Public Finance and Audit Regulation.
Time for payment of accounts	ARSBR Schedule 1 TC 11/21	This exemption only applies to statutory State Owned Corporations as they are not subject to the payment of accounts provisions in s15 of the Public Finance and Audit Regulation.
Land disposal	ARSBR Schedule 1	Continuing exemption as notified by NSW Treasury in March 2006
Risk management and insurance activities	ARSBR Schedule 1	Exemption subject to a condition. The condition is that the comments and information are to be disclosed in a summarised form.
Internal audit and risk management policy attestation	TPP 09-5 TC 09/08	This requirement does not apply to State Owned Corporations
Disclosure of subsidiaries	PM 06-02	This requirement does not apply to State Owned Corporations
Budgets	ARSBA s.7(1)(a)(iii) ARSBA s.7(1)(a)(iii) ARSBR c7-8	Continuing exemption as notified by NSW Treasury in March 2006
Investment performance	ARSBR Clause 12	Continuing exemption as notified by NSW Treasury in March 2006
Liability management performance	ARSBR Clause 13 TC 09/07	Continuing exemption as notified by NSW Treasury in March 2006
Implementation of Price Determination	IPARTA s.18(4)	There was no determination impacting 2013/14
Credit card certification	TD 205.01	Not required to submit as advised by NSW Treasury, credit card usage is outlined in summarised form on page 107

Abbreviations: ARSBA- Annual Reports (Statutory Bodies) Act 1984, ARSBR- Annual Reports (Statutory Bodies) Regulation 2010, IPARTA- Independent Pricing and Regulatory Tribunal Act 1992, PM- Premier's Memorandum, TC- Treasury Circular, TD- Treasurer's Direction, TPP- Treasury Policy Paper

## 10.20

# Risk management

TransGrid's risk management system is based on the ISO31000:2009 Risk Management-Principles and Guidelines and is outlined in a number of documents including:

TransGrid's risk management system is based on the AS/NZS Risk Management Standard and is outlined in a number of documents including:

- Risk Management Framework
- Board Audit and Risk Committee Charter
- Board Health and Safety Committee Charter
- Executive Audit and Risk Committee Charter.

The organisation has structured its risk planning process into two areas: key risks and operational risks. The key risk assessment is reviewed at

least quarterly by the Board Audit and Risk Committee and the Executive Audit and Risk Committee.

An operational risk assessment is undertaken on at least an annual basis and is incorporated into the business planning process. Monitoring of operational risks occurs on a regular basis, with escalation of high or extreme risks to the Executive and Board Audit and Risk Committees.

Specific fraud risk assessments are undertaken every three years and are an input into the audit program.

Identified risks are rated using a standardised matrix and those rated above a certain level require mitigation strategies to be developed. These strategies are then incorporated into the business unit plans.

## Key business risks

Safety of people	TransGrid's actions or in-actions put the safety of its staff, contractors or the public at risk, or damages public or private property.
Changes to the national industry structure	TransGrid does not effectively influence the relevant aspects of our operating environment and fails to adapt to these changes once they do occur.
Strategic asset management	Resources are not managed to effectively balance the service/cost trade-off and achieve optimal outcomes for TransGrid and consumers in addressing network constraints, maintenance requirements and meet the future requirements of the network.
Delivery of network assets	Capital projects are not completed as per the planning need or project commitment, within the required time, quality and cost.
Observable asset failure	Widespread loss of supply from TransGrid assets for an extended period, or other observable asset failures.
Commercial performance	TransGrid does not gain sufficient revenue to fulfil its obligations and profit does not provide its shareholders with a reasonable return on their investment.
Compliance	Failure to implement systems and processes that drive compliance with legislation including the National Electricity Rules and National Electricity Law. (Excludes Health and Safety and Environment which are covered separately).
Environmental management	TransGrid's actions or in-actions put the environment at risk, or cause damage to the environment.
Management of customer obligations	Failure to meet contractual or regulatory obligations to customers.
Workforce management and engagement	Failure to effectively engage staff and management to deliver corporate objectives.
Critical IT systems	The loss or unauthorised access to critical IT systems (i.e. SCADA, EDMS, Ellipse, Theos) affects TransGrid's ability to operate the network.
Fraud and corruption	There is a misappropriation of funds, corruption, maladministration or serious and substantial waste.
Reputation	Inability to influence, or negative impact on TransGrid's reputation through (a) poor stakeholder management or (b) in-actions or process failure.
Agility and ability to respond to change	The underlying culture and business model of TransGrid does not enable successful execution of the strategic objectives and changes.

## 10.21 Insurance

TransGrid's insurance strategy is to obtain the most comprehensive insurance coverage available at the most economical cost.

Each year, TransGrid looks at the risks for which it is prepared to seek cover, the available insurance coverage or other means to meet the remaining risks and the costs of covering these risks.

## 10.22 Lost Time Injury Frequency Rate

### Lost Time Injury Frequency Rate (LTIFR) - Employees

2009/10	2010/11	2011/12	2012/13	2013/14*
2	1.5	1.4	1.4	0.9

#### Decreased by 0.5

\*The most common employee injuries were slips, trips and falls with failure to identify potential hazards the most frequent cause.

### Number of days lost due to Lost Time Injury Frequency Rate - Employees

2009/10	2010/11	2011/12	2012/13	2013/14
79	8	31	37	46

#### Increased by nine days

The number of days lost due to injury is directly related to the type of injury and is controlled through good injury management processes.

There were only two lost time injuries in 2013/14. One of those injuries required surgery resulting in the employee being unable to work for an extended period. The second lost time injury was a back strain requiring the employee to recover for a number of days.

## 10.23 Sponsorships, donations and charities

TransGrid's corporate sponsorship, partnership and donation program supports the organisation in meeting its key business objectives. The program is transparent and robust with all approved sponsorships, partnerships and donations assessed against publicly available criteria.

Listed below are details of corporate sponsorships, partnerships and donations for 2013/2014. TransGrid's sponsorships, partnerships and donations can be grouped into the following categories which reflect the key business objectives and priorities for the business:

- Local community initiatives
- Employee/charity events
- Environment
- Diversity
- Engineering/network/research
- Engineering/recruitment.

### Local community initiatives

This category includes local, often one off community initiatives in areas where TransGrid is building new assets or upgrading existing assets.

Name of organisation	Amount	Nature and purpose
Snowy Hydro South Care	\$38,500	Logo sponsor of Snowy Hydro SouthCare rescue helicopter (2013/2014)
Tenterfield District Tennis Association	\$5,000	Sponsorship of Tenterfield District Tennis Association upgrade project (July 2013)
Yass High School	\$200	Donation to Yass High School for outdoor infrastructure rehabilitation works (July 2013)
Stroud Road Community Hall and Progress Association Inc.	\$500	Sponsorship of Stroud Road Bash 'n Bang – bonfire and fireworks fundraiser (August 2013)
Yass Public School	\$100	Sponsorship of Yass Public Schools First Annual Ball (August 2013)
Local schools in Southern Region	\$900	The following donations for academic prizes to local schools in and around Yass: <ul style="list-style-type: none"> <li>• Yass Public School \$100</li> <li>• Berinba Public School \$100</li> <li>• Mt Carmel School \$200</li> <li>• Yass High School \$200</li> <li>• Yass High School (Academic Scholarship) \$300 (September 2013)</li> </ul>
Planet Dungog Inc.	\$500	Sponsorship of Planet Dungog Music Festival (October 2013)
Rotary Club of Yass	\$350	Donation in support of publication of local telephone book (October-November 2013)
Rotary Club of Yass Inc.	\$1,000	Support of local community event and fundraiser (November 2013)
Wallerawang Public School – P&C Association	\$500	Donation in support of local fete (November 2013)
Yass Acclimatisation Society	\$500	Sponsorship of Catch a Carp competition (November-December 2013)
TAFE NSW – Riverina Institute – Wagga Wagga Campus	\$500	Donation to annual graduation and awards presentation at Wagga Wagga Campus, Riverina Institute, TAFE NSW (December 2013)
Child Safety Handbook, NSW Police Legacy	\$2,200	Sponsorship of the Child Safety Handbook and advertising of TransGrid's BeSafeKidz Primary School program (Issue 1 – March/April 2014)
Yass Public School	\$100	Sponsorship of Yass Public Schools annual ball (May 2014)

## Employee charity events

Events that have been supported due to participation by TransGrid employees, for example, Spring Cycle. This category also includes donations to TransGrid supported charities. Each year TransGrid employees vote for four fundraising days that they would like to see

the organisation support. Events such as morning and afternoon teas and BBQs are held to support these fundraising days and TransGrid matches employee donations dollar for dollar.

Name of organisation	Amount	Nature and purpose
Sir David Martin Foundation	\$500	Donation in support of employee who participated in the AMP Abseil for Youth 2013 which supports the Sir David Martin Foundation who work with the most challenging and disadvantaged young people who slip between the cracks (October 2013)
Spring Cycle 2013 – Kids Cancer Project	\$1,565	A donation of 50% of each TransGrid employee's entry fee was made to the chosen charity of the Spring Cycle – being the Kids Cancer Project (October-November 2013)
Dragon Boats NSW Inc.	\$560	A further donation of \$8,787 was made following the significant fundraising efforts of TransGrid staff.
Prostate Cancer Foundation of Australia / Cancer Council of Australia	\$1,974	Support of TransGrid team who participated in the Central West Dragon Boat Regatta (November 2013)
Movember Foundation of Australia	\$500	Dollar for dollar matching of employees donations to Prostate Cancer Awareness Month and Pink Ribbon Day (December 2013)
Father Chris Riley's Youth Off The Streets	\$200	Donation to TransGrid Movember Team, mainly from Orange Area Centre, who in lieu of holding an event for Prostate Cancer Awareness Month formed a Movember Team. As the PCFA is a chosen charity of Movember approval was sought to provide a \$500 donation to this team (December 2013)
St Vincent de Paul Society	\$5,000	Donation in support of an employee who participated in the Sydney to Surfers Bike Ride (May 2014)
		Donation in support of TransGrid's Managing Director who participated in Vinnies CEO Sleepout (June 2014)

## Environment

Key environmental sponsorships support our commitment to the environment.

Name of organisation	Amount	Nature and purpose of partnership
		GreenGrid 2013/2014
Greening Australia	\$129,250	TransGrid's environmental partnership between Greening Australia and TransGrid
		PlantBank 2014-2016
Royal Botanic Gardens and Domain Trust	\$55,000	Continuing sponsorship of this research facility which opened at the Australian Botanic Gardens, Mount Annan in October 2013
Climate Works Australia	\$110,000	2050 Deep Decarbonisation Pathways Project

## Diversity groups

This category includes sponsorships designed to target certain diversity groups. However some of these sponsorships, while targeting a diversity group, are also focused on increasing participation in engineering and hence have been categorised under Engineering / Recruitment, for example, Robogals and the

Women in Engineering Summit at the University of Wollongong.

TransGrid is also a sponsor of the National Centre of Indigenous Excellence. The reason that this sponsorship is not listed below is that it was established prior to the 2013/2014 reporting year.

Name of organisation	Amount	Nature and purpose of partnership
Gunawirra	\$1,000	Donation in support of establishment of a food garden at Redfern Jarjum College (February 2014).

## Engineering/Network/Research

Sponsorship of major industry conferences and/or events.

Name of organisation	Amount	Nature and purpose
Engineers Australia – Sydney Division	\$5,500	Three year sponsorship with Engineers Australia – Sydney Division to sponsor the annual Engineering Excellence Awards (2013-2015)
Energy Users Association of Australia (EUAA) Annual Conference	\$16,390	Sponsorship of the EUAA Annual Conference (October 2013)
Energy Networks Association	\$13,200	Sponsorship of the Energy Networks 2014 – The Future is Now conference (April – May 2014)

## Engineering/Recruitment

This category includes events that promote a career in engineering to young people and promote TransGrid as an employer of choice.

Name of organisation	Amount	Nature and purpose
Robogals UNSW	\$1,100	One year sponsorship of Robogals Sydney Chapter, based at the University of NSW (2014)
Engineers Australia	\$2,750	Sponsorship of the Great Engineering Challenge 2013 held as part of Engineering Week 2013 (August 2013)
		Sponsorship of the Research Conversazione (November 2013)
School of Electrical and Information Engineering, Faculty of Engineering and Information Technologies at the University of Sydney	\$5,500	The Research Conversazione is an event where postgraduate and undergraduate students showcase the results of their research in poster format for industry representatives
		The Women in Engineering Summit (January 2014)
The University of Wollongong	\$11,000	'So you think you can engineer?' is a residential summit for young women (those entering Year 11) interested in a career in engineering
The Engineering Link Group	\$5,000	Support of the Sydney Engineering Link Project (October 2014) and Linking Engineers and Scientists with Teachers (May 2014)
Southern Tablelands Rotary Clubs Science and Engineering Challenge	\$1,000	Support of regional community event to encourage young people to consider engineering as a career option (June 2014)

# All amounts are inclusive of GST (where applicable)

In 2013/14 we contributed a total of \$417,839 to assist organisations to help their communities through partnership and sponsorship programs.

## 10.24

# Staff numbers by category

Employment Category	30 June 2012	30 June 2013	30 June 2014
Apprentice	48	46	45
Casual	2	1	0
Contract – Executive – SES equivalent	92	93	98
Contract – Non-executive	8	16	34
Graduate	37	35	31
Permanent (other than Senior Officer)	872	874	848
Sessional or Seasonal	0	0	5
Temporary Employee	16	14	8
Trainee	4	4	5
<b>Total</b>	<b>1,079</b>	<b>1,083</b>	<b>1,074</b>

## 10.25

# Staff numbers by gender

Gender	30 June 2012	30 June 2013	30 June 2014
Male	894	892	880
Female	185	191	194
<b>Total</b>	<b>1,079</b>	<b>1,083</b>	<b>1,074</b>

## 10.26

# Workplace relations

TransGrid continues to consult with employees and unions on a range of industrial matters. This consultative approach has resulted in no time lost as a result of organisational industrial disputes during the report period.

During the year, TransGrid entered into a new Enterprise Agreement with employees. Employees were highly engaged in the negotiation of the new agreement with both employee and union bargaining representatives involved in the bargaining process. This consultative approach resulted in an enterprise agreement that is smart, sustainable, flexible and fair for all parties and puts TransGrid in the best possible position to meet its future objectives.

Although the negotiations were lengthy when compared to the negotiation of previous agreements, we believe the new Agreement was finalised in a positive manner and provides good benefits to the company and employees especially around flexibility in employment arrangements.





Chapter 11

# Financial Statements and Notes

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For the Year Ended 30th June 2014

# Statement of Financial Position

As at 30th June 2014

	Note	2014 \$'000	2013 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	7	903	1,101
Trade and other receivables	8	142,059	126,484
Inventories	9	28,816	31,048
Derivatives	10	-	1,331
Other	11	3,938	4,670
<b>Total Current Assets</b>		<b>175,716</b>	<b>164,634</b>
<b>Non-Current Assets</b>			
Deferred tax assets	6(b)	119,493	115,103
Property, plant and equipment	12	5,618,329	5,330,054
Intangibles	13	613,921	612,110
Investment Property	14	43,508	-
Other	15	6,581	7,502
<b>Total Non-Current Assets</b>		<b>6,401,832</b>	<b>6,064,769</b>
<b>Total Assets</b>		<b>6,577,548</b>	<b>6,229,403</b>
<b>Current Liabilities</b>			
Borrowings		365,175	296,286
Trade and other payables	16	163,849	158,106
Current tax liabilities		57,171	32,430
Provisions	17	252,887	259,800
Derivatives	18	255	-
Other	19	7,540	33,590
<b>Total Current Liabilities</b>		<b>846,877</b>	<b>780,212</b>
<b>Non-Current Liabilities</b>			
Borrowings		2,373,268	2,139,563
Deferred tax liabilities	6(b)	852,724	849,078
Provisions	17	274,117	287,062
<b>Total Non-Current Liabilities</b>		<b>3,500,109</b>	<b>3,275,703</b>
<b>Total Liabilities</b>		<b>4,346,986</b>	<b>4,055,915</b>
<b>Net Assets</b>		<b>2,230,562</b>	<b>2,173,488</b>
<b>Equity</b>			
Capital	20	651,967	651,967
Reserves	21	1,391,018	1,402,067
Retained Earnings	22	187,577	119,454
<b>Total Equity</b>		<b>2,230,562</b>	<b>2,173,488</b>

The accompanying notes form an integral part of these financial statements.

# Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30th June 2014

	Note	2014 \$'000	2013 \$'000
Income	3	910,881	887,852
Expenses excluding Finance Costs	4	(426,708)	(414,384)
Finance Costs	4	(151,915)	(140,933)
<b>Profit/(Loss) Before Income Tax Expense</b>		<b>332,258</b>	<b>332,535</b>
<b>Income Tax Expense</b>	6(a)(i)	<b>(105,329)</b>	<b>(97,111)</b>
<b>Profit/(Loss) For The Year</b>		<b>226,929</b>	<b>235,424</b>
<b>Other Comprehensive Income:</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Asset Revaluation Surplus: Net increase/(decrease) in revaluations	21	-	(440,493)
Superannuation Actuarial Gains/(Losses)	5(b)	10,402	95,161
Income tax relating to items that will not be reclassified	6(a)(ii)	(3,121)	103,600
<b>Total items that will not be reclassified subsequently to profit or loss</b>		<b>7,281</b>	<b>(241,732)</b>
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Cash Flow Hedge Reserve: Net increase/(decrease)	21	(1,586)	5,235
Income tax relating to items that may be reclassified	6(a)(ii)	476	(1,570)
<b>Total items that may be reclassified subsequently to profit or loss</b>		<b>(1,110)</b>	<b>3,665</b>
<b>Other Comprehensive Income For The Year, Net of Tax</b>		<b>6,171</b>	<b>(238,067)</b>
<b>Total Comprehensive Income For The Year</b>		<b>233,100</b>	<b>(2,643)</b>

The accompanying notes form an integral part of these financial statements.

# Statement of Changes in Equity

For the year ended 30th June 2014

	Capital \$'000	Retained Earnings \$'000	Cash Flow Hedge Reserve \$'000	Asset Revaluation Surplus \$'000	Total \$'000
<b>Balance at 1 July 2012</b>	<b>651,967</b>	<b>-</b>	<b>(2,714)</b>	<b>1,711,040</b>	<b>2,360,293</b>
<b>Comprehensive Income For The Year:</b>					
Profit/(loss) for the year (Note 2(e))	-	235,424	-	-	235,424
Other comprehensive income for the year before related tax effects (Note 2(e))	-	95,161	5,235	(440,493)	(340,097)
Income tax relating to components of other comprehensive income (Note 2(e))	-	(28,548)	(1,570)	132,148	102,030
<b>Total Comprehensive Income For The Year</b>	<b>-</b>	<b>302,037</b>	<b>3,665</b>	<b>(308,345)</b>	<b>(2,643)</b>
<b>Transfers In Reserves:</b>					
Transfers from Asset Revaluation Surplus	-	2,255	-	(2,255)	-
Income tax relating to Transfers from Asset Revaluation Surplus	-	-	-	676	676
<b>Total Transfers In Reserves</b>	<b>-</b>	<b>2,255</b>	<b>-</b>	<b>(1,579)</b>	<b>676</b>
<b>Owner Related Equity Transactions:</b>					
Dividend	-	(184,838)	-	-	(184,838)
<b>Total Owner Related Equity Transactions</b>	<b>-</b>	<b>(184,838)</b>	<b>-</b>	<b>-</b>	<b>(184,838)</b>
<b>Balance at 30 June 2013</b>	<b>651,967</b>	<b>119,454</b>	<b>951</b>	<b>1,401,116</b>	<b>2,173,488</b>
<b>Balance at 1 July 2013</b>	<b>651,967</b>	<b>119,454</b>	<b>951</b>	<b>1,401,116</b>	<b>2,173,488</b>
<b>Comprehensive Income For The Year:</b>					
Profit/(loss) for the year	-	226,929	-	-	226,929
Other comprehensive income for the year before related tax effects	-	10,402	(1,586)	-	8,816
Income tax relating to components of other comprehensive income	-	(3,121)	476	-	(2,645)
<b>Total Comprehensive Income For The Year</b>	<b>-</b>	<b>234,210</b>	<b>(1,110)</b>	<b>-</b>	<b>233,100</b>
<b>Transfers In Reserves:</b>					
Transfers from Asset Revaluation Surplus	-	12,413	-	(12,413)	-
Income tax relating to Transfers from Asset Revaluation Surplus	-	-	-	2,474	2,474
<b>Total Transfers In Reserves</b>	<b>-</b>	<b>12,413</b>	<b>-</b>	<b>(9,939)</b>	<b>2,474</b>
<b>Owner Related Equity Transactions:</b>					
Dividend	-	(178,500)	-	-	(178,500)
<b>Total Owner Related Equity Transactions</b>	<b>-</b>	<b>(178,500)</b>	<b>-</b>	<b>-</b>	<b>(178,500)</b>
<b>Balance at 30 June 2014</b>	<b>651,967</b>	<b>187,577</b>	<b>(159)</b>	<b>1,391,177</b>	<b>2,230,562</b>

The accompanying notes form an integral part of these financial statements.

# Statement of Cash Flows

For the year ended 30th June 2014

	Note	2014 \$'000	2013 \$'000
<b>Cash Flows from Operating Activities</b>			
Cash Receipts from Customers		971,220	982,245
Cash Paid to Suppliers and Employees		(285,606)	(281,519)
Finance Costs Paid		(135,381)	(121,875)
Interest Received		174	205
Income Tax Paid		(81,503)	(62,460)
<b>Net Cash Inflows / (Outflows) from Operating Activities</b>	31(c)	<b>468,904</b>	<b>516,596</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of Property, Plant and Equipment, Intangibles and Investment Property		(586,555)	(533,368)
Proceeds from the Sale of Property, Plant and Equipment		13,365	4,469
<b>Net Cash Inflows / (Outflows) from Investing Activities</b>		<b>(573,190)</b>	<b>(528,899)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from Borrowings		826,132	488,172
Repayments of Borrowings		(537,206)	(329,478)
Dividends Paid	17(a)	(184,838)	(146,862)
<b>Net Cash Inflows / (Outflows) from Financing Activities</b>		<b>104,088</b>	<b>11,832</b>
Net Increase / (Decrease) in Cash and cash equivalents		(198)	(471)
Cash and cash equivalents at Beginning of the Financial Year		1,101	1,572
<b>Cash and cash equivalents at the End of the Financial Year</b>	<b>7, 31(a)</b>	<b>903</b>	<b>1,101</b>

The accompanying notes form an integral part of these financial statements.

# Notes to the Financial Statements

For the year ended 30th June 2014

## 1. Reporting Entity

The financial statements of TransGrid for the year ended 30 June 2014 were authorised for issue in accordance with a resolution of the Directors on 17 September 2014.

TransGrid is a Statutory State Owned Corporation under the *State Owned Corporations Act 1989* and was corporatised under the *Energy Services Corporations Amendment (TransGrid Corporatisation) Act 1998*.

## 2. Summary of Significant Accounting Policies

### (a) Basis of Preparation

The financial statements are general-purpose financial statements, and have been prepared in accordance with Australian Accounting Standards including Accounting Interpretations, the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2010*, the *State Owned Corporations Act 1989* and relevant NSW Treasury Policies and Circulars.

TransGrid is classified as a for-profit entity for the purposes of the application of Australian Accounting Standards and NSW Treasury Policy TPP 05-4 *Distinguishing For-Profit from Not-For-Profit Entities*.

Property, plant and equipment and derivative financial instruments are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention, except as otherwise stated in the financial statements.

Comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements. Where necessary, comparative information has been reclassified to conform to the current year's presentation.

All amounts are rounded to the nearest thousand dollars (\$'000) and are expressed in Australian dollars (AUD).

### (b) Statement of Compliance

The financial statements comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

### (c) New Australian Accounting Standards and Interpretations not yet adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended, but are not yet effective, have not been adopted by TransGrid in preparing the financial statements in accordance with NSW Treasury Circular NSW TC 14-03 *Mandates of Options and Major Policy Decisions under Australian Accounting Standards*.

The following standards, amendments to standards and interpretations included in the table below have been identified as those which may impact TransGrid in the period of initial application. It is considered that these new standards will not have a material impact on TransGrid's financial statements.

Australian Accounting Standard / Interpretation	Applies to annual reporting periods beginning on or after:	Expected to be initially applied in the financial year ending:
<b>AASB 9 Financial Instruments</b>	1 January 2017	30 June 2018
<b>AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</b>	1 January 2015	30 June 2016

### (d) Significant Accounting Judgements, Estimates and Assumptions made by management

In applying TransGrid's accounting policies, management evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on TransGrid. All judgements, estimates and assumptions made are believed to be reasonable, based on the most current set of circumstances known to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

#### (i) Significant accounting judgements

##### Impairment

TransGrid assesses impairment of all assets, excluding investment property, at the end of the reporting period by evaluating conditions specific to TransGrid's business as a whole, which may lead to impairment. If an impairment trigger exists, the recoverable amount of the value in use for the business is determined. Further details on the value in use calculations and adjustment for impairment are disclosed in Note 2(h)(ii).

##### Recovery of Deferred Tax Assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

##### Long Service Leave Provision

The liability for long service leave is based on an annual independent actuarial assessment, supplemented by management considerations, to arrive at a best estimate of the expenditure required to settle present obligations at the end of the reporting period.

##### Workers' Compensation Provision

The liability for workers' compensation is based on an annual independent actuarial assessment, supplemented by management considerations, to arrive at a best estimate of the expenditure required to settle present obligations at the end of the reporting period.

### (ii) Significant accounting estimates and assumptions

#### Allowance for impairment loss on trade and other receivables

Where receivables are outstanding beyond the normal trading terms, the likelihood of recovery of these receivables is assessed by management. This assessment is based on supportable past collection history and historical write-offs of bad debts.

#### Estimation of useful lives of assets

The estimation of the useful lives of assets is based on historical experience, industry comparisons, as well as expected usage, physical wear and tear, and the rate of technical and commercial obsolescence. Further information on the estimation of useful lives is disclosed in Note 2(h)(v).

### (e) Changes in Accounting Policies

Except for the changes below, accounting policies are consistent with those applied in the previous year.

In the current year, TransGrid has adopted the revised AASB 119: *Employee Benefits* and the related consequential amendments for the first time. In accordance with the revised accounting standard and NSW Treasury Circular NSW TC 14-05 *Accounting for Superannuation*, TransGrid has changed its accounting policy with respect to accounting for its defined benefit funds. The most significant impact of the revised accounting standard relates to a change in the calculation method of the defined benefits superannuation interest expense.

Under the revised accounting standard, the net interest expense (income) on the net defined benefit liability (asset) is calculated by multiplying the net liability (asset) by a single discount rate. Previously, the net interest expense (income) was calculated as the difference between the interest cost on the gross defined benefit liability and the expected return on plan assets. This change has the effect of increasing the net interest expense on the net defined benefit liability given that the discount rate is generally lower than the expected return on plan assets.

This has no effect on total comprehensive income as the increase in the net defined benefits superannuation expense which negatively impacts profit or loss will be offset by a corresponding increase in other comprehensive income. There is also no impact on the quantum of the net defined benefits superannuation liability recognised in the Statement of Financial Position under the revised standard.

**Summary of quantitative impacts relating to the change in AASB 119: Employee Benefits**  
**- Statement of Profit or Loss and Other Comprehensive Income**

For the year ended 30 June 2013	As previously reported	Impact of change in accounting policy	As restated
	\$'000	\$'000	\$'000
<b>Profit or Loss:</b>			
Expenses excluding Finance Costs	(397,003)	(17,381)	(414,384)
Others	746,919	-	746,919
<b>Profit/(Loss) before Income Tax Expense</b>	<b>349,916</b>	<b>(17,381)</b>	<b>332,535</b>
Income Tax Expense	(102,325)	5,214	(97,111)
<b>Profit/(Loss) for the Year</b>	<b>247,591</b>	<b>(12,167)</b>	<b>235,424</b>
<b>Other Comprehensive Income:</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Asset Revaluation Surplus: Net increase/(decrease) in revaluations	(440,493)	-	(440,493)
Superannuation Actuarial Gains/(Losses)	77,780	17,381	95,161
Income tax relating to items not reclassified	108,814	(5,214)	103,600
<b>Total items that will not be reclassified subsequently to profit or loss</b>	<b>(253,899)</b>	<b>12,167</b>	<b>(241,732)</b>
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Cash Flow Hedge Reserve: Net increase/(decrease)	5,235	-	5,235
Income tax relating to items that may be reclassified	(1,570)	-	(1,570)
Total items that may be reclassified subsequently to profit or loss	<b>3,665</b>	<b>-</b>	<b>3,665</b>
<b>Other Comprehensive Income For The Year, Net of Tax</b>	<b>(250,234)</b>	<b>12,167</b>	<b>(238,067)</b>
<b>Total Comprehensive Income For The Year</b>	<b>(2,643)</b>	<b>-</b>	<b>(2,643)</b>

For the year ended 30 June 2014	Impact of change in accounting policy
	\$'000
<b>Profit or Loss:</b>	
(Increase)/Decrease in Expenses excluding Finance Costs	(17,459)
(Increase)/Decrease in Income Tax Expense	5,238
<b>Increase/(Decrease) in Profit/(Loss) for the Year</b>	<b>(12,221)</b>
<b>Other Comprehensive Income:</b>	
Increase/(Decrease) in Superannuation Actuarial Gains/(Losses)	17,459
Increase/(Decrease) in Income tax relating to items not reclassified	(5,238)
<b>Increase/(Decrease) in Other Comprehensive Income For The Year, Net of Tax</b>	<b>12,221</b>
<b>Increase/(Decrease) in Total Comprehensive Income For The Year</b>	<b>-</b>

**(f) Cash and cash equivalents**

Cash and cash equivalents in the Statement of Financial Position and for purposes of the Statement of Cash Flows comprise cash on hand, cash at bank and deposits with financial institutions.

**(g) Trade and Other Receivables**

Receivables from trade and other debtors are recognised at amounts due less an allowance for any uncollectible amounts. Collectability of these receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for impairment loss on trade and other receivables is raised when there is objective evidence that TransGrid will not be able to collect the debt.

**- Prescribed Customer Receivables**

As at 30 June 2014, TransGrid's total revenue received for prescribed transmission services, including intra-regional settlement residues and inter-regional settlement residue auction proceeds, was less than the revenue entitlement for the financial year. In accordance with the National Electricity Rules (NER), the under-recovered amount and associated interest was entitled to be recovered when setting future transmission service prices. The revenue under-recovery was recognised in Prescribed Customer Receivables.

**(h) Property, Plant and Equipment**

**(i) Acquisition of Assets**

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by TransGrid. Cost is the amount of cash or cash equivalents paid at the time of acquisition or construction. Cost includes interest on borrowings related to Qualifying Assets as detailed in Note 2(h)(iv).

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

After initial recognition as an asset, items of property, plant and equipment are measured at fair value.

**(ii) Revaluations**

Property, plant and equipment is measured at fair value in accordance with AASB 116 *Property, Plant and Equipment* and NSW Treasury Policy TPP 14-1 *Valuation of Physical Non-Current Assets at Fair Value*. The valuation of property, plant and equipment is determined in a two-step process. First, fair value is determined in accordance with AASB 116 *Property, Plant and Equipment*. Second, the fair value is subject to a separate impairment test in accordance with AASB 136 *Impairment of Assets*.

**Fair Value**

Fair value is best represented as current market price, however where this cannot be observed, an asset's fair value is measured at either depreciated replacement cost or an income approach in accordance with AASB 116 *Property, Plant and Equipment*. NSW Treasury Policy TPP 14-1 *Valuation of Physical Non-Current Assets at Fair Value* also allows the option in AASB 116 *Property, Plant and Equipment* to measure specialised assets using either depreciated replacement cost or an income approach. TransGrid has elected to adopt the option to measure the fair value of its assets using the income approach which reflects a discounted cash flow methodology.

TransGrid assesses at the end of the reporting period whether there is any indication that an asset's carrying amount differs materially from fair value. If any indication exists, the asset is revalued.

Where an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in Other Comprehensive Income and accumulated in Equity under the heading of Asset Revaluation Surplus.

Where an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in Other Comprehensive Income to the extent of any credit balance existing in the Asset Revaluation Surplus in respect of that asset. The decrease recognised in Other Comprehensive Income reduces the amount accumulated in Equity under the heading of Asset Revaluation Surplus.

The accumulated depreciation for the revalued asset is restated proportionately with the change in the gross carrying amount of the asset, so that the carrying amount of the asset after revaluation equals its revalued amount, in line with NSW Treasury Policy.

**Impairment Assessment**

Each year, TransGrid's specialised plant and infrastructure assets, land and buildings, and easements are tested for impairment. Should there be any indication that the cash-generating unit may be impaired, TransGrid makes an estimate of the recoverable amount. TransGrid as a whole, excluding investment property, represents a cash generating unit (CGU).

The recoverable amount is based on the value in use for the business as a whole. In assessing value in use, the estimated future cash flows for the business are discounted to their present value using a discount rate that reflects the risks specific to the business and relevant market assessments.

If the carrying amount of the CGU exceeds the recoverable amount of the business, the assets comprising the business as a whole are considered to be impaired. The assets are written down proportionately by the amount of the excess and a corresponding impairment loss is recognised as a revaluation decrease.

At the end of each year, an assessment is made as to whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, TransGrid estimates the recoverable amount of that asset. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. A reversal of an impairment loss is allocated proportionately to the assets to ensure their carrying amounts reflect the recoverable amount. A corresponding amount is recognised as a revaluation increase.

#### Retirements or Disposals

Upon retirement or disposal, any revaluation surplus relating to the particular asset is transferred to Retained Earnings.

#### (iii) Categories

Property, plant and equipment comprise the following types of assets:

##### – Prescribed Assets

Prescribed Assets comprise property, plant and equipment used by TransGrid to provide electricity transmission services that are regulated by the Australian Energy Regulator (AER). Prescribed assets as disclosed in Notes 12(a) and (b) are:

- Network Asset; and
- Other Assets.

The Network Asset is a complex infrastructure asset that works together as an integrated whole to provide regulated electricity transmission services. It includes the following major parts:

- Land;
- Buildings;
- System Plant and Equipment; and
- Communication Equipment.

##### – Negotiated Transmission Assets

Negotiated transmission assets include those assets relating to some connection services between TransGrid and:

- Generators; and
- Large load customers.

##### – Non-regulated Assets

Non-regulated Assets comprise property, plant and equipment used by TransGrid to provide services other than prescribed and negotiated electricity transmission services. Non-regulated assets as disclosed in Notes 12(a) and (b) are:

- Network Asset; and
- Other Assets.

#### (iv) Capitalisation

Capital expenditure is defined as expenditure in relation to:

- acquisition of a new unit of plant;
- installation of a new unit of plant;
- work performed on a unit of plant, where the need for the work existed at the time the unit was acquired and the work was carried out prior to it being put into operation;
- replacement of a unit of plant, or of a substantial part of a unit of plant;
- an addition or alteration to a unit of plant, which results in an increase in economic benefits.

Interest on borrowings is capitalised against Qualifying Assets in accordance with AASB 123 *Borrowing Costs*. Qualifying Assets are assets which take more than 12 months to be ready for their intended use.

Expenditure is not capitalised below a minimum threshold of \$3,000.

#### (v) Depreciation

Property, plant and equipment, excluding land, are depreciated over their estimated useful lives. The straight-line depreciation method is used. Assets are depreciated from the month of acquisition or in respect of constructed assets, from the time the asset reaches practical completion and is ready for use.

Asset lives are reviewed annually in accordance with AASB 116 *Property, Plant and Equipment*, and where required, adjustments have been made to the remaining useful lives of separately identifiable parts of assets having regard to factors such as asset usage and the rate of technical and commercial obsolescence.

Within the Prescribed, Non-regulated and Negotiated Transmission Asset base the following sub-categories have been established. The useful lives presently assigned to these assets are:

<b>Prescribed &amp; Non-regulated Assets</b>	Network Asset	Buildings	40 years
		System Plant and Equipment	20 – 50 years
		Communication Equipment	7 – 35 years
	Other Assets		2 – 10 years
<b>Negotiated Transmission Assets</b>	Network Asset	System Plant and Equipment	20 – 40 years

#### (i) Intangible assets

Intangible assets are measured at cost and comprise Easements and Computer software as disclosed in Notes 13(a) and (b).

Capital expenditure on intangible assets is defined as expenditure in relation to:

- acquisition of computer software or easements;
- installation of computer software;
- an addition or alteration to computer software, which results in an increase in economic benefits.

Easements are a component of TransGrid's infrastructure assets that provide electricity transmission services that are regulated by the AER. Easements are assessed for impairment on an annual basis and are not amortised as they are granted for an unlimited time, and thus have an indefinite useful life.

Computer software is amortised over a period of 4 - 5 years using the straight-line amortisation method. Amortisation expense is included in the "Expenses excluding Finance Costs" line item of the Statement of Profit or Loss and Other Comprehensive Income. The useful life for software is reviewed annually, and adjustments where applicable, are made on a prospective basis.

Expenditure is not capitalised below a minimum threshold of \$3,000.

#### (j) Investment Property

Investment property is initially measured at cost and subsequently at fair value, with any change therein recognised in profit or loss.

#### (k) Inventories

Inventories of Stores and Materials are valued at the lower of cost and net realisable value. Cost is determined by TransGrid to be the weighted average cost of items in store. TransGrid's inventories relate mostly to specialist equipment. As there is no active market in respect of the majority of TransGrid's inventories, TransGrid recognises the weighted average cost of items as a proxy for lower of cost and net realisable value.

#### (l) Borrowings

All borrowings are measured at amortised cost using the effective interest method. Furthermore, TransGrid's overall debt portfolio includes a number of Consumer Price Index (CPI) linked bonds which are subject to a quarterly CPI adjustment.

Interest on borrowings is recognised as an expense in the period in which it is incurred unless it relates to qualifying assets. Qualifying assets are assets, which take more than 12 months to get ready for their intended use. Where funds are borrowed generally, interest on the borrowings is capitalised to qualifying assets in accordance with AASB 123 *Borrowing Costs*.

The amount of interest attributed to qualifying assets during the year was \$25.2m (2013 - \$24.9m) at a weighted average rate of 6.5% (2013 – 6.8%).

Loans are classified as current when they have a maturity of less than one year from the end of the reporting period.

#### (m) Payables

Accounts payable, including accruals not yet billed, are recognised when TransGrid has an obligation to pay as a result of the completion of a work or service.

#### (n) Dividends

Provision is made for the amount of dividend payable in relation to the current financial year, in accordance with the dividend recognition policy set out in NSW Treasury Policy TPP 14-4 *Financial Distributions Policy for Government Businesses*. Accordingly, a dividend in relation to the financial year is taken to be determined before the end of the reporting period, consistent with the requirements of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

A dividend of \$178.5m (2013: \$184.8m) is payable from profit for the year in accordance with the recommendation by TransGrid's Board and confirmation by the shareholder.

## (o) Employee Benefits

A calculation in accordance with AASB 119 *Employee Benefits* and NSW Treasury Circular NSW TC 14-04 *Accounting for Long Service Leave and Annual Leave* is made each year in respect of TransGrid's liability at the end of the reporting period for employee benefits relating to long service leave, annual leave and short term incentive schemes, and an annual contribution is made to adjust the provision to an amount which is considered adequate to meet that liability.

### (i) Annual Leave

The provision for employee benefits relating to annual leave represents the amount which TransGrid has a present obligation to pay resulting from employees' services provided up to the end of the reporting period and includes related on-costs.

The provision has been calculated at nominal amounts based on the remuneration rates that are expected to be paid when the leave is taken, rather than discounted amounts, as TransGrid deems the difference between the calculation methods to be immaterial.

### (ii) Long Service Leave

The liability for employee benefits relating to long service leave has been calculated on the basis of current salary rates to be paid by TransGrid resulting from employees' services provided up to the end of the reporting period and includes related on-costs. The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Expected future payments are discounted using market yields at the reporting date on Commonwealth Government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

## (p) Superannuation

TransGrid contributes to the Energy Industries Superannuation Scheme Pool B which is a defined benefit superannuation scheme for which liabilities accrue.

The Energy Industries Superannuation Scheme (the Fund) is divided into seven divisions, of which Divisions B, C and D provide defined benefits whereby at least a component of the final benefit is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal. Divisions B, C and D are closed to new members except for members of eligible schemes who can transfer their entitlements into the Fund.

TransGrid also contributes to a number of accumulation superannuation schemes for which no long-term liability accrues.

The Fund was established on 30 June 1997 by a Trust Deed made under an Act of the NSW Parliament, for the purpose of providing retirement benefits for employees of certain Energy Industries bodies in NSW.

The Fund is regulated primarily by the *Superannuation Industry (Supervision) Act 1993 (Cth)* ("the SIS legislation"), but is also subject to regulation under the *Superannuation Administration Act 1996 (NSW)*.

The SIS legislation governs the superannuation industry and provides the framework within which superannuation plans operate. The SIS Regulations require an actuarial valuation to be performed for each defined benefit superannuation plan every three years, or every year if the plan pays defined benefit pensions, unless an exemption has been obtained.

The prudential regulator, the Australian Prudential Regulation Authority (APRA), licenses and supervises regulated superannuation plans.

The Fund has received an exemption from annual actuarial valuation and therefore actuarial valuations are only required triennially. The last actuarial valuation of the Fund was performed as at 30 June 2012.

The Fund's Trustee is responsible for the governance of the Fund. The Trustee has a legal obligation to act solely in the best interests of the Fund's beneficiaries. The Trustee has the following roles:

- Administration of the Fund and payment to the beneficiaries from Fund assets when required in accordance with the Fund rules;
- Management and investment of the Fund assets;
- Compliance with other applicable regulations; and
- Compliance with the Trust Deed.

There are a number of risks to which the Fund exposes TransGrid. The more significant risks relating to the defined benefits are:

- Investment risk - The risk that investment returns will be lower than assumed and TransGrid will need to increase contributions to offset this shortfall;
- Longevity risk - The risk that pensioners live longer than assumed, increasing future pensions;
- Pension indexation risk - The risk that pensions will increase at a rate greater than assumed, increasing future pensions;
- Salary growth risk - The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions; and
- Legislative risk - The risk that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

The Fund advises the level of liability in respect of TransGrid's superannuation commitments to its employees who are members of the various divisions of the Fund. The calculation of the superannuation position is based upon actuarial reviews independent of TransGrid's ongoing activities and involvement. Various actuarial assumptions underpin the determination of TransGrid's defined benefit obligations. These assumptions and the related carrying amounts are disclosed in Note 5.

TransGrid recognises the net total of the following as an asset or a liability in its Statement of Financial Position:

- Present value of the defined benefit obligation at the end of the reporting period; and
- Fair value of Fund assets in the defined benefit Funds at the end of the reporting period.

In accordance with NSW Treasury Circular NSW TC 14-05 *Accounting for Superannuation*, remeasurements of the net defined benefit liability are recognised in Other Comprehensive Income while service costs and net interest on the net defined liability are recognised in profit or loss.

## (q) Insurance

TransGrid maintains a mix of external insurance policies and internal provisioning in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. The treatment of risks and associated liabilities are determined in conjunction with independent insurance advisers and loss adjusters.

Prior to 1 July 2012, TransGrid was a self-insurer for Workers' Compensation. The liability for claims made, or to be made, against the Insurance Provision was determined by reference to the *Workers Compensation Act 1987* and the WorkCover Authority's guidelines to self-insurers. From 1 July 2012, TransGrid's insurance arrangements, including Workers' Compensation, are provided by the NSW Treasury Managed Fund (TMF).

Insurable incidents occurring prior to 1 July 2012 are treated in accordance with the previous insurance arrangements, while incidents from 1 July 2012 onwards are managed under the TMF arrangements. This development will reduce TransGrid's need to self-insure and provides broader commercial protection for the period post 30 June 2012.

## (r) Electricity Creditors

Electricity Creditors relate to monies received for electricity transmission services that are above the

revenue cap as determined by the AER and from the National Electricity Market settlement residues process.

In the event that these residues cause the total revenue received during the year to exceed TransGrid's revenue cap, the excess is held in Electricity Creditors and is taken into account when setting the next period's transmission service prices, resulting in those prices being lower than they would have otherwise been.

## (s) Derivative Financial Instruments

TransGrid uses derivative financial instruments such as forward foreign currency contracts to hedge its risks associated with foreign currency fluctuations.

For the purposes of hedge accounting, TransGrid classifies its hedges as cash flow hedges. The hedges are undertaken to address exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to cash flow hedges to hedge firm commitments which meet the specific conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in Other Comprehensive Income and the ineffective portion, subject to a materiality threshold, is recognised in profit or loss.

When the underlying transaction results in the recognition of an asset or liability, then at the same time the associated gains or losses from the hedge that had previously been recognised in Other Comprehensive Income are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

## (t) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to TransGrid and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

### (i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

### (ii) Rendering of services

Revenue from electricity transmission services is subject to the application of an AER determined Maximum Allowable Revenue (MAR) for the financial year. TransGrid is in the final year of the current five

year regulatory determination which operates from July 2009 to June 2014. The transmission service prices are set at the beginning of the financial year in accordance with the MAR.

Revenue from the rendering of other services is recognised when the service is provided or by reference to the stage of completion. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

### (iii) Interest

Interest revenue is recognised as it is earned, using the effective interest method.

### (iv) Contributions for Capital Works

Cash and non-cash capital contributions are recognised in accordance with Accounting Interpretation 18 *Transfers of Assets from Customers*.

Contributions of non-current assets are recognised as revenue and an asset when TransGrid gains control of the asset. The amount recognised is the fair value of the contributed asset at the date on which control is gained.

Cash capital contributions are recognised as revenue when the network is extended or modified, consistent with the terms of the contribution.

### (u) Income Tax

TransGrid is subject to the National Tax Equivalent Regime (NTER) administered by the Australian Taxation Office (ATO). The NTER is based on application of federal income tax laws under which TransGrid pays income tax equivalents to NSW Treasury.

Deferred income tax is provided on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability, and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised, except where the deferred income tax asset arises from the initial recognition of an asset or liability, and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rate that is expected to apply to the year when the asset is realised or the liability is settled, based on tax rate (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Income taxes relating to items recognised directly in equity (such as asset revaluation surplus, cash flow hedges and superannuation actuarial gains and losses) are recognised in equity and not in profit or loss.

### (v) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), with the following exceptions:

- Where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense; and
- Receivables and payables are stated with the amount of GST included.

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

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

### (w) Financial Risk Management

#### Overview

TransGrid has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity and funding risk;
- Interest rate risk;
- Foreign exchange risk;
- Commodity risk; and
- Operational risk.

#### Credit Risk

Credit risk is the risk that arises if a financial loss is suffered due to the inability of the counterparty being able to meet its financial obligations to TransGrid.

The risk is managed by only undertaking transactions with government owned financial institutions and

commercial banks with a minimum credit rating threshold. Monetary limits apply to contain the exposure within reasonable levels.

#### Trade and other receivables

TransGrid's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of TransGrid's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk.

TransGrid considers a concentration of credit risk to exist when an individual customer's outstanding trade receivable balance exceeds 10% of the total trade receivables balance. Approximately 85% (2013 - 83%) of TransGrid's trade debtors balance is attributable to three distribution customers who have individual trade debtors balances in excess of 10% of the total balance. All of TransGrid's distribution customers have been transacting with the organisation since its inception, with no credit losses occurring during that time.

#### Liquidity and Funding Risk

The main objective of liquidity risk management is to ensure that TransGrid has sufficient funds available to meet its financial obligations and in a timely manner.

TransGrid maintains detailed cash flow forecasts and uses approved instruments with liquidity limits to maintain adequate cash flow. Borrowing limits are monitored to ensure funding commitments for major capital works are in place. The debt portfolio is managed in such a way that no more than 20% of the total projected portfolio will mature in any 12 month period. TransGrid has entered into forward start borrowing agreements with the NSW Treasury Corporation to manage liquidity and funding risk.

As at 30 June 2014, TransGrid had 1 forward start borrowing with a face value of \$96.1m which will be drawn during the 2014/15 financial year.

#### Interest Rate Risk

Interest rate risk is the risk of a material change in earnings as a consequence of adverse movements in interest rates.

The objective in managing interest rate risk is to minimise interest expense volatility whilst ensuring that an appropriate level of flexibility exists to accommodate potential changes in funding requirements and movements in market interest rates. To achieve this, TransGrid's overall debt portfolio comprises nominal, floating rate, Consumer Price Index (CPI) linked and working capital facilities.

As TransGrid's debt portfolio includes CPI linked bonds, a component of the interest rate risk relates to the risk from CPI movements.

#### Foreign Exchange Risk

Foreign Exchange risk is the risk that TransGrid suffers financial loss due to a change in foreign exchange rates.

TransGrid's policy is to hedge all foreign currency exposures in excess of AUD 0.5 million equivalent.

#### Commodity Risk

TransGrid may be exposed to commodity price risk typically in relation to adverse and unexpected increases in costs for infrastructure related capital expenditure. TransGrid's preferred position in relation to commodity risk is to negotiate fixed price contracts with its suppliers. In addition, appropriate policies are in place to monitor movements in commodity prices with hedging strategies to mitigate risk.

#### Operational Risk

Operational risk is the risk that TransGrid suffers financial loss due to mismanagement, error, fraud or unauthorised use of financial products.

Appropriate segregation of duties and maintenance of control systems are in place to mitigate operational risk.

### (x) Capital Management

TransGrid has been subject to the NSW Government's Financial Distribution Policy since its inception and is fully committed to providing an adequate return to its Shareholder. This objective must be managed within the regulatory framework provided by the NER, given that the majority of TransGrid's revenue is subject to regulation.

TransGrid's return on capital is based on a Weighted Average Cost of Capital (WACC) set by the AER, as part of the revenue cap determination process at five-year intervals. The regulatory rate of return is set at a level deemed sufficient to ensure the continuing viability of TransGrid's business and to encourage necessary investment in new and replacement assets. The WACC applicable to TransGrid for the current five-year regulatory period ending 30 June 2014 is 10.05%.

There were no changes in TransGrid's approach to capital management during the year.

TransGrid is not subject to externally imposed capital requirements.

### (y) Joint Ventures

TransGrid has entered into an Unincorporated Joint Venture Agreement for the future provision of telecommunications services.

In accordance with AASB 128 *Interests in Associates and Joint Ventures*, the joint venture is deemed to be a jointly controlled operation as each venturer uses its own assets in pursuit of the joint operations. The joint venture has not traded.

## 3. Income

	2014 \$'000	2013 \$'000
<b>Revenue</b>		
Prescribed Services	878,065	864,412
Non-prescribed Services	31,946	22,586
Interest	456	205
Sundry	414	649
<b>Total Revenue</b>	<b>910,881</b>	<b>887,852</b>

## 4. Expenses

	2014 \$'000	2013 \$'000
<b>Expenses excluding Losses &amp; Finance Costs</b>		
Prescribed Services	409,780	400,536
Non-prescribed Services	14,964	12,838
<b>Total Expenses excluding Losses &amp; Finance Costs</b>	<b>424,744</b>	<b>413,374</b>
Net Loss on Disposal of Property, Plant and Equipment	1,964	925
Net Loss on Cash Flow Hedges	-	85
<b>Total Expenses excluding Finance Costs</b>	<b>426,708</b>	<b>414,384</b>
Finance Costs	151,915	140,933
<b>Total Expenses</b>	<b>578,623</b>	<b>555,317</b>

### Total Expenses above include:

	2014 \$'000	2013 \$'000
Depreciation of Property, Plant and Equipment (refer to Note 12(b))	223,581	234,770
Amortisation of Intangibles (refer to Note 13(b))	15,291	9,063
Impairment Loss on Trade and Other Receivables	-	16
Inventory Expense	2,758	2,537
Inventory Write-downs	237	441
Employee Benefits Expense	132,548	126,419
Defined Contribution Superannuation Funds Expense	8,594	7,561

### Maintenance Expenses are a subset of the above total expenses:

	2014 \$'000	2013 \$'000
<b>Maintenance Expense:</b>		
Prescribed		
Employee-related maintenance expense	41,370	40,902
Other maintenance expense	32,113	22,625
<b>Prescribed – Maintenance Expense</b>	<b>73,483</b>	<b>63,527</b>
Non-prescribed		
Employee-related maintenance expense	64	49
Other maintenance expense	150	156
<b>Non-prescribed – Maintenance Expense</b>	<b>214</b>	<b>205</b>
<b>Total Maintenance Expense</b>	<b>73,697</b>	<b>63,732</b>

## 5. Superannuation Defined Benefit Funds

The following tables summarise the components of movement in TransGrid's net superannuation asset/liability recognised in Profit or Loss and Other Comprehensive Income, and the funded status and amounts recognised in the Statement of Financial Position for the defined benefit superannuation funds.

The Assets and Liabilities of TransGrid's Energy Industries Superannuation Scheme Defined Benefit Funds are provided by the Fund's Actuary, Mercer Consulting (Australia) Pty Ltd.

### (a) Movements in Superannuation Net Asset/(Liability) recognised in profit or loss

	2014 \$'000	2013 \$'000
Current service cost	(8,908)	(10,435)
Net interest	(8,431)	(9,283)
<b>Total net income/(expense)</b>	<b>(17,339)</b>	<b>(19,718)</b>

### (b) Movements in Superannuation Net Asset/(Liability) recognised in Other Comprehensive Income

	2014 \$'000	2013 \$'000
Actuarial gains/(losses) on liabilities	(24,336)	49,102
Actuarial gains/(losses) on assets	34,738	46,059
<b>Total actuarial gains/(losses)</b>	<b>10,402</b>	<b>95,161</b>

### (c) Reconciliation of the Superannuation Net Asset/(Liability)

	2014 \$'000	2013 \$'000
<b>Net Asset/(Liability) at the beginning of the year</b>	<b>(269,556)</b>	<b>(367,526)</b>
Current service cost	(8,908)	(10,435)
Net Interest on the net defined benefit asset/(liability)	(8,431)	(9,283)
Actuarial gains/(losses) on assets	34,738	46,059
Actuarial gains/(losses) arising from changes in demographic assumptions	-	(25,165)
Actuarial gains/(losses) arising from changes in financial assumptions	(23,923)	82,529
Actuarial gains/(losses) arising from liability experience	(413)	(8,262)
Employer Contributions	17,875	22,527
<b>Net Asset/(Liability) at the end of the year</b>	<b>(258,618)</b>	<b>(269,556)</b>

### (d) Reconciliation of the present value of the defined benefit obligations

	2014 \$'000	2013 \$'000
<b>Present value of defined benefit obligations at the beginning of the year</b>	<b>(704,562)</b>	<b>(738,659)</b>
Current service cost	(8,908)	(10,435)
Interest cost	(24,788)	(20,576)
Contributions by Fund participants	(3,292)	(3,568)
Actuarial (gains)/losses arising from changes in demographic assumptions	-	(25,165)
Actuarial (gains)/losses arising from changes in financial assumptions	(23,923)	82,529
Actuarial (gains)/losses arising from liability experience	(413)	(8,262)
Benefits Paid	24,883	15,296
Taxes, premiums & expenses paid	3,659	4,278
<b>Present value of defined benefit obligations at the end of the year</b>	<b>(737,344)</b>	<b>(704,562)</b>

### (e) Reconciliation of the fair value of Fund assets

	2014 \$'000	2013 \$'000
<b>Fair value of Fund assets at the beginning of the year</b>	<b>435,006</b>	<b>371,133</b>
Interest income	16,357	11,293
Actuarial gains/(losses) on assets	34,738	46,059
Employer Contributions	17,875	22,527
Contributions by Fund participants	3,292	3,568
Benefits Paid	(24,883)	(15,296)
Taxes, premiums & expenses paid	(3,659)	(4,278)
<b>Fair value of Fund assets at the end of the year</b>	<b>478,726</b>	<b>435,006</b>

**(f) Maturity profile of defined benefit obligations**

The weighted average duration of the defined benefit obligation is 14.3 years (2013 – 15.1 years).

**(g) Description of significant events**

There were no Fund amendments, curtailments or settlements during the year.

**(h) Fair value of Fund assets**

All Division B, C and D assets are held in Pool B of the Fund. Pool B in turn holds units invested in the Energy Investment Fund, a pooled superannuation trust. As such, assets are not separately invested for each employer and it is not possible or appropriate to disaggregate and attribute Fund assets to individual entities, and the disclosures below relate to total assets of Pool B of the Fund.

**As at 30 June 2014**

Asset Category	Total \$'000	Quoted prices in active markets for identical assets Level 1 \$'000	Significant observable inputs Level 2 \$'000	Unobservable inputs Level 3 \$'000
Energy Investment Fund	2,377,119		2,377,119	
<b>Total</b>	<b>2,377,119</b>		<b>2,377,119</b>	

It was not practicable to produce the Energy Investment Fund assets split between active and non-active markets as at 30 June 2013.

Level 1 - quoted prices in active markets for identical assets or liabilities. The assets in this level are listed shares and listed unit trusts.

Level 2 - inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are cash, notes, government, semi-government and corporate bonds and unlisted trusts containing where quoted prices are available in active markets for identical assets or liabilities.

Level 3 - inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property, unlisted shares, unlisted infrastructure, distressed debt and hedge funds.

Some Pool B assets are invested in accordance with member investment choices. For Pool B assets invested in the Energy Investment Fund but not subject to investment choice, the percentage invested in each asset class at the end of the reporting period is:

**As at 30 June 2014**

Asset Category	2014
Alternatives	25%
International Equities	23%
Australian Equities	17%
Fixed Income	12%
Infrastructure	10%
Property	7%
Emerging Markets	4%
Private Equity	1%
Cash	1%
<b>Total</b>	<b>100%</b>

It was not practicable to produce the respective percentages invested in each asset class in the Energy Investment Fund as at 30 June 2013.

Derivatives can be used by investment managers, however strict investment guidelines detail all limits approved on the use of derivatives. The use of derivatives is governed by the investment policies, which permit the use of derivatives to change the Fund's exposure to particular assets. The Trustee requires that derivative financial instruments are not entered into for speculative purposes or to gear the Fund, and that all derivatives

positions are (a) fully cash covered; (b) are offset to existing assets; or (c) are used to alter the exposures in underlying asset classes. Compliance with policies and exposure limits are reviewed by the Trustee on a continual basis. As such, the investment managers make limited use of derivatives.

The fair value of Fund assets includes no amounts relating to:

- any of TransGrid's financial instruments; and
- any property occupied by, or other assets used by, TransGrid.

**(i) Significant actuarial assumptions at the end of the reporting period:**

	2014	2013
Discount rate	3.57% p.a.	3.80% p.a.
Salary increase rate (excluding promotional increases)	2.5% p.a.	2.5% p.a.
Rate of CPI Increase	2.5% p.a.	2.5% p.a.
Contributions tax rate	15% p.a.	15% p.a.
Pensioner mortality	As per 30 June 2012 triennial report	As per 30 June 2012 triennial report

**(j) Sensitivity Analysis**

TransGrid's total defined benefit obligation as at the end of the reporting period under several scenarios is presented below. Scenarios A to F relate to the sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to its sensitivity to demographic assumptions.

**As at 30 June 2014**

	Base case	Scenario A -1.0% discount rate	Scenario B +1.0% discount rate
Discount rate	3.57%	2.57%	4.57%
Rate of CPI increase	2.5%	2.5%	2.5%
Salary inflation rate	2.5%	2.5%	2.5%
Defined benefit obligation (\$000)	737,344	855,374	642,514

	Base case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	3.57%	3.57%	3.57%
Rate of CPI increase	2.5%	3.0%	2.0%
Salary inflation rate	2.5%	2.5%	2.5%
Defined benefit obligation (\$000)	737,344	783,296	695,457

	Base case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	3.57%	3.57%	3.57%
Rate of CPI increase	2.5%	2.5%	2.5%
Salary inflation rate	2.5%	3.0%	2.0%
Defined benefit obligation (\$000)	737,344	750,206	725,114

	Base case	Scenario G +5% pensioner mortality rates	Scenario H -5% pensioner mortality rates
Defined benefit obligation (\$000)	737,344	729,889	745,237

The defined benefit obligation has been recalculated by changing the assumptions outlined above, whilst retaining all other assumptions.

**(k) Asset/Liability matching strategies**

TransGrid is not aware of any asset and liability matching strategies currently adopted by the Fund.

**(l) Funding arrangements for employer contributions**

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2012. Contribution rates are set after discussions between TransGrid and the trustee.

Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review.

**(i) Net Surplus/(Liability)**

The following is a summary of the financial position of the Fund as at the end of the reporting period calculated in accordance with AAS 25 *Financial Reporting by Superannuation Plans*.

	2014 \$'000	2013 \$'000
Net market value of Fund assets	478,726	435,006
Accrued benefits	(492,813)	(477,772)
<b>Net Surplus/(Liability)</b>	<b>(14,087)</b>	<b>(42,766)</b>

**(ii) Contribution Recommendations**

Recommended contribution rates for the entity are:

**As at 30 June 2014**

Division B	Division C	Division D	Additional Contributions
Multiple of member contributions	% of member salary	Multiple of member contributions	\$000 p.a.
1.9	2.5%	1.64	7,171

**As at 30 June 2013**

Division B	Division C	Division D	Additional Contributions
Multiple of member contributions	% of member salary	Multiple of member contributions	\$000 p.a.
1.9	2.5%	1.64	15,306

**(iii) Economic Assumptions**

The economic assumptions adopted by the Fund's Actuary in determining the employer contribution recommendations are set out in the following table. These assumptions differ from the economic assumptions shown in Note 5(i) which are used to determine the superannuation net asset/(liability) in the Statement of Financial Position.

Weighted Average Assumptions	2014	2013
Expected rate of return on Fund Assets	7.0% p.a.	7.0% p.a.
Expected salary increase rate	3.5% pa until 30/06/2018; 4% p.a. thereafter	3.5% pa until 30/06/2018; 4% p.a. thereafter
Expected rate of CPI Increase	2.5% p.a.	2.5% p.a.

**(m) Expected contributions**

	\$'000
Expected employer contributions to be paid in the 2014/15 financial year	12,326

**6. Income Tax**

**(a) Income Tax Expense**

Major components of income tax expense for the years ended 30 June 2014 and 2013 are:

**(i) Profit or loss**

	2014 \$'000	2013 \$'000
<b>Current Income Tax</b>		
Current income tax charge	102,622	69,713
Adjustments in respect of current income tax of previous years	3,622	(989)
Total Current Income Tax	106,244	68,724
<b>Deferred Income Tax</b>		
Relating to origination and reversal of temporary differences	(915)	28,387
<b>Income tax expense</b>	<b>105,329</b>	<b>97,111</b>

(ii) **Other Comprehensive Income**

	2014 \$'000	2013 \$'000
<b>Deferred Income Tax</b>		
Net tax (gain)/loss on revaluation of property, plant and equipment	-	(132,148)
Net tax (gain)/loss on superannuation reserve on underlying actuarial losses/gains	3,121	28,548
Net tax (gain)/loss on cash flow hedges	(476)	1,570
<b>Income tax on items taken directly to equity during the year</b>	<b>2,645</b>	<b>(102,030)</b>

(iii) **Statement of Changes in Equity**

	2014 \$'000	2013 \$'000
<b>Deferred Income Tax</b>		
Net tax (gain)/loss on transfers from asset revaluation surplus	(2,474)	(676)
<b>Income tax on items taken directly to equity during the year</b>	<b>(2,474)</b>	<b>(676)</b>

(iv) **Reconciliation of income tax expense on pre-tax accounting profit to income tax expense reported in profit or loss**

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in profit or loss as follows:

	2014 \$'000	2014 \$'000	2013 \$'000	2013 \$'000
Profit/(Loss) Before Income Tax Expense	332,258		332,535	
Income tax expense/(benefit) calculated at statutory income tax rate of 30%		99,677		99,761
Expenditure not allowed for income tax purposes		14		19
Origination and reversal of temporary differences recognised in relation to previous years		2,016		(1,680)
Adjustments in respect of current income tax of previous years		3,622		(989)
<b>Income tax expense recognised in profit or loss</b>		<b>105,329</b>		<b>97,111</b>

(b) **Deferred Income Tax**

Deferred Income Tax at 30 June relates to the following:

	Recognised in Statement of Financial Position		Recognised in Profit or Loss	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Deferred Tax Assets</b>				
Provisions	24,049	24,482	433	454
Superannuation Liability	77,585	80,867	161	843
Property, plant and equipment and Intangibles	16,270	8,682	(7,589)	(5,611)
Other	1,589	1,072	(439)	319
<b>Gross Deferred Tax Assets</b>	<b>119,493</b>	<b>115,103</b>	<b>(7,434)</b>	<b>(3,995)</b>
<b>Deferred Tax Liabilities</b>				
Property, plant and equipment and Intangibles	(832,360)	(838,097)	(3,263)	26,441
Other	(20,364)	(10,981)	9,782	5,941
<b>Gross Deferred Tax Liabilities</b>	<b>(852,724)</b>	<b>(849,078)</b>	<b>6,519</b>	<b>32,382</b>

7. **Cash and cash equivalents**

	2014 \$'000	2013 \$'000
Cash on Hand	13	13
Cash at Bank	890	1,088
<b>Total</b>	<b>903</b>	<b>1,101</b>

8. **Trade and other receivables**

	2014 \$'000	2013 \$'000
<b>Current Debtors</b>		
Debtors	119,298	126,405
<b>Total Debtors</b>	<b>119,298</b>	<b>126,405</b>
<b>Other</b>		
Prepaid Railway Travel Passes	71	79
Prescribed Customer Receivables	22,690	-
<b>Total Other</b>	<b>22,761</b>	<b>79</b>
<b>Total</b>	<b>142,059</b>	<b>126,484</b>

9. **Inventories**

	2014 \$'000	2013 \$'000
Transmission Plant Spares	28,816	31,048
<b>Total</b>	<b>28,816</b>	<b>31,048</b>

10. **Derivatives (assets)**

	2014 \$'000	2013 \$'000
<b>Current</b>		
Forward Foreign Currency Contracts	-	1,331
<b>Total</b>	<b>-</b>	<b>1,331</b>

11. **Other current assets**

	2014 \$'000	2013 \$'000
Prepayments	3,249	4,009
Insurance Recovery Asset	689	661
<b>Total</b>	<b>3,938</b>	<b>4,670</b>

## 12. Property, plant and equipment

### (a) Valuation and accumulated depreciation for each class of property, plant and equipment

	2014 \$'000	2013 \$'000
<b>Prescribed Assets</b>		
Network Assets	10,290,201	9,743,127
Accumulated Depreciation	(5,364,715)	(5,199,051)
Work in Progress	498,378	631,274
	<b>5,423,864</b>	<b>5,175,350</b>
Other Assets	120,057	112,196
Accumulated Depreciation	(75,457)	(68,759)
Work in Progress	13,201	10,446
	<b>57,801</b>	<b>53,883</b>
<b>Total Prescribed Assets</b>	<b>5,481,665</b>	<b>5,229,233</b>
<b>Negotiated Transmission Assets</b>		
Network Assets	91,894	64,194
Accumulated Depreciation	(15,186)	(11,740)
Work in Progress	23,433	18,456
<b>Total Negotiated Transmission Assets</b>	<b>100,141</b>	<b>70,910</b>
<b>Non-regulated Assets</b>		
Network Assets	42,948	19,775
Accumulated Depreciation	(11,913)	(10,780)
Work in Progress	4,769	19,683
	<b>35,804</b>	<b>28,678</b>
Other Assets	768	1,097
Accumulated Depreciation	(204)	(176)
Work in Progress	155	312
	<b>719</b>	<b>1,233</b>
<b>Total Non-regulated Assets</b>	<b>36,523</b>	<b>29,911</b>
<b>Total Property, Plant and Equipment</b>	<b>5,618,329</b>	<b>5,330,054</b>

### (b) Reconciliations of the carrying amounts of each class of Property, Plant and Equipment at the beginning and end of the financial year

Property, Plant and Equipment is treated in accordance with the various explanations set out in Note 2. Property, Plant and Equipment are valued in accordance with NSW Treasury Policy TPP 14-1 *Valuation of Physical Non-Current Assets at Fair Value*.

2014	Carrying Amount at Beginning of year \$'000	Movements \$'000	Disposals \$'000	Depreciation \$'000	Revaluation Increments/ (Decrements) \$'000	Carrying Amount at End of year \$'000
<b>Prescribed Assets:</b>						
Network Assets	5,175,350	467,559	(11,622)	(207,423)	-	5,423,864
Other Assets	53,883	18,562	(3,215)	(11,429)	-	57,801
<b>Total Prescribed Assets</b>	<b>5,229,233</b>	<b>486,121</b>	<b>(14,837)</b>	<b>(218,852)</b>	<b>-</b>	<b>5,481,665</b>
<b>Negotiated Transmission Assets:</b>						
Network Assets	70,910	32,677	-	(3,446)	-	100,141
<b>Total Negotiated Transmission Assets</b>	<b>70,910</b>	<b>32,677</b>	<b>-</b>	<b>(3,446)</b>	<b>-</b>	<b>100,141</b>
<b>Non-regulated Assets:</b>						
Network Assets	28,678	8,258	-	(1,132)	-	35,804
Other Assets	1,233	9	(372)	(151)	-	719
<b>Total Non-regulated Assets</b>	<b>29,911</b>	<b>8,267</b>	<b>(372)</b>	<b>(1,283)</b>	<b>-</b>	<b>36,523</b>
<b>Total</b>	<b>5,330,054</b>	<b>527,065</b>	<b>(15,209)</b>	<b>(223,581)</b>	<b>-</b>	<b>5,618,329</b>

2013	Carrying Amount at Beginning of year \$'000	Movements \$'000	Disposals \$'000	Depreciation \$'000	Revaluation Increments/ (Decrements) \$'000	Carrying Amount at End of year \$'000
<b>Prescribed Assets:</b>						
Network Assets	5,380,832	454,328	(2,245)	(217,072)	(440,493)	5,175,350
Other Assets	56,832	13,862	(2,760)	(14,051)	-	53,883
<b>Total Prescribed Assets</b>	<b>5,437,664</b>	<b>468,190</b>	<b>(5,005)</b>	<b>(231,123)</b>	<b>(440,493)</b>	<b>5,229,233</b>
<b>Negotiated Transmission Assets:</b>						
Network Assets	58,070	15,455	-	(2,615)	-	70,910
<b>Total Negotiated Transmission Assets</b>	<b>58,070</b>	<b>15,455</b>	<b>-</b>	<b>(2,615)</b>	<b>-</b>	<b>70,910</b>
<b>Non-regulated Assets:</b>						
Network Assets	7,120	22,427	-	(869)	-	28,678
Other Assets	1,046	739	(389)	(163)	-	1,233
<b>Total Non-regulated Assets</b>	<b>8,166</b>	<b>23,166</b>	<b>(389)</b>	<b>(1,032)</b>	<b>-</b>	<b>29,911</b>
<b>Total</b>	<b>5,503,900</b>	<b>506,811</b>	<b>(5,394)</b>	<b>(234,770)</b>	<b>(440,493)</b>	<b>5,330,054</b>

(c) Cost Model

As at 30 June 2014	Cost \$'000	Accumulated Depreciation \$'000	Net Book Value \$'000
<b>Prescribed Assets:</b>			
Network Asset	5,178,445	1,436,365	3,742,080

As at 30 June 2013	Cost \$'000	Accumulated Depreciation \$'000	Net Book Value \$'000
<b>Prescribed Assets:</b>			
Network Asset	4,575,846	1,283,499	3,292,347

### 13. Intangibles

(a) Valuation and Accumulated Amortisation of Intangibles

	2014 \$'000	2013 \$'000
Easements	538,554	514,145
Work in Progress	25,074	43,768
	<b>563,628</b>	<b>557,913</b>
Computer software	85,029	73,922
Accumulated Amortisation	(48,538)	(34,720)
Work in Progress	13,802	14,995
	<b>50,293</b>	<b>54,197</b>
<b>Total Intangibles</b>	<b>613,921</b>	<b>612,110</b>

(b) Reconciliations of the carrying amounts of Intangibles at the beginning and end of the financial year

2014	Carrying Amount at Beginning of Year \$'000	Movements \$'000	Disposals \$'000	Amortisation \$'000	Impairments \$'000	Carrying Amount at End of Year \$'000
<b>Intangible Assets</b>						
Easements	557,913	5,835	(120)	-	-	563,628
Computer software	54,197	11,387	-	(15,291)	-	50,293
<b>Total</b>	<b>612,110</b>	<b>17,222</b>	<b>(120)</b>	<b>(15,291)</b>	<b>-</b>	<b>613,921</b>

2013	Carrying Amount at Beginning of Year \$'000	Movements \$'000	Disposals \$'000	Amortisation \$'000	Impairments \$'000	Carrying Amount at End of Year \$'000
<b>Intangible Assets</b>						
Easements	534,838	23,075	-	-	-	557,913
Computer software	45,757	17,503	-	(9,063)	-	54,197
<b>Total</b>	<b>580,595</b>	<b>40,578</b>	<b>-</b>	<b>(9,063)</b>	<b>-</b>	<b>612,110</b>

### 14. Investment Property

Reconciliation of the carrying amounts of Investment Property at the beginning and end of the financial year

2014	Carrying Amount at Beginning of Year \$'000	Movements \$'000	Disposals \$'000	Revaluation Increments/ (Decrements) recognised in profit or loss \$'000	Carrying Amount at End of Year \$'000
Buildings*	-	43,508	-	-	43,508
<b>Total</b>	<b>-</b>	<b>43,508</b>	<b>-</b>	<b>-</b>	<b>43,508</b>

\* Relates to the TransGrid headquarter building at 180 Thomas Street, Ultimo of which Levels 4 – 9 are not occupied by the organisation.

No rental income or direct operating expenses were recognised in relation to the investment property during the year.

### 15. Other non-current assets

	2014 \$'000	2013 \$'000
Insurance Recovery Asset	6,581	7,502
<b>Total</b>	<b>6,581</b>	<b>7,502</b>

### 16. Trade and other payables

	2014 \$'000	2013 \$'000
<b>Current</b>		
Creditors	93,955	89,802
Accrued Finance Costs	64,843	63,250
GST Payable	5,051	5,054
<b>Total</b>	<b>163,849</b>	<b>158,106</b>

### 17. Provisions

	2014 \$'000	2013 \$'000
<b>Current</b>		
Dividend	178,500	184,838
Employees' Accrued Benefits	73,380	73,924
Insurance	1,007	1,038
	<b>252,887</b>	<b>259,800</b>
<b>Non-Current</b>		
Employees' Accrued Benefits	6,262	7,108
Insurance	9,237	10,398
Superannuation Liability (Note 5(c))	258,618	269,556
	<b>274,117</b>	<b>287,062</b>
<b>Total</b>	<b>527,004</b>	<b>546,862</b>

### (a) Dividends

The following table details the movements in the Dividend Provision during the year:

Class	Opening Balance	Contributions	Payments	Closing Balance
	\$'000	\$'000	\$'000	\$'000
Dividends	184,838	178,500	(184,838)	178,500
<b>Total</b>	<b>184,838</b>	<b>178,500</b>	<b>(184,838)</b>	<b>178,500</b>

### (b) Employees' Accrued Benefits

The following table shows a breakdown of the Current Portion of the Employees' Accrued Benefits Provision at the end of the reporting period, split into the period of time the benefits are expected to be settled:

	2014	2013
	\$'000	\$'000
Within one year	21,555	19,432
Later than one year	51,825	54,492
<b>Total</b>	<b>73,380</b>	<b>73,924</b>

### (c) Insurance

Prior to July 2012 TransGrid was self insured for Workers' Compensation and in accordance with Condition 6(a)(iii) of the license granted under Section 211 of the Workers Compensation Act, 1987, the provision for total outstanding workers' compensation claims liability including incurred but not reported claims and administration is \$10.2m (2013 - \$11.4m). During the financial year, \$1.4m (2013 - \$1.5m) was contributed to the provision for Workers' Compensation.

The provision includes \$7.3m for a 2005 workers' compensation claim under TransGrid's reinsurance policy. Reinsurance recoveries have commenced and future recoveries for this claim are considered to be virtually certain. TransGrid has recognised an insurance recovery asset of \$7.3m based on independent actuarial advice (refer to Notes 11 and 15).

The following table details the movements in the insurance provision during the year:

Class	Opening Balance	Contributions	Payments	Unused Amounts Reversed	Unwinding of Discount / Change in Discount Rate	Closing Balance
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Workers' Compensation	11,436	1,435	(746)	(2,229)	348	10,244
<b>Total</b>	<b>11,436</b>	<b>1,435</b>	<b>(746)</b>	<b>(2,229)</b>	<b>348</b>	<b>10,244</b>

## 18. Derivatives (Liabilities)

	2014	2013
	\$'000	\$'000
<b>Current</b>		
Forward Foreign Currency Contracts	255	-
<b>Total</b>	<b>255</b>	<b>-</b>

## 19. Other current liabilities

	2014	2013
	\$'000	\$'000
Electricity Creditors	-	30,136
Unearned Revenue	4,931	3,454
Security Deposits	2,609	-
<b>Total</b>	<b>7,540</b>	<b>33,590</b>

## 20. Capital

TransGrid commenced operations on 1 February 1995 on separation from Pacific Power under the Electricity Transmission Authority Act, 1994 at which time a series of assets and liabilities were transferred.

TransGrid was corporatised as a Statutory State Owned Corporation on 14 December 1998, with share capital of two \$1.00 shares. These shares were issued to the Treasurer and the Minister for Finance and Services, as Voting Shareholders on behalf of the NSW Government, as at the end of the reporting period. The \$2.00 is reported as part of Capital.

	2014	2013
	\$'000	\$'000
<b>Capital</b>		
Opening Balance	651,967	651,967
Movements	-	-
<b>Closing Balance</b>	<b>651,967</b>	<b>651,967</b>

## 21. Reserves

Reserves	Asset Revaluation Surplus	Cash Flow Hedge Reserve	Total
	\$'000	\$'000	\$'000
<b>As at 30 June 2012</b>	<b>1,711,040</b>	<b>(2,714)</b>	<b>1,708,326</b>
Revaluation of Property, Plant & Equipment (Note 12(b))	(440,493)	-	(440,493)
Transfers to Retained Earnings			
- Revaluation Surplus for assets disposed (Note 22)	(2,255)	-	(2,255)
Tax effect of Property, Plant & Equipment Revaluation (Note 6(a)(ii))	132,148	-	132,148
Tax effect of Transfers to Retained Earnings (Note 6(a)(iii))	676	-	676
Revaluation of Cash Flow Hedges	-	1,498	1,498
Realised (Gains)/Losses on Cash Flow Hedges removed from equity and included in assets	-	3,737	3,737
Tax effect of Cash Flow Hedge Equity Movements (Note 6(a)(iii))	-	(1,570)	(1,570)
<b>As at 30 June 2013</b>	<b>1,401,116</b>	<b>951</b>	<b>1,402,067</b>
Revaluation of Property, Plant & Equipment (Note 12(b))	-	-	-
Transfers to Retained Earnings			
- Revaluation Surplus for assets disposed (Note 22)	(12,413)	-	(12,413)
Tax effect of Property, Plant & Equipment Revaluation (Note 6(a)(ii))	-	-	-
Tax effect of Transfers to Retained Earnings (Note 6(a)(iii))	2,474	-	2,474
Revaluation of Cash Flow Hedges	-	742	742
Realised (Gains)/Losses on Cash Flow Hedges removed from equity and included in assets	-	(2,328)	(2,328)
Tax effect of Cash Flow Hedge Equity Movements (Note 6(a)(iii))	-	476	476
<b>As at 30 June 2014</b>	<b>1,391,177</b>	<b>(159)</b>	<b>1,391,018</b>

The net movement in equity, excluding tax effects, in respect of the Cash Flow Hedge Reserve during the year was (\$1.6m) (2013 - \$5.2m).

#### Asset Revaluation Surplus

This reserve is used to record increases in the fair value of property, plant and equipment, and decreases to the extent that such decreases relate to an increase on the same asset previously recognised in equity. Assets are revalued in accordance with NSW Treasury Policy TPP 14-1 *Valuation of Physical Non-Current Assets at Fair Value*.

#### Cash Flow Hedge Reserve

This reserve records the effective portion of the unrealised gain or loss on the hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flows.

## 22. Retained Earnings

	2014 \$'000	2013 \$'000
Opening Balance	119,454	-
Net Profit/(Loss) Before Dividend	226,929	235,424
Superannuation Actuarial Gains/(Losses)	10,402	95,161
Income Tax Benefit/(Expense) on Superannuation Actuarial Gains/(Losses)	(3,121)	(28,548)
Dividend	(178,500)	(184,838)
Transfers from Asset Revaluation Surplus	12,413	2,255
<b>Closing Balance</b>	<b>187,577</b>	<b>119,454</b>

## 23. Capital expenditure commitments

As at the end of the reporting period, TransGrid had capital expenditure commitments of \$245.6m (2013 - \$379.0m) arising from contracts entered into relating to property, plant and equipment, intangibles and investment property. This expenditure has not been provided for in the accounts.

The capital expenditure commitments above include input tax credits of \$22.3m (2013 - \$34.5m) that are expected to be recoverable from the ATO.

## 24. Dividend and Contributions to Shareholder

A dividend of \$178.5m (2013 - \$184.8m) has been recognised for distribution to the shareholder. The dividend will be paid during the course of the 2014/15 financial year and is represented by the dividend provision.

The Board has indicated its intent to pay an additional dividend out of retained earnings for 2014/15. This will be agreed with the Shareholders as part of the 2014/2015 Statement of Corporate Intent process.

## 25. Secured Liabilities

At the end of the reporting period, there was no loan liability of TransGrid secured by a charge over TransGrid's assets

## 26. Audit Fees

Amounts received, or due and receivable, by the auditors for:

	2014 \$'000	2013 \$'000
Auditing the financial statements	198	192

## 27. Compensation of Key Management Personnel

	2014 \$'000	2013 \$'000
Short-term employee benefits	3,466	2,726
Post-employment benefits	441	392
Other long-term benefits	322	224
<b>Total</b>	<b>4,229</b>	<b>3,342</b>

#### Fees Paid to Directors

Fees, including superannuation benefits paid to Directors, other than salaries paid to full-time Directors, were \$0.4m (2013 - \$0.5m).

No related party transactions were entered into during the 2013/14 financial year.

## 28. Contingent Liabilities and Contingent Assets

### (a) Contingent Liabilities

	2014 \$'000	2013 \$'000
Contract Liabilities	-	4,650

A claim for compensation associated with latent conditions has been made against TransGrid by a contractor. The amount disclosed represents TransGrid management's best estimate at the end of the reporting period. At this stage, it is not possible for management to form an opinion on the likely outcome of this claim.

A claim has been made against TransGrid regarding a dispute associated with suspension of works. At this stage, it is not possible for management to form an opinion about the likely outcome or reliably estimate the amount of this claim.

### (b) Contingent Assets

TransGrid has no contingent assets to disclose as at the end of the reporting period. (2013 - \$28.0m)

## 29. Fair Compensation Trust Account

In accordance with the Land Acquisition (Just Terms Compensation) Act, TransGrid maintains a Trust Account. TransGrid performs only a custodial role in respect of these monies, and as the monies cannot be used for the achievement of the entity's own objectives, these funds are not recognised in the financial statements. The account balance at the end of the reporting period was \$198K (2013 - \$191K).

## 30. Leases

TransGrid has no finance lease commitments. The following lease commitments disclosed are in the nature of non-cancellable operating leases.

#### Lessee

The lease expenditure recognised in profit or loss for the financial year, GST exclusive, was \$2.7m (2013 - \$2.6m) and predominantly relates to a commercial operating lease that commenced on 9 May 2013. Although this lease has a term of 3 years, TransGrid has exercised an early termination option which takes effect on 8 November 2014.

The future minimum lease payments are as follows:

	2014 \$'000	2013 \$'000
Not later than one year	-	3,337
Later than one year but not later than 5 years	-	1,028
Later than 5 years	-	-
<b>Total (including GST)</b>	<b>-</b>	<b>4,365</b>

Total Lease Commitments above include GST input tax credits of Nil (2013 - \$0.4m) that are expected to be recoverable from the ATO.

#### Lessor

TransGrid's investment property is a commercial property which is held with the intention of being leased to third parties. A commercial operating lease agreement was signed on 2 May 2014 and has a term of approximately 10 years with an option to extend for another 4 years. The lease payments will commence from 1 January 2015 and be escalated annually by 3.75%. No contingent rentals will be charged.

A further two retail leases were signed on 22 May 2014 and will commence on 14 August 2014. These leases have terms of 10 years with options to extend for another 5 years. The lease payments will be escalated annually by 4.5%. No contingent rentals will be charged.

The future minimum lease payments are receivable as follows:

	2014 \$'000	2013 \$'000
Not later than one year	1,270	-
Later than one year but not later than 5 years	10,701	-
Later than 5 years	17,493	-
<b>Total (including GST)</b>	<b>29,464</b>	<b>-</b>

Total Lease Commitments above include GST of \$2.7m (Nil - 2013) that are expected to be payable to the ATO.

## 31. Notes to Statement of Cash Flows

### (a) Reconciliation of Cash

Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2014 \$'000	2013 \$'000
Cash and Cash Equivalents	903	1,101

**(b) Dividends and Taxes**

No dividends were received. Dividends and tax equivalents paid during the year amounted to \$266.3m (2013 - \$209.3m).

**(c) Reconciliation of Profit after Income Tax Equivalent Expense to Net Cash Provided by Operating Activities**

	2014 \$'000	2013 \$'000
<b>Profit/(Loss) after Income Tax Equivalent Expense</b>	226,929	235,424
<b>Add/(Less): Items Classified as Financing/Investing Activities</b>		
Net Loss/(Gain) on Disposal of Property, Plant and Equipment	1,964	925
<b>Add/(Less) Non-Cash Items</b>		
Depreciation and Amortisation	238,871	243,833
Amortisation of (Premium)/Discount on Loans	(3,943)	(667)
Borrowings Indexation	17,611	14,357
<b>Net Cash Provided by Operating Activities Before Change in Assets and Liabilities</b>	<b>481,432</b>	<b>493,872</b>
<b>Net Changes in Assets and Liabilities During the Financial Year</b>		
(Increase)/Decrease in Trade Debtors and Other Receivables	(15,575)	(3,433)
(Increase)/Decrease in Inventories	2,232	(3,001)
(Increase)/Decrease in Other Current Assets	732	(345)
(Increase)/Decrease in Other Non-Current Assets	921	(182)
Increase/(Decrease) in Trade Creditors & Other Payables	4,504	4,330
Increase/(Decrease) in Provisions	(3,118)	(5,442)
Increase/(Decrease) in Income Tax & Deferred Taxes	23,826	34,651
Increase/(Decrease) in Other Current Liabilities	(26,050)	(3,854)
<b>Net Cash Provided by Operating Activities</b>	<b>468,904</b>	<b>516,596</b>

**(d) Financing Arrangements**

TransGrid has a number of financial arrangement facilities in place to meet liquidity and contractual requirements as identified in the table below:

Facility Type	Financial Institution	Facility Limit \$'000
Borrowings	NSW Treasury Corporation	3,300,000
Come and Go Facility	NSW Treasury Corporation	170,000
Bank overdraft	Westpac Banking Corporation	30,000
Bank guarantee	NSW Treasury Corporation	8,000
Bank guarantee	Commercial Banks	8,000
Credit card	Westpac Banking Corporation	4,000

**32. Financial Instruments Disclosure****(a) Credit Risk****Exposure to credit risk**

The carrying amount of TransGrid's financial assets represents the maximum credit exposure. TransGrid's maximum exposure to credit risk at the end of the reporting period was:

Carrying Amount	Note	2014 \$'000	2013 \$'000
Cash and cash equivalents	7	903	1,101
Trade and other receivables	8	142,059	126,484
Forward exchange contracts used for hedging (Assets)	10	-	1,331
		<b>142,962</b>	<b>128,916</b>

**Gross receivables and impairment losses**

The aging of TransGrid's trade and other receivables at the end of the reporting period was:

	Gross Receivables 2014 \$'000	Impairment Losses 2014 \$'000	Gross Receivables 2013 \$'000	Impairment Losses 2013 \$'000
Not past due	138,511	-	125,597	-
Past due 1-30 days	3,162	-	780	-
Past due 31-60 days	22	-	16	-
More than 60 days	364	-	91	-
	<b>142,059</b>	<b>-</b>	<b>126,484</b>	<b>-</b>

The above table defines the Gross Receivables expected to be received by TransGrid.

As at the end of the reporting period, all receivable transactions were assessed to determine their fair value and that collectability was highly probable. No impairment losses were recognised in respect to TransGrid's outstanding Gross Receivables balance (2013 - Nil).

**(b) Liquidity and Funding Risk**

The following are the contractual maturities of financial liabilities, including estimated interest payments:

As at 30 June 2014	Carrying Amount \$'000	Contractual Cash Flows \$'000	Less than 1 year \$'000	1 year to 5 years \$'000	More than 5 years \$'000
<b>Non-derivative financial liabilities</b>					
Borrowings	2,738,443	3,684,246	488,563	1,339,087	1,856,596
Forward start borrowings	-	7,574	(96,190)	103,764	-
Trade and other payables	163,849	163,849	163,849	-	-
<b>Derivative financial liabilities</b>					
Forward exchange contracts used for hedging: Gross outflow	255	3,823	3,823	-	-
<b>Total</b>	<b>2,902,547</b>	<b>3,859,492</b>	<b>560,045</b>	<b>1,442,851</b>	<b>1,856,596</b>

As at 30 June 2013	Carrying Amount	Contractual Cash Flows	Less than 1 year	1 year to 5 years	More than 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Non-derivative financial liabilities</b>					
Borrowings	2,435,849	3,394,364	411,135	1,145,428	1,837,801
Forward start borrowings	-	117,301	(302,273)	58,279	361,295
Trade and other payables	158,106	158,106	158,106	-	-
Other financial liabilities	30,136	30,136	30,136	-	-
<b>Derivative financial liabilities</b>					
Forward exchange contracts used for hedging: Gross outflow	-	-	-	-	-
<b>Total</b>	<b>2,624,091</b>	<b>3,699,907</b>	<b>297,104</b>	<b>1,203,707</b>	<b>2,199,096</b>

(c) Foreign Exchange Risk

Cash Flow Hedges

The cash flows arising from cash flow hedges are not expected to materially affect profit or loss.

Cash Flow Hedge Equity Movements

2013/14	Carrying Amount at beginning of period (1/7/13)	Amount recognised in equity during the period	Amount removed from equity and included in profit or loss	Amount removed from equity and included in assets	Carrying Amount at end of period (30/6/14)
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Equity</b>	1,331	742	-	(2,328)	(255)

2012/13	Carrying Amount at beginning of period (1/7/12)	Amount recognised in equity during the period	Amount removed from equity and included in profit or loss	Amount removed from equity and included in assets	Carrying Amount at end of period (30/6/13)
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Equity</b>	(3,903)	1,498	-	3,736	1,331

Sensitivity analysis

TransGrid employs cash flow hedges to remove currency risk associated with the purchase of overseas equipment.

A 10 percent strengthening and weakening of the Australian dollar against the following currencies would have increased/ (decreased) equity, or profit or loss, by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

As at 30 June 2014

Foreign Currency	Impact on Equity in AUD		Impact on Profit or Loss in AUD	
	\$'000	\$'000	\$'000	\$'000
	+10%	-10%	+10%	-10%
EUR	(122)	149	-	-
SEK	(119)	145	-	-
USD	(81)	99	-	-

As at 30 June 2013

Foreign Currency	Impact on Equity in AUD		Impact on Profit or Loss in AUD	
	\$'000	\$'000	\$'000	\$'000
	+10%	-10%	+10%	-10%
EUR	43	2,317	-	-
SEK	4	584	-	-

(d) Interest Rate Risk

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates and the CPI at the end of the reporting period would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

As at 30 June 2014

Variable Rate Instruments	Impact on Profit or Loss	
	\$'000	\$'000
	-100bp	+100bp
Prescribed Customer Receivables	(227)	227
Bank Accounts	(9)	9
Borrowings	1,630	(1,630)
Borrowings: CPI Linked Bonds	6,846	(6,846)
<b>Cash flow sensitivity (net)</b>	<b>8,240</b>	<b>(8,240)</b>

As at 30 June 2013

Variable Rate Instruments	Impact on Profit or Loss	
	\$'000	\$'000
	-100bp	+100bp
Electricity Creditors	301	(301)
Bank Accounts	(11)	11
Borrowings	1,365	(1,365)
Borrowings: CPI Linked Bonds	6,682	(6,682)
<b>Cash flow sensitivity (net)</b>	<b>8,337</b>	<b>(8,337)</b>

(e) **Net Fair Value of Borrowings**

All borrowings are measured at amortised cost using the effective interest method. In comparison, the net fair value of borrowings is based on market values derived by Barrington Treasury Services using market interest rates current at the end of the reporting period and is categorised as Level 2 in the fair value hierarchy (refer to Note 33 for fair value hierarchy definitions). The carrying amounts and net fair values of borrowings at the end of the reporting period are:

	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$'000	\$'000	\$'000	\$'000
Borrowings	2,738,443	3,004,683	2,435,849	2,647,715

### 33. Fair Value Measurement

Financial and non-financial assets and liabilities measured at fair value in the Statement of Financial Position are grouped into three levels of a fair value hierarchy. The three levels are defined in AASB 13: *Fair Value Measurement* as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: unobservable inputs for the asset or liability.

Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change has occurred. No transfers between the levels occurred during the period.

(a) **Fair Value Measurement of Financial Instruments**

The following table shows the levels within the fair value hierarchy of financial assets and liabilities measured at fair value on a recurring basis as at the end of the reporting period:

As at 30 June 2014	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>				
Derivatives	-	-	-	-
<b>Total Financial Assets</b>	-	-	-	-
<b>Financial Liabilities</b>				
Derivatives	-	255	-	255
<b>Total Financial Liabilities</b>	-	<b>255</b>	-	<b>255</b>
<b>Net Fair Value</b>	-	<b>255</b>	-	<b>255</b>

As at 30 June 2013	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>				
Derivatives	-	1,331	-	1,331
<b>Total Financial Assets</b>	-	<b>1,331</b>	-	<b>1,331</b>
<b>Financial Liabilities</b>				
Derivatives	-	-	-	-
<b>Total Financial Liabilities</b>	-	-	-	-
<b>Net Fair Value</b>	-	<b>1,331</b>	-	<b>1,331</b>

**Measurement of fair value of financial instruments**

**Derivatives (Level 2)**

The fair values of derivatives are based on market valuations as at the end of the reporting period. Independent foreign exchange spot rates and forward points are obtained to recalculate the forward rates. These current forward rates are then discounted to calculate the current market value.

For financial instruments measured at amortised cost for which fair value is disclosed, refer to Note 32(e).

(b) **Fair Value Measurement of Non-financial Assets**

The following table shows the Levels within the fair value hierarchy of non-financial assets and liabilities measured at fair value on a recurring basis at the end of the reporting period:

As at 30 June 2014	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<b>Non-financial assets</b>				
Property, Plant & Equipment	-	-	5,618,329	5,618,329
Investment Property	-	43,508	-	43,508
<b>Net Fair Value</b>	-	<b>43,508</b>	<b>5,618,329</b>	<b>5,661,837</b>

**Investment Property (Level 2)**

Due to the timing of the initial recognition of the investment property being close to the end of the reporting period, its fair value was estimated using the cost approach. The cost approach is a valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset.

In the current year, the amount of construction costs incurred in building the investment property was used as a proxy for fair value as at the end of the reporting period. From the 2014/15 financial year, an external, independent property valuer who holds recognised and relevant professional qualifications and has recent experience in the location and category of the investment property being valued, will determine the fair value of the investment property.

### Property, Plant and Equipment (Level 3)

The fair values of property, plant and equipment are estimated using the income approach which is a valuation technique that converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount.

The most significant inputs, all of which are unobservable, are the:

- Forecast cash flows – which are an estimate of the future cash flows TransGrid expects to derive from the CGU; and
- Discount rate.

The estimated fair value increases if forecast cash flows increase or the discount rate decreases and vice versa. The overall valuation is sensitive to both assumptions. Management considers that there is an interrelationship between these inputs.

The rate used to discount TransGrid's forecast cash flows to a present value is 6.98%.

### Sensitivity analysis

For the fair value of property, plant and equipment, reasonably possible changes as at the end of the reporting period to one of the significant unobservable inputs, holding other inputs constant, would have the following effects:

Description	Fair Value as at 30 June 2014 \$'000	Unobservable Inputs	Range Of Inputs	Impact on Equity		Impact on Profit or Loss	
				\$'000	\$'000	\$'000	\$'000
				+0.5%	-0.5%	+0.5%	-0.5%
Property, Plant and Equipment	5,618,329	Discount Rate	6.48% - 7.48% (6.98%)	(388,961)	404,058	-	-

The reconciliation of the carrying amounts of Property, Plant and Equipment classified within Level 3 of the fair value hierarchy is as follows:

2014	Carrying Amount at Beginning of year \$'000	Movements \$'000	Disposals* \$'000	Depreciation* \$'000	Revaluation Increments/ (Decrements)** \$'000	Carrying Amount at End of year \$'000
Property, Plant and Equipment	5,330,054	527,065	(15,209)	(223,581)	-	5,618,329
<b>Total</b>	<b>5,330,054</b>	<b>527,065</b>	<b>(15,209)</b>	<b>(223,581)</b>	<b>-</b>	<b>5,618,329</b>

\* Disposals and Depreciation expense are recognised in profit or loss and included in the line item "Expenses excluding Finance Costs" of the Statement of Profit or Loss and Other Comprehensive Income.

\*\* Revaluation increments/decrements are recognised in other comprehensive and included in the line item "Asset Revaluation Surplus: Net increase/(decrease) in revaluations" of the Statement of Profit or Loss and Other Comprehensive Income.

**End of Audited Financial Statements**

### STATEMENT BY MEMBERS OF THE BOARD

Pursuant to Section 41C of the Public Finance and Audit Act 1983, and in accordance with a resolution of the Board of TransGrid, we declare on behalf of TransGrid that in our opinion:

1. the accompanying Financial Statements and Notes exhibit a true and fair view of the financial position and financial performance of TransGrid for the year ended 30th June 2014;
2. the Financial Statements and Notes have been prepared in accordance with Australian Accounting Standards including Accounting Interpretations, the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2010, the State Owned Corporations Act 1989, and relevant Treasury Circulars; and
3. we are not aware of any circumstances at the date of this declaration which would render any particulars in the Financial Statements and Notes to be misleading or inaccurate.

  
 C DARVALL  
 CHAIRMAN

  
 P MCINTYRE  
 MANAGING DIRECTOR

17/9/2014.  
 Date



## INDEPENDENT AUDITOR'S REPORT

### TransGrid

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of TransGrid (the Corporation), which comprise the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

### Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation as at 30 June 2014, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010
- comply with International Financial Reporting Standards as disclosed in Note 2(b).

My opinion should be read in conjunction with the rest of this report.

### Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards, the PF&A Act and the *State Owned Corporations Act 1989* and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

In Note 2(b), the Directors also state, in accordance with Accounting Standard AASB 101 'Presentation of Financial Statements', that the financial statements comply with International Financial Reporting Standards.

### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does *not* provide assurance:

- about the future viability of the Corporation
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information that may have been hyperlinked to/from the financial statements.

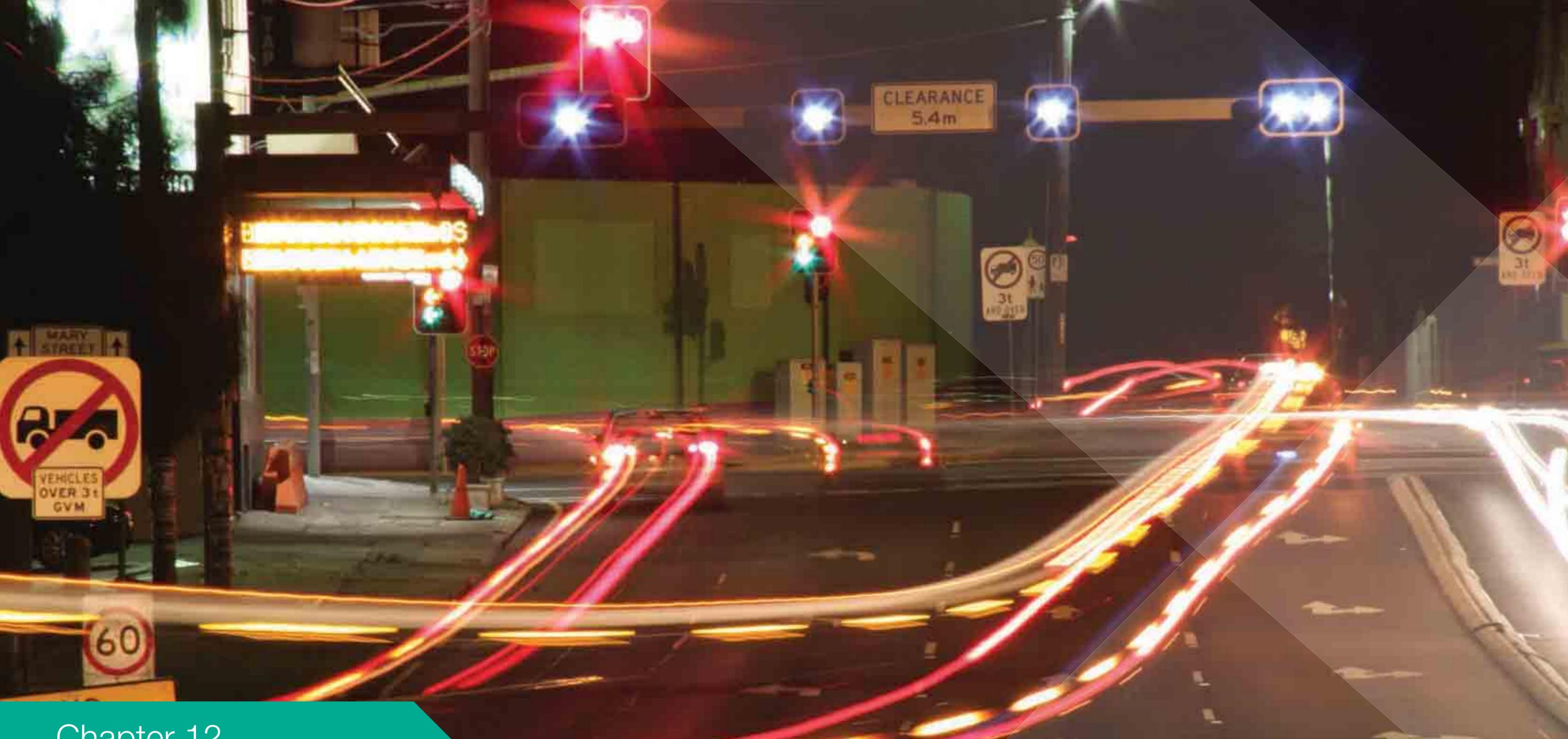
### Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.

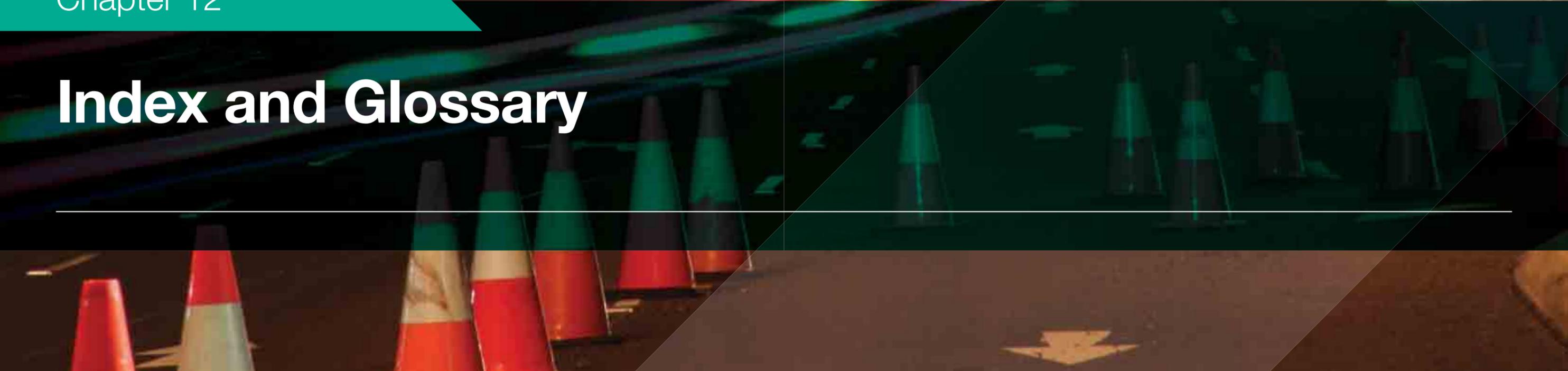
Karen Taylor  
Director, Financial Audit Services

18 September 2014  
SYDNEY



Chapter 12

# Index and Glossary



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# Glossary

Term	Explanation/Comments
AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
ACT	Australian Capital Territory
ADT	Administrative Decisions Tribunal
AER	The Australian Energy Regulator
AEMO	The Australian Energy Market Operator
APRA	Australian Prudential Regulation Authority
ARSB	Annual Reports Statutory Bodies Act
ARSBR	Annual Reports Statutory Bodies Regulation
AS/NZS	Australian Standard/New Zealand Standard
Assets	TransGrid's 'poles and wires', all the substations, and electricity transmission lines that form the network
ASX	Australian Securities Exchange Limited
ATO	Australian Taxation Office
AUD	Australian Dollars
Augmentation Expenditure	Expenditure required to enlarge the transmission system or to increase its capacity to transmit electricity
BeSafeKidz	TransGrid's school community program
Capital Expenditure	When a business spends money either to buy fixed assets to add to the value to existing assets.
CBD	Central Business District
CGU	Cash Generating Unit
CIGRE	Conseil International des Grands Réseaux Électriques (International Council on Large Electric Systems)
CPI	Consumer Price Index
CPP	Community Partnerships Program

Term	Explanation/Comments
Customers	TransGrid's customers are those directly connected to the network. They are either Distribution Network Service Providers, directly connected generators, large industries customers, customers connected through inter-regional connections or potential new customers
CSIRO	Commonwealth Scientific and Industrial Research Organisation
Easement	As easement over a property gives TransGrid the right to construct and maintain our assets, while ownership of the property remains with the original landowner
EBITDA	Earnings before interest, tax, depreciation and amortisation
EEO	Equal Employment Opportunity
GIPA	Government Information Public Access Act
GreenGrid	TransGrid environmental partnership with Greening Australia
GREP	Government Resource Efficiency Policy
GST	Goods and Services Tax
GWh	Gigawatt Hours
IASM	International Accounting Standards Board
IFRS	International Financial Reporting Standards
ISO	International Organisation for Standardisation
ITAMS	International Transmission Asset Management Study
ITOMS	International Transmission Operations and Maintenance Study
km	Kilometres
kV	Operating voltage of electricity transmission equipment. One kilovolt is equal to one thousand volts.
kW	Kilowatt

Term	Explanation/Comments
kWh	Kilowatt hour
Load	The amount of electrical power that is drawn from the network.
LED	Light-emitting diode
LTIFR	Lost time Injury Frequency Rate
MAR	Maximum Allowable Revenue
MW	Mega watts
National Electricity Law	Common laws across the states which compromise the NEM, which make the NER enforceable
Nation Electricity Rules (NER or 'the rules')	The rules that govern the operation of the NEM
NEM	National Electricity Market
Network augmentation	An expansion of the existing electricity transmission network
The Network	The systems and assets which allows electricity to be transported to consumers
Non-network options	Solutions outside of network build
NSCAS	Network Support and Ancillary Services
NSW	New South Wales
NTER	National Tax Equivalent Regime
Operating Expenditure	Expenditures a business incurs as a result of performing its normal business operations
PID	Public Interest Disclosure
PMDD	Permanent Magnet Direct Drive
PMP	Performance Management Process
PPIR™	The Warren Centre Professional Performance, Innovation and Risk

Term	Explanation/Comments
RFS	Rural Fire Service
RPS	Rural Planning Services plc
SES	Senior Executive Service
SIS	Superannuation Industry supervision
Substation	Installation at which electricity is received from one or more power stations
TASCR	Thermal Aluminium Clad Steel Reinforced conductor
TC	Treasury Circular
TMF	Treasury Managed Fund
TNSP	Transmission Network Service Provider, a body that owns, controls and operates an electricity transmission system in the NEM
TPP	Treasury Policy Papers
Transmission line	A high-voltage power line running at 500 kV, 330 kV, 200 kV or 132 kV
UNSW	University of New South Wales
UTS	University Technology Sydney
WACC	Weighted average cost of capital
WRAPP	Waste Reduction and Purchasing Policy
XLPE	Cross Linked Polyethylene cable technology



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