

ACTEWAGL: OUR YEAR IN REVIEW 2015–16.



ActewAGL

for you

CONTENTS.

About this report	1
Corporate governance.	1
Key achievements	3
Our community support	4
Our customers	8
ActewAGL Solar	8
Our digital channels	9
Our Assist Stores	9
"We'll Always" brand campaign	10
Our people	11
Our safety focus	12
Networks public safety programs	12
Our reliable network	12
Our electricity network	12
Our gas network	12
Service performance to customers	12
Major projects	15
Overview of pricing regulation	17
Network regulation	17
Retail regulation	18
Summary financial report	19
Profit	19
Cash flow	19
Financial position	19
Partners' return	19
Statement of profit or loss and other comprehensive income	20
For the year ended 30 June 2016	20
Statement of financial Position	21
Statement of changes in joint venture funds	22
Statement of cash flows	23
For the year ended 30 June 2016	23
joint venture board's declaration	24
independent audit report	25

ABOUT THIS REPORT.

Reporting period

The information and data presented in this report covers ActewAGL's significant activities, operations and performance from 1 July 2015 to 30 June 2016.

Scope

This report covers ActewAGL's activities and operations which are primarily based in the ACT, Australia.

Contact details

Our contact details for a range of enquiries can be found on the **Contact us** page.

About us

ActewAGL is proud to have one of the most reliable electricity networks in Australia, and our customers enjoy some of the cheapest electricity prices in the country.

We are both an electricity and gas retailer and distributor proudly based in the nation's capital, and for more than 100 years we've been working behind the scenes to power the growth of our city and region.

Today we supply over 184,000 residential and business customers with electricity across the ACT and NSW along with over 145,000 gas customers. Our electricity network covers 2,358 square kilometres, while our gas mains cover over 4,563 kilometres.

ActewAGL has built a special relationship with the region we serve, getting behind local teams, charities and community events. And as the world around us continually changes, we're exploring innovative energy solutions to help our customers take control of the energy they use.

We employ over 700 local people and when it comes to being the energy provider of choice for our region, we'll always leave a light on for you.

CORPORATE GOVERNANCE.

ActewAGL is structured as two partnerships:

- ActewAGL Distribution, which is owned 50 per cent each by subsidiaries of Icon Distribution Investments Limited and Jemena Ltd
- ActewAGL Retail, which is owned 50 per cent each by subsidiaries of Icon Retail Investments Limited and AGL Energy Ltd.

ActewAGL is governed by a single Partnerships Board, which has six members – three members appointed jointly by AGL

and Jemena and three members appointed by Icon Water. Board member obligations are set out in the Umbrella Agreement and members act in the best interests of the partnerships as a whole. The Board performs a similar function to the board of a listed corporation. It monitors business performance through progress reports on key projects and divisional progress against budgets and plans. The Board sets performance targets and sets the organisation's strategic direction and objectives.

ActewAGL's executive management team has 10 members.

A MESSAGE FROM THE CHAIRMAN AND CEO.

The past year has been a period of both consolidation and growth for ActewAGL. We have worked hard to embed the drastic changes made necessary by the Australian Energy Regulator's decision to reduce operating expenditure that we referred to in our message in last year's review, while at the same time turning our attention to new and exciting opportunities to further improve our offering to customers.

Although the AER's decision is not yet settled because of various reviews and appeals through the Australian Competition Tribunal and the Federal Court, the choice is limited for the electricity distribution business. We had to implement the decision. To make such major and sudden changes to any business presents significant challenges, which we foreshadowed in last year's review. To the great credit of our dedicated staff and management, indications are that the worst effects have been avoided; but we continue our efforts to ensure that our standards for safety, health and customer service, and the reliability of the electricity network, remain at least as good as our interstate peers, if not better.

This is reflected in a recent customer survey, which indicates only a slight reduction in satisfaction levels for both electricity and gas from last year, but still both remain above 90%, which is a very pleasing result.

Our Retail business has put in a magnificent effort over the past 12 months to resist some fierce competition from other retailers. ActewAGL Retail has withstood this challenge, with very few customers choosing to move to other suppliers. We thank our loyal customers for this tremendous ongoing support.

With the energy business in Australia and around the world changing so rapidly, ActewAGL has been expanding its horizons into new ventures. A number of residential battery storage systems have been installed in Canberra homes since a successful trial in late 2015. We have reinvigorated our interest in electric vehicle charge points, with new rapid chargers installed in the CBD and at the ActewAGL depot in Tuggeranong. Also, a change to the National Electricity Rules taking effect in December 2017 will facilitate the deployment of smart electricity meters in the ACT for those customers who wish to move to this new technology. These and other initiatives will change the face of this business in the coming years as we evolve to meet our customers' increasingly sophisticated energy needs.

We are very pleased to have maintained ActewAGL's intensive community involvement. We continue our well-recognised support for the Great Aussie Day Breakfast, the ActewAGL Royal Canberra Show, Canberra Glassworks, the Canberra Raiders, and the Canberra Capitals, to name a few.

Finally, we would again like to acknowledge the continued hard work and dedication of our employees, the Executive management team and the Board. Without their ongoing commitment, the great challenges of the past year would not have been met so successfully and we would not be in the strong position we are to continue to deliver our customers' energy solutions.



Michael Easson AM
Chairman



Michael Costello, AO
Chief Executive Officer

KEY ACHIEVEMENTS.

2015–16 was a challenging but exciting time for ActewAGL. We remained focussed on the future and addressing the concerns of our customers like energy costs, network outages and environmental issues.

ActewAGL received a satisfaction score of 89 per cent in the annual Core Customer Survey. Overall respondents indicated that ActewAGL continues to be viewed as a good company that values its customers and provides a reliable supply of electricity and gas.

In April 2016, we were chosen to play a leading role in the emerging energy storage market, having been selected to participate in the ACT Government's Next Generation Energy Storage Pilot. Under the program, Canberra residents can now benefit from subsidised energy storage solutions.

In November, 30 ActewAGL staff members volunteered their time as part of our Staff Volunteer Program at the Cranleigh Special School. The staff refurbished the edible sensory garden, re-paving the area to make it wheel chair accessible and planted numerous vegetables, herbs and plants. The staff also repainted cubby houses and a school building and conducted a general tidy up of the school grounds.

During 2015–16, our customers benefited from further improvements in the management of our network assets. We invested \$21 million in network maintenance programs for both electricity and gas. Two key network augmentation projects were delivered in 2015–16, being the installation of Optical Fibre Ground Wire in the transmission network between East Lake and City East Zone Substations, and the Civic Zone Substation and Bruce Switching Station.



Minister Simon Corbell and ActewAGL General Manager Retail Ayesha Razzaq with the Panasonic battery at the pilot launch.

OUR COMMUNITY SUPPORT.

During the year we supported the community by developing and continuing partnerships with a diverse range of charities, business organisations, art institutions, academic programs, sporting teams and community groups through our Community Sponsorship program. This support allowed organisations to host a range of events, which helped support local families and businesses, boosting tourism and making Canberra and the surrounding region an exciting place to live and visit.

The ActewAGL Great Aussie Day Breakfast at Commonwealth Park was another successful community event, attracting almost 8,000 people. ActewAGL staff and volunteers were kept busy on the day, cooking a barbeque breakfast and raising more than \$4,600 for Pegasus Riding for the Disabled School.



Australia Day celebrations.



Fun at the Royal Canberra Show.



UC Capitals Renee Montgomery and Abby Bishop cooking up a storm at the Great Aussie Day Breakfast.

The ActewAGL Royal Canberra Show in February 2016 attracted over 97,000 visitors from across the region. ActewAGL had a strong on-site presence, including ActewAGL Alley, which featured free entertainment such as pig racing, stage shows and face painting, along with the Farmyard Nursery. In the lead up to the Show, ActewAGL also donated a number of tickets, bonus dollar coupons and show bag vouchers to local charities.

In March, ActewAGL was the exclusive community partner of the 2016 Canberra Day events including the Symphony in the Park. The Symphony featured the screening of the movie *Babe* with a live accompaniment by the Canberra Symphony Orchestra. The event attracted over 12,000 people to Stage 88, Commonwealth Park.

We also continued our community support in regional areas. The highlights of this involvement were the Young Show in September 2015, Queanbeyan Show in November 2015 and the Yass Show in March 2016.

ActewAGL also donated playground equipment and children's books to Maya's Rest, a cancer respite home located in Yass that opened in December 2015.

ActewAGL continued its support of the Canberra Symphony Orchestra as naming rights partner of the flagship Llewellyn Series of concerts and the *Meet the Music* program. This outreach program gives students in the ACT and surrounding NSW the opportunity to attend a concert and listen to the orchestra as they break down the music.



Meet the Music program with the CSO.

Our business sponsorships and memberships once again provided great opportunities and support to the business community.

Key industry bodies included the Canberra Business Chamber, Property Council, Master Builders Association, Housing Industry Association, Australian Hotels Association and Clubs ACT.

In November, 30 ActewAGL staff members volunteered their time to conduct a staff volunteer program at the Cranleigh Special School. The staff refurbished the edible sensory garden, including re-paving the area to make it wheel chair accessible and planted numerous vegetables, herbs and plants. The staff also repainted cubby houses and a school building and conducted a general tidy up of the school grounds.

SIDS and Kids transformed the Canberra CBD into a Christmas light spectacular to raise funds to help grieving families who have lost an infant to SIDS in the local community. ActewAGL were the Energy Partner for the Christmas tree and light tunnel. ActewAGL also provide further support to SIDS and Kids by donating 150 baby bibs to newborn children at the Canberra Hospital in June.

In May, ActewAGL, in conjunction with fitness company B.Firm, launched ActewAGL *Swing into Life*. This program focuses around six key pillars of a healthy lifestyle including communication, teamwork, leadership, confidence, healthy living and community. The program invites all school students in the ACT and Queanbeyan to take part in a free 90 minute activity course that challenges them on the pillars, whilst having fun at the same time. This program is supported by the ACT Government as a part of their healthy weight initiative and has links to the Australian curriculum.



Students enjoying the Swing Into Life program.

ActewAGL continued its support of women's sport during the year through our support of the Canberra Capitals, Canberra United and the Youth Girls AFL competition.

We also had a strong presence within junior sport as we continued our support of the Capital Football Junior League, AFL Canberra Junior League, AFL South Coast Shoalhaven Junior League, Cricket ACT Junior League, Canberra Raiders under 16's and 18's teams and the Young Junior Rugby League Club.

Fundraising

ActewAGL's community engagement goes much further than the community sponsorship program and events. This year ActewAGL again supported a large number of charity groups including The Cancer Support Group, The Salvation Army Red Shield Appeal, Ricky Stuart House, Canberra Hospital Foundation and the National Breast Cancer Foundation.

Our staff continued to play a hands-on role in raising funds and providing support for a number of charities and community groups in and around the capital region.

During 2015–16 ActewAGL staff supported the following causes.

- Legacy fundraiser
- The Cancer Support Group Hawaiian Shirt Day
- Give Me 5 For Kids
- Christmas Lights in the City display raising funds for SIDS and Kids
- The Salvation Army Christmas Giving Tree
- Cranleigh Special School

We have developed a corporate culture that supports community groups and encourages employees to donate through the Workplace Giving program.



Staff volunteers at Cranleigh Special School.

List of sponsorships

Arts

Canberra Area Theatre Awards

Canberra Glassworks

Canberra Symphony Orchestra

Step into the Limelight

Business

Australian Hotels Association

Canberra Business Chamber

ClubsACT

Dexar Leaders Forum

Housing Industry Association

Property Council of Australia

Shoalhaven Business Chamber

Master Builders Association

Charity

The Cancer Support Group

AFFIRM

Camp Quality

Canberra Cancerians

Canberra Legacy Club

Canberra Refugee Support Scholarship Program

Cancer Council ACT – Relay for Life

Cystic Fibrosis ACT

Chief Ministers Inclusion Awards

Council Of The Ageing – ACT Senior's Week

Juvenile Diabetes Research Foundation

Give Me 5 For Kids

Legacy

Leukaemia Foundation ACT

Heart Foundation

Menslink

National Breast Cancer Foundation

Ronald McDonald House

The Salvation Army Red Shield Appeal

Special Children's Christmas Party

Ricky Stuart House

Youth Care Canberra

HOME in Queanbeyan

Make-a-Wish Foundation

SIDS and Kids

Tara Costigan Foundation

Tristan Knowles Kids Cancer Foundation

Community

ActewAGL *Swing into Life* Program

Australian War Memorial Eternal Flame

104.7 and 106.3 Community Switch

Canberra International Riesling Challenge

Canberra Day and Symphony in the Park

Conservation Council ACT Region

Skyfire

Nara Candle Festival

ActewAGL Canberra and Region Wine Show

ActewAGL Royal Canberra Show

Royal Canberra National Poultry Show

Tuggeranong Community Festival

Bungendore Country Muster

QBN FM 96.7 Community Radio

Queanbeyan Show Society

Yass Show

Young Annual Show

Sport

ACT Men's Intellectually Disabled Basketball Team

ACT Show Jumping Cup

ACT Sport Hall of Fame

AFL South Coast

Ainslie Football Club

AFL Canberra

Belconnen Magpies Football Club

UC Capitals

Canberra District Rugby League Referees Association

Canberra Raiders

Canberra United

Capital Football Junior League

Cricket ACT

CBR Brave Ice Hockey

Federal Amateur Golf Open

Googong Hogs

Gungahlin Bulls

Jerra Joeys Netball Club

Mother's Day Classic

Narooma Tennis Club

National Capital Horse Trials Association

Special Olympic Swimming Squad

Tuggeranong Hawks Football Club

Vikings Group Sports Awards

Broulee Moruya Dolphins

Goulburn City Swans

Goulburn Golf Club

Goulburn Stags Football Club

Queanbeyan Blues RLFC

Queanbeyan Kangaroos RLFC

Queanbeyan Netball Association

Queanbeyan Tigers AFL

Queanbeyan Whites RUFC

Saints Netball Team Nowra

West's RUFC

Yass Roos AFL

Young District Cricket Club

Young Junior RLFC

OUR CUSTOMERS.

Delivering the most reliable network, excellent customer service and the lowest prices in Australia for our customers are our priorities.

Developing a strong connection with the local community is important to us. Each year we run public safety and education campaigns, energy saving programs and workshops and a comprehensive community sponsorship program.



Our winter Energy Saving workshops which we hold each year for our customers.



Energy saving expert Matt Ruffin from Progressive Sustainability showing us ways to save energy and reduce our bills.

ActewAGL Solar

ActewAGL continued to offer customers in the ACT a solution to reduce their electricity bills and generate their own clean energy from the sun through our ActewAGL Solar products. We also partnered with Canberra suburb Denman Prospect to install a 3.12kW ActewAGL solar system on every residence in the first stage of the development which is a further step towards creating a sustainable future.

In October 2015, ActewAGL launched a Panasonic battery storage solution where solar customers can maximise their energy savings by combining solar panels with a battery and make savings of up to 80 per cent off their energy bills.



Capital Estate Group Director Project Delivery Nick McDonald Crowley, Canberra Airport Managing Director Stephen Byron and ActewAGL's General Manager Retail Ayesha Razzaq was among those celebrating the Denman launch.

ACT Energy Efficiency Improvement Scheme

ActewAGL continues to ensure we comply with the ACT Government's Energy Efficiency Improvement Scheme, which sets territory-wide energy savings targets. ActewAGL's Energy Saving House Call program offers customers free energy saving products that can make a real difference to their energy costs. During the financial year we completed 22,715 installations, including 380,181 energy efficient light globes, 5,094 door seals, 3,689 standby power controllers 107 fan seals, and 67 instantaneous gas hot water systems.

Under the Fridge Buyback program, 1,503 fridges were collected from ACT houses during the year.



One of the 380,181 energy efficient lights installed as part of the Energy Saving House Call program.

ActewAGL Electric vehicle charging network

In 2015 the installation of a 50kW rapid charger, the first of its kind in the ACT, signalled the initiation of ActewAGL's electric vehicle (EV) charging network. The network now consists of three rapid chargers and four fast chargers installed across the ACT. Through the charging network we aim to increase the adoption of EVs in the ACT as a sustainable solution to fossil fuel driven motor vehicles. All power supplied through our EV charging network is 100 per cent renewable energy.

Our digital channels

Customers are increasingly using our digital channels to interact and conduct business with us.

To enhance customer experience online the ActewAGL website was refreshed in July 2015, updating the design and improving navigation. We also introduced a mobile-friendly version of the site for customers that use smart phones.

We continued to actively communicate with customers in our social media channels, promoting ActewAGL activities and providing opportunities for customers to interact with ActewAGL on social media. The automatic unplanned outage tweets operating 24/7 has proven to be a valuable source of timely information for our customers during power outages.

The epayplus website which offers online payments and bill management for our customers remained popular with registrations and customer transactions increasing through the year.

Our Assist Stores

Our Canberra City and Fyshwick Assist Stores continue to provide a personalised service for our customers across a range of products and services and network information.

Our stores can assist with energy savings advice, payment options and energy offers for the home and have a variety of information for the customer via instore displays and printed collateral.

“We’ll Always” brand campaign

In early May, ActewAGL launched a new brand campaign. The brand updated the way we look, the way we sound, and the way we talk about our business; and our promise to our customers was articulated through the comforting phrase “We’ll always leave a light on for you”.

A series of four new TV advertisements telling the story of everyday people making their way home ran on commercial channels through May and June. A fifth central brand advertisement reinforced the important role ActewAGL plays to power our city, and this ran on commercial channels and at the cinema.

In addition to the advertisements, the brand messaging was promoted on outdoor billboards and bus backs in the ACT and NSW, as well as press advertising, social media, event materials, the ActewAGL website and three fleet vehicles. A popular competition in partnership with the Raiders also provided the opportunity to promote the new brand and TV commercials.

Brand image.

OUR PEOPLE.

It is our people at ActewAGL who contribute to our success. This year we have focused on transforming the culture and capability of our people. People and Performance has demonstrated a commitment to the leadership framework by the rollout of a number of development programs across the business including:

- the Executive Talent Program, developing potential future leaders of ActewAGL
- the Emerging Leaders Academy for those aspiring to be Branch managers
- the ActewAGL Leadership Program for those who have leadership potential or are in their first leadership role.

ActewAGL continues to build a diverse workforce, one that truly reflects the community we serve and gives us greater understanding of, and engagement with, our customer base.

We acknowledge the commitment of our staff through a strong reward and recognition scheme, Shooting Stars, which identifies excellence in the work done by teams and individuals.



2016 Shooting Star winners with ActewAGL Chief Executive Officer Michael Costello.

OUR SAFETY FOCUS.

Networks public safety programs

ActewAGL's first priority is the safety of our staff and our community. As part of this commitment, we ran our *"Keepin' it safe"* public safety campaign again this year. The campaign highlighted the importance of keeping vegetation clear from powerlines, tips to keep safe during storm and bushfire seasons and to encourage the use of the free community service *"Dial Before You Dig"*.

2015–16 has seen ongoing improvements to ActewAGL's safety culture. In March 2016, a safety culture survey was undertaken with staff across the organisation. The results showed that our employees currently regard ActewAGL as having a proactive safety culture when viewed against Professor Patrick Hudson's Safety Maturity Model. This is evident in the way our people think about and action safety risks.

This year has also seen the launch of a new 2016–2021 ActewAGL Work, Health, Safety, Environment and Quality Strategy. Our goal is to sustain a proactive safety culture and continue improving health and safety with an emphasis on the key areas of safety leadership and engagement; planning and risk management; operational effectiveness and verification.

ActewAGL remains committed to Work Safe, Home Safe, Always Safe!

OUR RELIABLE NETWORK.

Our electricity network

- 2,358km² coverage area
- >184,318 customers
- 2,365km overhead lines
- 2,904km underground cables
- 52,624 structures including 51,145 distribution power poles and 1,479 transmission towers and poles.
- 12 zone substations; 2 switching zone substations;
- 1 mobile zone substation
- 4,975 distribution substations
- 132/66/22/11 kV and 400/230V operating voltages
- 606 MW net peak demand

Our gas network

- 145,089 network customers and connections
- 4,563km length of mains
- 10 trunk receiving/pressure reduction stations
- 93 district regulating stations

Service performance to customers

Gas

Our ACT Queanbeyan, Bungendore and Nowra gas networks continued to deliver for our customers.

In May 2016, the gas regulator approved the new tariffs and forecast expenditure for the ACT gas network for the next five years.

During 2015–16, our customers benefitted from increased investment in our gas networks, both for growth and asset maintenance and replacement. We invested over \$8.0M in network augmentation to support new growth areas and customer-specific projects such as connecting the new Australian Federal Police site at Majura. We also invested over \$6.6M to the existing assets to ensure the network, meters and facilities continue to meet current standards and to maintain supply reliability.

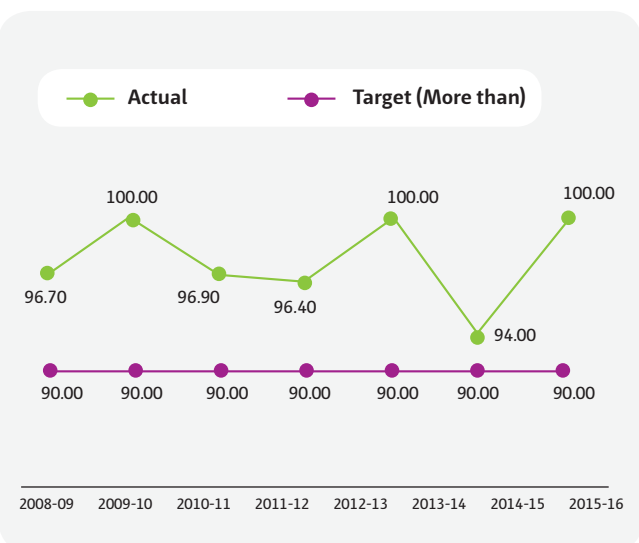
As part of that investment in existing assets, we undertook inspections of major pipes in both the ACT and Nowra gas networks. These inspections involve the launching and receiving of devices (called "pigs") into the pipes to ensure the pipe is clear and clean, and to collate data on the pipe integrity. This was the first time pigging inspections have been undertaken of these pipes, and they've provided good results and data for ongoing management. The ACT inspection covered approximately 32km of pipes and the Nowra inspection covered 5km. Undertaking pigging inspections is challenging and detailed contingency plans and resources were in place to ensure there was no loss of gas supply to customers. In the ACT the inspection commenced pre-dawn to leverage the gas flows and minimise the risk of disruption to customers. The Nowra inspection involved significant negotiations with major customers to determine the optimal time to avoid an impact on their business operations, and also required detailed planning to address the risk that the pig could become stuck in a pipe under a railway line.

In addition to supporting customers, we provided safe and timely disconnections for around 1,000 properties affected by the Mr Fluffy loose filled asbestos program. We are also working with other utilities to relocate and/or protect our gas assets during urban development projects such as the Canberra Light Rail and the duplication of Gundaroo Drive.

Gas outages: Average number per 1,000 properties per year



Gas outages: Per cent restored within four hours



Electricity

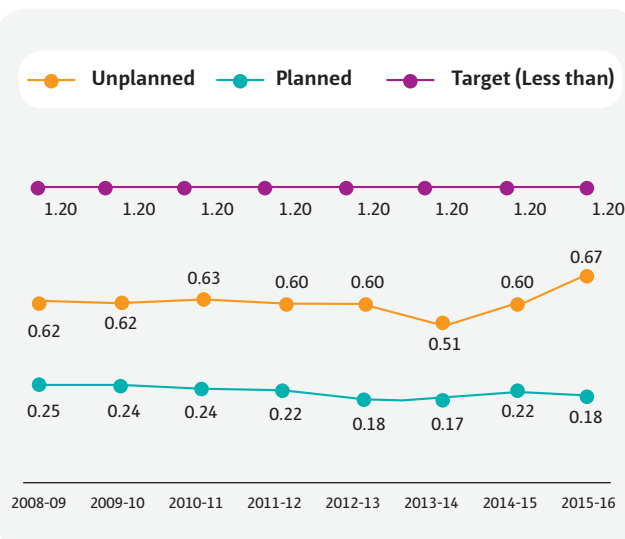
Electricity outages impact the availability of supply. Planned outages are necessary, for various reasons including to enable line workers to safely connect extensions to the lines or so that trees and vegetation can be trimmed to minimise fire hazards and unplanned outages.

The information presented on this page is calculated by the average number of customers affected per outage, multiplied by the total number of outages (or their duration) and divided by the total number of customers.

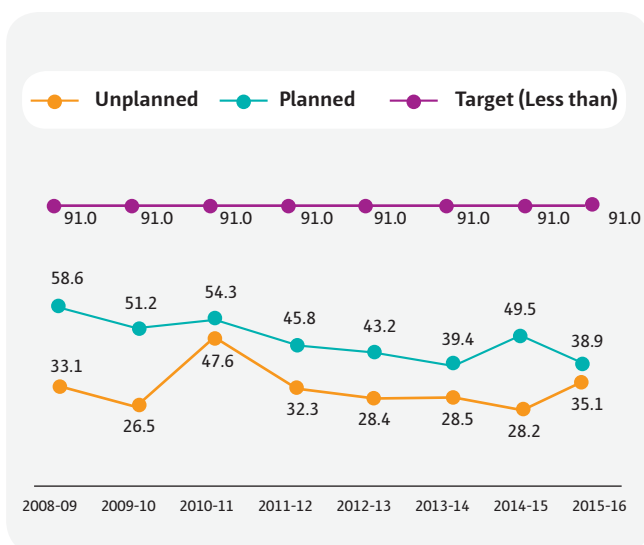
ActewAGL's target for the average number of planned and unplanned electricity outages was less than 1.20 per customer, per year. This year the actual averages were 0.67 unplanned outages and 0.18 for planned outages.

The average duration of electricity outages per customer was similar to the previous year with an average of 35.1 minutes for unplanned outages and 38.9 minutes for planned outages. This is a total of 70.0 against a target of less than 91 minutes.

Electricity outages: Average number per customer per year



Electricity outages: Average duration per customer in minutes



Network assets and maintenance

Our networks are comprised of long life assets and it's important we invest in growth, replacement and maintenance works to ensure we continue to deliver a highly reliable and safe network for our customers and the community.

During 2015-16, our customers benefited from further improvements in the management of our network assets. We remained focussed on optimising our investments in network augmentation and asset replacement and maintenance to ensure these investments were necessary and well-targeted.

We made significant investments to improve supply quality and reliability but also to ensure the most cost-effective asset management strategy was adopted. The vast majority of the \$22 million directed to the replacement of ageing assets was for electricity network assets. Typical of these works was the replacement of aged 132 kV SF6 gas-insulated circuit breakers with modern SF6 insulated models (which require a lower volume

of SF6 gas). During the 2015–16 financial year ActewAGL replaced four 132 kV circuit breakers; two at City East zone substation, one at Belconnen Zone Substation and one at Bruce Zone Switching Station. This program will continue during the 2016–17 financial year with a further two circuit breakers to be replaced at the Bruce Zone switching station site, and another two circuit breakers in 2017–18. Each circuit breaker replacement costs approximately \$300,000.

In the past year, ActewAGL has replaced approximately 1,836m of 400 V distribution cables of concentric neutral solid aluminium conductor type in the Canberra suburbs of Scullin, Chapman, Kambah and Rivett. A further 465m of this cable type will be replaced in 2016–17 in Garran. This cable type is obsolete and has caused reliability issues in recent years. These cables have been replaced with XLPE (cross linked polyethylene) – insulated cables.

The ActewAGL network includes approximately 52,000 poles, the majority of which are wooden and subject to gradual rotting and subsequent loss of strength. All poles are inspected and assessed on a rotating annual program. Strengthening works such as nailing or attaching steel armour guards are carried out to prolong the life of wooden poles. Low voltage poles are replaced with two-part fibreglass poles in non-accessible locations, while high voltage and transmission poles are generally replaced with pre-stressed spun concrete poles. We invested \$21 million in network maintenance programs – \$15.9 million in the electricity network and \$4 million in the gas network. Consistent with our shift to reliability-centred maintenance, our overall investment in planned maintenance and condition monitoring activities on the electricity network was \$9.6 million (28 per cent of overall operating expenditure on the networks). In our electricity network, we undertook approximately 11,000 pole inspections and condition assessments on other network elements such as underground cables, transformers, circuit breakers and switches.

Managing vegetation encroachment on our overhead electricity distribution system continued to be a key area of focus to mitigate risk to safe and reliable supply. We continued to work closely with the ACT Government to increase legislated vegetation clearance requirements and improve the effectiveness of urban vegetation management.

Bushfire mitigation

Bushfires can have serious impacts on the community, environment and physical infrastructure including our gas and electricity networks. During the year we maintained a focus on bushfire prevention and mitigation. Bushfire mitigation works for the gas network were undertaken around the Stringybark Primary Regulating Station on the Nowra gas network to reduce both the potential of a fire and also the risk of damage to the facility which would adversely affect customer supply.

Major projects

Network augmentation works are critical to meet growing energy demand and ensure reliability for our customers.

In 2015–16 augmentation projects made up a relatively modest ~6.5 per cent of the electricity network capital program.

Optical Fibre Ground Wire between zone substations

There were two key network augmentation projects delivered in 2015–16, being the installation of Optical Fibre Ground Wire (OPGW) in the transmission network between East Lake and City East Zone Substations, and the Civic Zone Substation and Bruce Switching Station. These projects have a combined value of \$3.8m.

OPGW forms a significant part of the business' telecommunications strategy in which we plan to modernise the existing telecommunications network. This was achieved by replacing the overhead earth wire with a combination of OPGW and underground optical fibre cabling, providing high speed information transfer between key points in the ActewAGL network.

Future gas projects

For 2016–17, two major capacity development projects (CDP) to support increased demand and new release areas are underway.

Molonglo Secondary Mains CDP Stage 1

This project is designed to reduce the risk of poor supply to over 2,000 customers in the Molonglo Development Area and to provide capacity for ongoing growth and security of supply to existing customers in Coombs and Wright.

This project involves laying 3.4km of steel main and the installation of a District Regulator.

Moncrieff Secondary CDP

This project will provide capacity for ongoing growth in the suburbs of Moncrieff, Jacka, and Taylor and will also provide security of supply to existing customers at the outer end of the network in the suburbs of Casey, Ngunnawal and Nicholls.

The project involves laying 2.4km of steel main and the installation of a District Regulator in Horse Park Drive, Ngunnawal.



OVERVIEW OF PRICING REGULATION.

Economic regulation applies to ActewAGL's distribution and transmission networks and retail business. Regulators make decisions regarding the level of revenue, average revenue or prices to apply over a regulatory period.

Network regulation

The Australian Energy Regulator (AER) is responsible for economic regulation of the ACT electricity distribution network and ActewAGL Distribution's gas distribution networks in the ACT and Queanbeyan-Palerang regions.

Electricity

A rule change made by the Australian Energy Market Commission has established a new pricing objective requiring regulated network companies to introduce more cost-reflective tariffs and to increase consumer engagement. In November 2015, ActewAGL Distribution submitted its Tariff Structure Statement (TSS) proposal to the AER for the period 1 July 2017 to 30 June 2019. ActewAGL Distribution's TSS proposal aims to provide consumers with a 'price signal' while mitigating cross subsidies embodied in flat tariffs and addressing social inequity concerns. The main changes proposed to ActewAGL Distribution's existing tariff structures include a new peak period demand tariff for residential consumers, and a new kilowatt based demand tariff for low voltage commercial consumers. No changes in tariff structure are proposed for high voltage commercial consumers; however, ActewAGL Distribution proposes to simplify the tariffs available. The AER's final determination on ActewAGL Distribution's TSS is expected to be issued in February 2017.

In February 2016, the Australian Competition Tribunal (Tribunal) set aside the AER's regulatory determination for ActewAGL Distribution's electricity network for the 2015–16 to 2018–19 period and remitted to the AER to make its decision again in accordance with the Tribunal's direction. Subsequently in March

2016, the AER applied to the Federal Court for judicial review of the Tribunal's decision. The impact on ActewAGL Distribution revenues, and as a result, the impact on prospective network prices will not be known until the conclusion of the legal process. As the outcome is likely to take some time, ActewAGL Distribution and the AER agreed in May 2016 to network charges for 2016–17, which was formalised through an enforceable undertaking rather than an annual pricing proposal. The undertaking achieves a pricing outcome in the ACT where network charges in 2016–17 remain constant in real terms, and that the provision of network services is consistent with the non-price terms and conditions of the 2015–19 electricity distribution determination.

Gas

In May 2016, the AER released its final decision on ActewAGL Distribution's access arrangement for the ACT and Queanbeyan-Palerang gas distribution network for the 2015–16 to 2020–21 period, having released a draft decision on 26 November 2015. ActewAGL Distribution had responded to the draft decision with its revised regulatory proposal on 6 January 2016 and made a public submission in February 2016. The AER's final decision allows ActewAGL Distribution to recover \$301.4 million (\$nominal) from its customers over five years commencing 1 July 2016. In its final decision, the AER accepted ActewAGL Distribution's demand forecast and new tariff structure. For the most part, the AER's final decision approved ActewAGL Distribution's proposed operational expenses and capital expenditure program decision, but excluded a major capital program for the Molonglo Primary and Molonglo Secondary augmentation projects. ActewAGL Distribution has appealed through the merits and judicial review mechanisms available through the National Gas Law and in the Federal Court as a result of differences between the AER's final decision and ActewAGL Distribution's revised proposal on the method used to determine the rate of return, including with regard to the forecast for inflation and tax.

Retail regulation

Electricity

The Independent Competition and Regulatory Commission (ICRC) regulates ActewAGL Retail's standing offer electricity prices for small customers in the ACT. An annual price adjustment is made in accordance with the method set out in the ICRC's Price Direction: Standing offer prices for the supply of electricity to small customers 1 July 2014 to 30 June 2017. In June 2016, the ICRC decided on a 6 per cent increase in ActewAGL Retail's average electricity prices in 2016–17. The main drivers of the price increase are energy purchase costs, and the costs of the Australian Government's Large-scale Renewable Energy Target and Small-scale Renewable Energy Scheme.

In its May 2016 submission to the ICRC, ActewAGL Retail foreshadowed that it is expecting to incur additional costs in 2016–17 and 2017–18 resulting from a range of reforms by the AEMC, including new metering arrangements flowing from the Power of Choice reforms. The additional costs relate to investment in information technology systems changes and new business processes, which may form the basis of a cost pass through application. On 22 June 2016, the ACT Government issued a reference for a further price direction for the period 1 July 2017 to 30 June 2020.

Gas

The Independent Pricing and Regulatory Tribunal (IPART) of NSW currently regulates standing offer prices for ActewAGL Retail gas services supplied to customers on regulated offers in the Queanbeyan and Bungendore region, the Shoalhaven, and Capital region (Boorowa, Yass, Goulburn-Mulwaree, and Young). IPART and ActewAGL Retail agreed to a voluntary pricing arrangement for ActewAGL Retail's 2016–17 prices offered to customers on regulated offers. For ActewAGL Retail's residential customers in Queanbeyan and Capital regions, the regulated price decreased by 7.5 per cent and 0.4 per cent respectively, largely driven by network price changes.



SUMMARY FINANCIAL REPORT.

Profit

Profit for the year ended 30 June 2016 was \$199 million, compared to the prior year's profit of \$201 million. This decrease is due to a decrease in revenue partially offset by a reduction in operating expenses.

Total operating revenue from continuing operations for the year ended 30 June 2016 was \$786 million compared to \$820 million in the prior year. The decrease in revenue is primarily due to the impact on pricing of the Australian Energy Regulator's (AER) electricity network determination and lower volumes due to the milder weather conditions experienced.

Total expenses from continuing operations for the year ended 30 June 2016 were \$586 million compared to \$619 million in the prior year. This decrease is primarily attributed to a decrease in the cost of sales associated with the lower volumes experienced and a reduction in employment costs in the electricity networks business due to the restructuring required as a result of the AER determination.

Cash flow

The Joint Venture generated \$241 million from its operating activities for the year ended 30 June 2016 compared to \$246 million in the prior year.

Net cash outflows used in investing activities were \$120 million for the current year, compared to \$110 million for the prior year. The increase in net cash outflows is mainly driven by matching our cash investment portfolio to the expected timing of our capital works program.

Cash surplus to the Joint Venture's operational requirements is returned to the Partners in the form of cash distributions. In the current financial year, \$137 million was distributed to ActewAGL's Partners; \$24 million higher than the \$113 million in the prior year.

Financial position

At 30 June 2016, the Joint Venture had net assets of \$1,338 million compared to \$1,276 million in the prior year. The increase is mainly due to the increase in working capital and capital investment in the energy network business. Cash available at 30 June 2016 was \$40 million, \$19 million lower than the prior year primarily due to funds required at the end of the previous financial year to meet restructuring obligations. Current assets were \$257 million compared to \$264 million in the prior year. Current liabilities were \$176 million compared to \$192 million at the same time last year. The Joint Venture does not have any borrowings other than finance leases.

The carrying value of plant and equipment is \$1,174 million, compared to \$1,135 million at 30 June 2015, the increase is primarily due to capital expenditure in the energy network business.

Partners' return

The return on funds employed for the current financial year on the profit was 15% compared to 16% in the prior year.

The summarised financial report is consistent with the special purpose financial report from which it is derived.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.

For the year ended 30 June 2016

	30 June 2016 \$'000	30 June 2015 \$'000
Revenue from continuing operations	785,548	819,751
Total income	785,548	819,751
Energy purchases	(370,012)	(374,907)
Employment costs	(77,825)	(100,489)
Depreciation and amortisation expense	(50,954)	(44,422)
Contract expenses	(29,889)	(34,859)
Lease expenses	(4,780)	(9,778)
Material costs	(2,598)	(4,160)
Finance costs	(2,520)	(2,261)
Project related expenses	(9,434)	(13,517)
Selling expenses	(17,550)	(14,328)
Other expenses	(20,751)	(19,978)
Total expenses	(586,313)	(618,699)
Profit for the year	199,235	201,052
Other comprehensive income for the year	–	–
Total comprehensive income for the year	199,235	201,052
Profit for the year is attributable to:		
Partners of the ActewAGL Joint Venture	199,235	201,052
	199,235	201,052
Total comprehensive income for the year is attributable to:		
Partners of the ActewAGL Joint Venture	199,235	201,052
	199,235	201,052

STATEMENT OF FINANCIAL POSITION.

As at 30 June 2016

	30 June 2016 \$'000	30 June 2015 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	40,234	58,802
Trade and other receivables	186,614	191,808
Inventories	9,953	8,550
Other current assets	20,681	5,063
Total current assets	257,482	264,223
Non-current assets		
Receivables	1,112	1,017
Plant and equipment	1,174,348	1,135,209
Intangible assets	104,533	90,247
Total non-current assets	1,279,993	1,226,473
Total assets	1,537,475	1,490,696
LIABILITIES		
Current liabilities		
Trade and other payables	114,719	120,735
Provisions	21,679	36,703
Other current liabilities	39,407	34,703
Total current liabilities	175,805	192,141
Non-current liabilities		
Provisions	5,906	6,097
Other non-current liabilities	17,509	16,438
Total non-current liabilities	23,415	22,535
Total liabilities	199,220	214,676
Net assets	1,338,255	1,276,020
JOINT VENTURE FUNDS		
Joint venture funds	1,338,255	1,276,020
Total joint venture funds	1,338,255	1,276,020

STATEMENT OF CHANGES IN JOINT VENTURE FUNDS.

For the year ended 30 June 2016

	Total joint venture funds \$'000
Balance at 1 July 2014	1,187,968
Profit for the year	201,052
Other comprehensive income for the year	—
Total comprehensive income for the year	201,052
Transactions with Partners in their capacity as Partners:	
Distributions paid	(113,000)
Balance at 30 June 2015	1,276,020
	Total joint venture funds \$'000
Balance at 1 July 2015	1,276,020
Profit for the year	199,235
Other comprehensive income for the year	—
Total comprehensive income for the year	199,235
Transactions with Partners in their capacity as Partners:	
Distributions paid	(137,000)
Balance at 30 June 2016	1,338,255

STATEMENT OF CASH FLOWS.

For the year ended 30 June 2016

	30 June 2016 \$'000	30 June 2015 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	869,520	898,109
Payments to suppliers and employees (inclusive of GST)	(630,743)	(653,788)
	238,777	244,321
Interest received	2,555	1,953
Interest and other costs of finance paid	(525)	(365)
Net cash flow generated by operating activities	240,807	245,909
Cash flows from investing activities		
Payments for plant and equipment	(81,431)	(90,024)
Payments for intangible assets	(25,577)	(19,755)
Proceeds from sale of plant and equipment	93	58
Payments for term deposits	(13,000)	–
Net cash used in investing activities	(119,915)	(109,721)
Cash flows from financing activities		
Distributions paid	(137,000)	(113,000)
Finance lease payments	(2,460)	(1,129)
Net cash used in financing activities	(139,460)	(114,129)
Net decrease/ (increase) in cash and cash equivalents	(18,568)	22,059
Cash and cash equivalents at the beginning of the year	58,802	36,743
Cash and cash equivalents at end of the year	40,234	58,802

JOINT VENTURE BOARD'S DECLARATION.

**ActewAGL Joint Venture
Joint Venture Board's Declaration
For the year ended 30 June 2016**

The ActewAGL Joint Venture is not a reporting entity because, in the opinion of the board members, there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this 'special purpose financial report' has been prepared to satisfy the board's reporting requirements under the *ACTEWAGL Partnership Facilitation Act 2000*.

In the board members' opinion:

- (a) the financial statements and notes of the ActewAGL Joint Venture set out on pages 1 to 5:
 - (i) comply with applicable Accounting Standards and other mandatory professional reporting requirements; and
 - (ii) give a true and fair view of the Joint Venture's financial position as at 30 June 2016 and of its performance, as represented by the results of its operations and cashflows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Joint Venture will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Joint Venture Board.



Michael Easson
Chairman
Canberra
25 August 2016



John Knox
Board Member
Canberra
25 August 2016

INDEPENDENT AUDIT REPORT.



AUDITOR-GENERAL AN OFFICER
OF THE ACT LEGISLATIVE ASSEMBLY 

INDEPENDENT AUDIT REPORT To the Partners of the ActewAGL Joint Venture

Report on the summary financial report

The summary financial report (financial report) of the ActewAGL Joint Venture has been audited. The financial report comprises the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in joint venture funds, statement of cash flows and Joint Venture Board's (the Board's) declaration. The financial report has been derived from the audited special purpose financial report of the ActewAGL Joint Venture (the Joint Venture) for the year ended 30 June 2016.

On 26 August 2016, I issued an unmodified audit report on the special purpose financial report of the Joint Venture for the year ended 30 June 2016.

The financial report does not contain all disclosures required by the *ACTEW/AGL Partnership Facilitation Act 2000*, or as may be considered necessary to meet the needs of the Partners of the Joint Venture. Reading the financial report is, therefore, not a substitute for reading the audited special purpose financial report of the ActewAGL Joint Venture.

Responsibility for the financial report

The Board of the Joint Venture is responsible for the preparation of the financial report.

Auditor's responsibility

Under the *ACTEW/AGL Partnership Facilitation Act 2000*, I am responsible for expressing an audit opinion on the financial report. I formed the audit opinion following the use of audit procedures conducted in accordance with Australian Auditing Standard ASA 810: 'Engagements to Report on Summary Financial Statements'.

Electronic presentation of the financial report

Those viewing an electronic presentation of this financial report should note that the audit does not provide assurance on the integrity of information presented electronically, and does not provide an opinion on any other information which may have been hyperlinked to or from this financial report. If users of the financial report are concerned with the inherent risks arising from the electronic presentation of information, then they are advised to refer to the printed copy of the audited financial report to confirm the accuracy of this electronically presented information.


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Independence

Applicable independence requirements of Australian professional ethical pronouncements were followed in conducting the audit.

Audit opinion

In my opinion, the financial report, derived from the audited special purpose financial report of the ActewAGL Joint Venture for the year ended 30 June 2016, is materially consistent with the special purpose financial report.


Dr Maxine Cooper
Auditor-General
26 August 2016

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for you

ActewAGL Distribution ABN 76 670 568 688 a partnership of Jemena Networks (ACT) Pty Ltd ABN 24 008 552 663 and Icon Distribution Investments Limited ABN 83 073 025 224.
ActewAGL Retail ABN 46 221 314 841 a partnership of AGL ACT Retail Investments Pty Ltd ABN 53 093 631 586 and Icon Retail Investments Limited ABN 23 074 371 207.