



# ANNUAL REPORT

2014

LETTER TO SHAREHOLDERS



**The Hon. Andrew Constance MP**  
**Treasurer**  
52 Martin Place  
SYDNEY NSW 2000

**The Hon. Dominic Perrottet MP**  
**Minister for Finance & Services**  
52 Martin Place  
SYDNEY NSW 2000

Dear Shareholders,

The Delta Electricity Annual Report is submitted by its Board for the period 1 July 2013 to 30 June 2014 as required under the Annual Report (Statutory Bodies) Act 1984.

The Annual Report covers the activities of Delta Electricity for the year and contains the Financial Statements for the period ended 30 June 2014.

The Annual Report includes a letter of submission to the Voting Shareholders and was prepared in accordance with Section 24A of the State owned Corporations Act 1989 and the Annual Reports (Statutory Bodies) Act 1984.

It is being submitted for presentation to Parliament.

Yours faithfully

A handwritten signature in black ink, appearing to read "Helen Garnett".

**Helen Garnett**  
PSM FTSE FAICD  
Chair

A handwritten signature in black ink, appearing to read "Greg Everett".

**Greg Everett**  
Chief Executive

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## **Corporate Office**

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Sydney NSW 2000

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## **Vales Point Power Station**

Vales Road  
Manning Park NSW 2259

**T** 02 4352 6111 (24 hours)

## **Colongra Power Station**

Scenic Drive  
Doyalson NSW 2262

**T** 02 4399 8209 (24 hours)

# 1 About Delta Electricity

In 2013/14 Delta represented 12.5% of NSW generating capacity, with sufficient power to supply one million average-sized homes across Australia.

## WHO WE ARE

Delta Electricity is an electricity generator in Australia's National Electricity Market, with an installed capacity of almost 2,000 megawatts (MW). We operate as a Statutory State Owned Corporation under the Energy Services Corporations Act (1995) and the State Owned Corporations Act (1989), and in accordance with our annual Statement of Corporate Intent.

## WHAT WE DO

In 2013/14 Delta Electricity produced electricity from coal, gas, and biomass. Our generators produced around 4% of the electricity needed by consumers in the National Electricity Market, which comprises all states and territories except Western Australia and the Northern Territory. Delta Electricity participates in the National Electricity Market, trading output from our power stations on the Central Coast. As a result of the NSW Energy Reform process, Delta Electricity's assets have progressively been offered for sale by the NSW Government.

## OUR LOCATIONS

At 30 June 2014 Delta operated two power stations on the NSW Central Coast. Vales Point is a coal-fired power station providing a reliable supply of 24-hour, baseload electricity. Colongra is a gas fired power station that operates as required to meet peak demands.

## OUR MISSION

In 2013/14 our mission was to generate electricity safely, reliably and competitively while respecting our workmates, our customers, our community and the environment.

## OUR PRINCIPAL FUNCTIONS

In 2013/14 our principal functions were to:

- establish, maintain and operate facilities for the generation of electricity and other forms of energy; and
- supply electricity and other forms of energy.

## OUR OBJECTIVES

In carrying out these principal functions, Delta Electricity was guided by the following objectives:

1. to operate efficient, safe and reliable facilities for the generation of electricity at a competitive cost;
2. to be a successful participant in the wholesale market for electricity;
3. to contribute to the development of low carbon emission electricity;
4. to promote the use of sustainable energy practices;
5. to protect the environment by conducting our operations in compliance with NSW environment laws;
6. to contribute to regional development and decentralisation in the way in which we operate; and
7. to improve the skills and work practices of our people to promote and enhance safety, productivity, efficiency and job satisfaction.

## LOCATIONS



Type	Unit Size	Total Units	Capacity
<b>Coal</b>			
Vales Point	660 MW	2	1,320 MW
<b>Gas</b>			
Colongra	168 MW	4	672 MW
<b>Total</b>			<b>1,992MW</b>

Note: Delta locations as at 30 June 2014. Munmorah was closed in July 2012.

# 2 Year in Review

## Chair and Chief Executive Report

During 2013/14 Delta Electricity responded to challenges arising from declining electricity demand, coal's diminishing market share of energy production, the carbon tax and rising use of renewable energy sources. All of these factors reduced the price and margin Delta received from its wholesale sales of electricity and the production Delta was able to dispatch into the National Electricity Market.

Consequently, for the 2013/14 financial year Delta made a modest operating profit of \$2.7 million before tax. Attention to detail in controlling labour, material and other costs was exceptional across the business in these difficult trading conditions.

The sale of Delta's Western assets in September 2013 reduced the size of Delta's portfolio and increased the reliance on plant performance, particularly Vales Point Power Station, to meet contracted energy sales. An availability of more than 93% for the Central Coast power stations was an excellent achievement.

### ENERGY REFORM AND THE MARKET

#### Market Conditions

During 2013/14 the demand for electricity in NSW and in the National Electricity Market (NEM) continued to decline by 2.7% from the previous year, although the rate of decline in NSW appears to be slowing. The Australian Energy Market Operator has revised down its NSW maximum demand 10-year forecast, such that no new capacity is required in the 10 year forecast period.

#### Carbon Tax

Following the introduction of the Clean Energy Act, Delta's carbon liability for the 2013/14 financial year was \$206 million - 8.52 million carbon units at \$24.50 each. In June 2014 Delta paid \$161 million, with the remaining liability to be paid in February 2015. Colongra Power Station was exempt from the carbon tax as its carbon emissions were less than 25,000 tonnes.

Delta's total liability in 2013/14 also included emissions from Wallerawang and Mount Piper from July to August 2013, when Delta was the controlling entity of the stations prior to their sale. Delta was reimbursed by EnergyAustralia for these carbon costs.

Throughout the year, Delta prepared for legislative changes following the election of a new Federal Government who committed to a repeal of the carbon price and other policy changes. The repeal of the carbon tax took effect from 1 July 2014.

#### Energy Reform

Aside from the carbon tax repeal, there were no new policies in the year that could impact on the energy market and Delta's operations. The review of the Renewable Energy Target (RET) is due for completion in the early part of 2014/15 and any change

will require Parliament's consent. A reduced RET would be positive for Delta's business.

#### SALE OF NSW GENERATORS

In May 2012 legislation was passed in the NSW Parliament to sell the State-owned generators. During late 2012 the sales structure and strategy were developed with Delta's western assets, Mt Piper and Wallerawang power stations, scheduled for sale in 2013 and Vales Point and Colongra power stations to follow with completion scheduled for 2014.

The sale of Delta's western assets to EnergyAustraliaNSW was confirmed in July 2013 and completed on 2 September 2013. At this time 323 employees transferred to EnergyAustralia, together with the power stations.

The sale of Vales Point and Colongra power stations and the Big Hill development site is proceeding and it is anticipated that the sale will be completed by the end of 2014. The non-operational Munmorah power station is excluded from the sale and will be retained in Government ownership.

Delta has worked with the Government sale team to prepare sale related documentation and is continuing to facilitate other due diligence activities.

Delta's capital structure was not revised post the western asset sales given the schedule to sell the remaining Delta assets. This has distorted the financial results and financial ratios in any comparison to previous year's financial performance.

#### Sale of Renewable Assets

In a concurrent sale process, Delta's renewables assets - Chichester and Dungog mini-hydros - were transferred to Hunter Water in early 2014.

#### Sale of Sunshine Electricity Joint Venture

As part of the Sunshine Electricity Joint Venture (SEJV) between Delta Electricity and the New South Wales Sugar Milling Co-operative, two 30 MW renewable-energy power stations were constructed and operated at the Broadwater and Condong sugar mills in Northern NSW. Since February 2011 the SEJV had been in receivership. The two power stations were sold to asset management firm Capital Dynamics in November 2013.

#### Munmorah

Munmorah Power Station was officially closed by Delta in July 2012, after 45 years of operation. The project to decommission the station began in August 2012, with a series of short-term activities to make the site safe and to ensure compliance with its environmental licence. In June 2014 Delta completed decommissioning works and lodged a development application seeking consent from Wyong Shire Council for demolition of Munmorah.

#### ENVIRONMENTAL INITIATIVES

Delta continued to be involved in a range of environmental initiatives to ensure environmental compliance, for continual improvement and to optimise renewable energy resources.

Delta is involved with the CSIRO in the carbon capture plant at Vales Point and with research into pyrolysis with Crucible Carbon. The pyrolysis process creates char from biomass, with a higher energy content and fewer handling issues. It will facilitate a higher percentage of biomass consumption at Vales Point.

#### COMMUNITY SUPPORT

Delta has remained committed to engaging with our neighbours, stakeholders and communities to help us understand and respond to their interests and concerns. As part of the sale of the both the Western and Central Coast power stations, long-term and binding arrangements were established for continued community access to buffer zone lands for sporting fields and community support.

#### LOOKING AHEAD

Delta assets have been well-maintained and, with commercial arrangements for fuel supplies in place, are ready for continued energy production well into the future. The sale of Vales Point and Colongra power stations is expected to be completed by the end of 2014.

#### THANK YOU

Critical to Delta's ongoing success has been the contribution of Delta staff. Our staff have remained diligent and dedicated throughout the year, continuing to complete their daily responsibilities along with meeting the demands of the sale process.

We would like to take this opportunity to thank all Delta staff their ongoing contribution and commitment to the success of the business.

We would also like to thank Steve Turner whose term expired in March 2014 for his valuable contribution as a Director of Delta for the past three years.

# 3 Key Performance Indicators

	Unit	13/14	12/13	11/12	10/11	09/10
<b>Financial Statistics</b>						
Total Sales Revenue <sup>1</sup>	\$m	521.5	997.1	827.2	1,003.3	1,042.5
Earnings before Interest and Tax	\$m	65.4	143.7	118.3	(176.1)	189.7
Net Profit/(Loss) before Tax	\$m	2.7	72.2	39.4	(277.7)	78.4
Net Profit/(Loss) after Tax	\$m	16.4	86.1	(4.8)	(195.6)	55.8
Total Debt	\$m	656.9	819.0	855.4	849.6	1358.4
Total Equity	\$m	16.7	309.0	255.1	511.2	906.6
Return on Assets (EBIT / Assets)	%	6.2%	8.1%	6.8%	(8.1%)	5.9%
Return on Equity (NPAT / Equity)	%	98.3%	27.9%	(1.9%)	(38.3%)	6.2%
Gearing (Debt / (Debt + Equity))	%	97.5%	72.6%	77.0%	62.4%	60.0%
Interest Cover (EBIT / Interest)	Times	1.0	2.0	1.5	(1.7)	1.7
Debt:Equity (Debt / Equity)	%	3930.0%	265.0%	335.2%	166.2%	149.8%
Current Ratio (CA / CL)	%	1.8	1.8	1.9	1.8	1.3
<b>Operational Statistics</b>						
Production	GWh	9,207	19,947	19,916	21,501	21,999
Equivalent Forced Outage Factor <sup>2</sup>	%	3.3	4.4	5.8	1.9	2.2
Availability <sup>2</sup>	%	93.5	89.3	84.8	91.4	92.0
Thermal Efficiency <sup>2</sup>	%	36.3	34.7	34.7	34.9	34.6
Coal Stockpile Levels <sup>3</sup>	\$m	25.2	41.0	43.7	23.1	93.4
<b>Employee Statistics</b>						
GWh/employee		28.2	30.8	30.5	32.0	30.6
Staff Numbers		327 <sup>4</sup>	647	653	671	719
Lost Time Injury Frequency Rate	Frequency rate	2.6	3.2	3.8	3.7	4.1
<b>Environmental Statistics</b>						
Licence Breaches		0	0	0	1	0

<sup>1</sup> Includes revenue from Western Gentrader Operations from 1 March 2011

<sup>2</sup> Vales Point and Colongra power stations only for 2013/14

<sup>3</sup> Excludes Western coal stockpiles.

<sup>4</sup> Excludes Western employees who left the business in September 2013 when Western Assets were sold.

# 4 Operations Report

## Vales Point

During 2013/2014 Vales Point Power Station continued to perform to a high industry standard. Vales Point generated 6,816 GWh of electricity and recorded a generated efficiency of 36.23%. Availability for the financial year was very good at 91.09%.

The station improved its performance and efficiency through targeted plant improvements and operational efficiency reviews.

A scheduled outage on Unit 6 in September 2013 allowed turbine and boiler maintenance works to take place. Unit 5 was taken out of service in June for urgent boiler maintenance works and this had a limited impact on the station's annual availability and output results.

Delta successfully expanded the biomass program, producing 37,000 MWh of electricity through co-firing in 2013/14.

## Colongra

During 2013/14 Colongra Power Station performed well, generating 13,811 MWh with a start reliability of 96.43%. Availability at the gas power station was 98.35%. Colongra had a scheduled B Inspection outage on each unit in August.

Colongra is one of the few sites that provide restart services for the National Electricity Market. In May 2014 the station successfully demonstrated its ability to restart a Vales Point unit, as part of a contingency arrangement to restore the national electricity network in the event of a wide spread power failure.

A new water demineralisation plant and weather station were constructed and successfully commissioned at Colongra.

## ENVIRONMENT

In 2013/14 Delta Electricity continued to focus on minimising environmental impacts associated with generating electricity from natural resources. We also ensured that all our power stations operated to high environmental standards. Delta recorded only one minor technical breach of its Environmental Protection Licences and was not issued with any Penalty Infringement Notices or prosecutions by the NSW EPA. Improved efficiency and biomass co-firing achieved a reduction in carbon intensity by about 5% to 876 tCO<sub>2</sub> in 2013/14. Each month Delta published its routine pollution monitoring data as required by the Protection of the Environment Operations (POEO) Act at [de.com.au](http://de.com.au).

## Water

Vales Point power station primarily uses salt water for electricity generation, with a limited quantity of high quality water used for other services. The consumption of fresh water decreased from

the previous year, with 262 megalitres of recycled water processed through the reverse osmosis (RO) plant instead of using town water. A new demineralising plant at Colongra was also commissioned in July 2014.

## Ash recycling

Growing ash sales are improving resource reuse and enhancing the life of the ash storage repository, with total ash utilisation increasing by 50,000 tonnes in the last 3 years. Forty-five percent of bottom and around 21% of fly ash is now recycled. Delta continues to pursue other ash recycling opportunities, including selling ash to be used to make cement and masonry blocks.

## Increased ash recycling

	2013/14	2012/13	2011/12	2010/11
<b>Ash recycled kT</b>	141	136	111	92
<b>% ash reused</b>	26%	21%	20%	16%

## Ash Management Innovation

As part of Delta's ongoing strategy to minimise the impact of extreme weather conditions on the local environment, a new approach to suppressing dust from the Vales Point ash dam was trialled. The aerial solution involves using fire-fighting helicopters to collect water from the ash dam and then use it to dampen the ash and suppress fugitive dust emissions.

## Biomass Co-firing

In early 2013 Delta was able to take advantage of a reduction in the price of biomass to increase its use of the renewable energy resource. The expanded biomass program produced 37,000 MWh of electricity through co-firing, a ten-fold increase from 2012/13. Significantly, electricity generated by biomass co-firing in 2013/14 was equal to a continuous (baseload) rate of 4.18 MWh. The results in 2013/14 have been achieved with minimal capital investment.

## A-Station Demolition

The A-Station demolition project at Vales Point commenced in early 2012 and was completed in April 2014. The A-Station was decommissioned in 1989 and demolition was required due to ongoing deterioration of the structures. All demolished materials, including more than 21,000 tonnes of steel, were transported off-site for recycling or disposal at licensed waste management facilities.

In future, the majority of the site will be left as open space. The A-Station employed many local people over the past 50 years and is an important part of the area's history.

In recognition of the significance of the site, Delta is developing a heritage interpretive panel to commemorate the story of the A-Station and pay tribute to the people who worked there.

### Munmorah Decommissioning

The decommissioning of Munmorah began in August 2012, with a series of short-term activities to make the site safe and to ensure compliance with environmental licensing. The second decommissioning phase transferred ownership of the site's station transformers to Ausgrid, finalised property matters for areas surrounding the site, archived on-site records, and depowered and disconnected Munmorah from other systems and services. The project recycled 748 tonnes of metal, salvaged other materials for re-sale and prepared for the retention of the site by the NSW Government.

### WRAPP

During 2013/14 Delta remained compliant with the NSW Government Waste Reduction and Purchasing Policy (WRAPP). A WRAPP Plan is in place with operational standards that applied to all employees and contractors employed at Delta facilities. The plan sets out the requirements for the management of waste and the purchase of materials at our facilities.

### Carbon capture plant

During the year the CSIRO continued to operate Delta's pilot carbon capture plant Vales Point. The CSIRO has a licence agreement to continue research at this facility, including investigating emerging CO<sub>2</sub> capture technologies and demonstrating the use of solar energy in the capture process to improve efficiency.

## SOCIAL PERFORMANCE

### Apprentices

During the year, Delta employed 26 apprentices at various stages of their studies across a range of trades. In addition, to satisfy Delta's need for qualified staff, four fourth-year apprentices accepted permanent positions with Delta at the completion of their apprenticeships.

### Workplace Safety

Delta's commitment to workplace safety is outlined in our Work Health and Safety Policy published on [de.com.au](http://de.com.au).

The efficacy of Delta's OHS Business Improvement Plan is reflected in our OHS performance indicators. In September 2013 Delta Western had achieved over two years without a lost time injury (LTI) and Delta Coast achieved one year without an LTI. This was the first time in Delta's history the entire organisation achieved a 12 month period LTI free.

During 2013/14 two lost time injuries (LTI) were recorded, with a total of 5 days lost from injury. In 2013/14 Delta achieved an:

- LTI Frequency Rate of 2.6, down from 3.2 in 2013/14; and
- LTI Duration Rate of 2.5, down from 3.8 in 2013/14 which were its lowest ever recorded.

### Delta Zero Incident Process Performance

In 2013/14 we continued to successfully implement the Delta Zero Incident Process (D-ZIP) Program. Over the 12-month

period, the program made more than 3,400 contacts with staff and conducted more than 1,650 observations. Key results include:

- 97% of all critical behaviours observed were identified as safe behaviours; and
- 24 hard barriers were removed.

### Safety Culture

Management safety inspections continue to drive a positive safety culture across Delta. In 2013/14, 185 walk-downs were completed across the management group demonstrating their high-level of commitment to OHS. In addition, each Executive member participated in detailed reviews of operational areas within Vales Point Power Station.

### OHS Compliance

Delta is a self-insurer under Section 211 of the Workers Compensation Act, and implemented an extensive audit schedule for the 2013/14 year. The areas audited reflected the National Self-Insurer Audit Tool criteria including:

- process control;
- management responsibility;
- OHS risk management;
- OHS management system; and
- measurement, evaluation and control.

Delta also reviewed the OHS Officer's duties under the New South Wales WHS Act to ensure that the activities undertaken satisfied the due diligence requirements.

### Fit for Work

After implementing a program in early 2013 to minimise impairment at work, Delta continued drug and alcohol testing and pre-employment screening across the whole organisation.

### Trades & Power Worker Model

During the year a new skills development model for Trades and Power Workers was developed, based on the National Electricity Industry Competencies. The Maintenance Employee Competency Model focuses on the technical and business skills required in a power station environment was endorsed by maintenance employees and unions and launched on 1 July 2014.

### Health and Wellbeing

Health and wellbeing assessments have continued, with hearing tests for all staff who are required to wear hearing protection on-site and a program for skin cancer checks being offered. A flu vaccination program had over 40% of staff participating.

### Workforce Diversity

During the year Delta Electricity remained committed to supporting the principles of workforce diversity and the targets set by the NSW Government. These principles were incorporated into recruitment practices and all policies are consistent with these guiding fundamentals.

#### Trends in the Representation of Workforce Diversity Groups

Workforce Diversity	Benchmark/ Target	2012	2013	2014
Women	50%	11.8%	11.9%	13.1%
Aboriginal People and Torres Strait Islanders	2.6%	1.3%	1.3%	1.2%
People whose First Language Spoken as a Child was not English	19.0%	5.8%	4.7%	4.3%
People with a Disability	N/A	5.0%	4.9%	3.1%
People with a Disability Requiring Work-Related Adjustment	1.5%	1.9%	2.0%	1.5%

#### Trends in the Distribution of Workforce Diversity Groups

Workforce Diversity	Benchmark /Target	2012	2013	2014
Women	100	96	100	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	106	110	N/A
People with a Disability	100	106	103	N/A
People with a Disability Requiring Work-Related Adjustment	100	N/A	N/A	N/A

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.

### Supporting People with a Disability

In 2013/14 Delta continued to make accommodations to support those people with a work related or non-work related disability. We engage the services of an Occupational Therapist to provide advice and assistance in this area as required.

### Indigenous Support and Employment

In 2013/14 Delta supported indigenous employment to improve outcomes and ties with local indigenous communities. Each year Delta dedicates one potential apprenticeship positions for a person from an Aboriginal or Torres Strait Islander background. This year we were again successful in recruiting an indigenous apprentice for the Central Coast. As part of our commitment to supporting the local indigenous community, Delta has for many years supported a NAIDOC event on the Central Coast. This year we contributed a \$6,000 sponsorship. Delta also awarded a \$2,500 undergraduate scholarship open to Aboriginal and Torres Strait Islander students at the University of Newcastle's Ourimbah Campus.

### Respecting Cultural Diversity

Delta recognises the significance and benefits of cultural diversity in our organisation and the community in general.

Our Multicultural Policies and Services Program includes principles to ensure our recruitment practices are sensitive to cultural issues by ensuring clear and plain English is used to develop selection criteria and that there is recognition of prior learning for racial and ethnic minorities born overseas.

We also support cultural harmony by creating an environment where employees are free to practice their religious beliefs free of discrimination.

### Community

#### Stakeholder & Community Engagement

Delta is committed to engaging with its stakeholders and communities to help understand and respond to their interests and concerns. Our primary focus is communities and neighbours close to the power stations in Mannering Park, Wyee Point, Summerland Point, Lake Munmorah, Budgewoi, Buff Point, Kingfisher Shores and Chain Valley Bay.

The Central Coast Community Access Regional Environment (CARE) Forum, formed in 1997, meets quarterly for briefings and site visits and to raise issues of interest and concern. Stakeholder and the community representatives provide invaluable advice and input to help Delta remain a good community member and to minimise any operational impacts on its neighbours. Notes and presentations from the Forum meetings are placed on Delta's website for access by the broader community.

Throughout the year Delta publishes a Community Newsletter in the local papers, providing snapshots of information for the community on Delta's operational, environmental and community performance.

In addition, Delta maintains a stakeholder database to assist in communicating and engaging a broad range of stakeholders and a 1800 recorded information line informs the public of any site operational issues that may occur.

As a measure of our strong relationship with our neighbours and the local communities, Delta receives only a very small number

of enquiries and complaints each year. Complaints generally relate to minor issues such as graffiti on Delta property, tree management near Delta boundaries and intermittent noise from Vales Point Power Station. Delta has a commitment to responding quickly and appropriately to ensure we minimise local impacts.

#### Securing Community Access

In preparation for the sale of Delta's power stations, a major focus of Delta's community engagement this year has been to work with local residents, community groups and local government to maintain existing community access to buffer zone land after the stations are sold.

These arrangements included:

- a new long-term lease with Camp Breakaway, securing the Camp's access to an additional 11.5 hectares of bushland surrounding its main campsite at San Remo until 2052;
- Koala Park was leased on a long-term basis to Wyong Shire Council, with the Council responsible for ongoing bookings and maintenance;
- Tom Barney Oval remains part of Delta and will continue to be able to be hired by the community;
- public access to foreshore land at the Vales Point inlet and outlet canals will be maintained; and
- the Scout Hall at Vales Point was sold to the NSW Scouts Association.

Delta also worked closely with Wyong Shire Council to ensure that information, including a statement of environmental effects, was available for the community on the development application Delta Electricity lodged with the Council requesting consent to demolish Munmorah Power Station.

#### Donations & Sponsorships

In 2013/14 Delta spent \$172,000 supporting the communities around our power stations in a wide range of activities and projects covering arts, recreation, health, education, environment and tourism initiatives. These sponsorships and donations actively contribute to our neighbours and communities and their ability to build capacity and resilience locally.

In the Central Coast and Lake Macquarie regions, our sponsorships have included LandCare, TidyTowns, Dune Care, Surf Lifesaving and Rescue Services, Rural Fire Services as well as a range of other environmental initiatives that acknowledge and support the unique coastal and lake location.

Delta continued its financial support of the Lake Macquarie Environmental Research Grants program. The program aims to support environmental management in the Lake Macquarie area and a Delta employee forms part of the selection committee.

Delta recognises the importance of a strong local economy and in the past year has supported local business initiatives including

sponsoring key awards at the Lake Macquarie Business Excellence Awards, the Wyong Chamber of Commerce Business Awards and the Northlakes Regional Business Awards.

Delta's commitment to education at all levels is demonstrated through our sponsorships to a wide range of groups from playgroups, primary and secondary schools and includes significant Delta scholarships at the University of Newcastle, Ourimbah Campus and Hunter TAFE.

Delta also supported a range of arts and cultural activities including Sculptures on the Green, Morisset Community Festival and the Going off at the Swamp GOATS family festival at Koala Park.

Delta's long term program for payroll giving and matching donations has complemented an ongoing staff commitment to supporting a wide range of charities. The matching donations program is established across Delta's workplaces. Central Coast and Corporate employees raised funds for Australia's Biggest Morning Tea for the Cancer Council, the Leukaemia Foundation and Movember (which supports men's health charities). Charities including the Bill Walsh Cancer Fund, Careflight, Hunter Helicopter Rescue Service, the Smith Family and Camp Breakaway were supported generously by Delta staff, with Delta matching donations.

# 6 Governance

## The Board

The Board's governing role is determined by the State Owned Corporations Act, the Energy Services Corporations Act and Delta's Memorandum and Articles of Association. An annually approved Board Charter defines the duties and responsibilities of the Board in the context of its statutory framework and performing its key roles of approving strategy and monitoring performance.

The Board's performance agreement with Voting Shareholders is detailed in the Statement of Corporate Intent. It is agreed annually and monitored regularly. The performance requirements are reflected in the Chief Executive's own performance agreement and, where appropriate, cascaded to the management team.

In May 2013 the NSW Government passed legislation to ensure all Board appointments to State Owned Corporations will be merit-based. Amendments to the State Owned Corporations Act 1989 removed the statutory requirement for a Unions NSW-nominated director on the Board. Following the amendment Delta's Board is to consist of:

- the Chief Executive; and
- at least 3 and not more than 6 other Directors appointed by the Voting Shareholders.

## Board Composition and Directors

<b>Dr Helen Garnett</b> PSM FTSE FAICD	Chair and Director	Dr Garnett was appointed as Chair and a Director on 16 January 2012 for three years.
<b>Mr Jon North</b> BA LLM	Director	Mr North was appointed as a Director on 1 May 2012 for three years.
<b>Ms Christine Feldmanis</b> BCom, MAppFin, CPA FAICD, SFFIN	Director	Ms Feldmanis was appointed as a Director on 26 November 2012 for three years.
<b>Mr Greg Everett</b> BCom, MBA, GAICD	Chief Executive and Director	Mr Everett was appointed Chief Executive and Director on 17 July 2010.
<b>Mr Steve Turner</b> BSW MLLR	Director	Mr Turner was appointed as a Director on 3 March 2011 and completed his three year term on 2 March 2014.

## Meetings of the Board

During 2013/14 the Delta Electricity Board met regularly in Delta's Corporate Office or at a power station, according to the Charter for the Board. In addition, there were teleconferences and circulating resolutions to facilitate decisions on matters unable to be held until the next scheduled meeting.

## Scheduled Director Meetings – 1 July 2013 to 30 June 2014

	Board Meetings <sup>1</sup>		Board Remuneration & Nomination Committee Meetings <sup>1</sup>		Board Audit Committee Meetings <sup>1</sup>		Board Environment OHS Committee Meetings <sup>1</sup>	
	A	B	A	B	A	B	A	B
Dr H Garnett	7	7	3	3				
Mr J North	7	6	1	1	5	5		
Mr G Everett	7	6					3	3
Ms C Feldmanis	7	7			5	5	1	1
Mr S Turner <sup>2</sup>	5	3	2	2			2	2

### Notes

1. Column A is the number of meetings a Director was entitled to attend. Column. B is the number of meetings attended.
2. Mr S Turner completed his term in March 2014.

## Board Committees

In 2013/14 there were three Board Committees:

- Board Audit Committee;
- Board Environment, Occupational Health and Safety Committee; and
- Board Remuneration and Nomination Committee.

The terms of reference for each Board Committee were reviewed and approved by the Board during the year.

The primary purpose of each Board Committee is listed below.

#### Board Audit Committee

The purpose of this Committee is to assist the Board to discharge its responsibilities by reviewing:

- financial statements and financial management;
- activities related to internal audit;
- activities related to external audit; and
- the effectiveness of Delta's business risk management framework and insurance arrangements.

#### Board Environment, Occupational Health and Safety Committee

The purpose of this Committee is to assist the Board to discharge its responsibilities by ensuring compliance with environment, sustainability and occupational health and safety policies and legislation.

#### Board Remuneration and Nomination Committee

The purpose of this Committee is to assist the Board to discharge its responsibilities by:

- advising the Board on remuneration and workplace issues;
- enhancing the independence and objectivity of Board decisions on sensitive commercial and personal issues related to the Executive Managers of the Corporation;
- effectively linking remuneration strategy and policy to corporate business strategies;
- reviewing processes and controls to ensure the effective management of Delta's remuneration strategy, policy and practices in relation to legal and taxation requirements, corporate reporting obligations and overall corporate policy and direction; and
- ensuring the Board comprises individuals best able to discharge the responsibilities of Directors having regard to the strategic direction of the Corporation and the current skills and experience of the Board.

### Organisation Structure

#### Voting Shareholders

**The Hon. Andrew Constance MP**  
Treasurer

**The Hon. Dominic Perrottet MP**  
Minister for Finance and Services

#### Board of Directors

Dr H Garnett

Mr J North

Ms C Feldmanis

Mr G Everett

#### Executive Management Team

##### Chief Executive

##### Greg Everett

##### Asset Sale

General Manager  
Anthony Callan

##### Central Coast

General Manager  
Glenn Sharrock

##### Finance

Chief Financial Officer  
Richard Street

##### Fuel & Environment

General Manager  
David Hogg

##### Marketing

*Acting* General Manager  
Alister Alford

##### Human Resources

General Manager  
John Bund

##### Corporate Secretary

Ray Madden

#### Notes:

**Rodney Ward**, General Manager Gentrader, finished employment with Delta in September 2013.

**Luke Welfare**, General Manager Western, finished employment with Delta and was re-employed by EnergyAustralia in September 2013.

**Steven Saladine**, General Manager Production, was seconded to NSW Treasury from 1 July 2013 to 15 November 2013 when he was appointed to Macquarie Generation.

Number of executive officers	Total	Women
Number of executive officers with remuneration equal to or exceeding equivalent of Senior Executive Service Level 1 as at 30 June 2013.	32	1
Number of executive officers with remuneration equal to or exceeding equivalent of Senior Executive Service Level 1 as at 30 June 2014.	22	1

### Executive Remuneration

State Owned Corporations must disclose executive remuneration where the total remuneration is at or exceeds State Executive Service level 5 equivalent during the financial year. The table below reports the total remuneration for all Delta executive positions for the full 2013/2014 year.

Name	Fixed Remuneration (base + statutory superannuation)	Fixed 2% non- statutory superannuation	Total performance related payment	Individual performance criteria
<b>Greg Everett</b> BCom, MBA, GAICD <b>Chief Executive</b>	\$540,923	*	\$164,035	Assessment of performance by the Board against corporate performance indicators, including Delta Electricity's key success indicators of plant performance, safety, environmental management and costs.
<b>John Bund</b> BEc (Hons) <b>General Manager, Human Resources</b>	\$257,454	\$5,759	\$48,182	Oversight of Delta's Human Resources activities including industrial relations, safety and other agreed performance targets.
<b>Anthony Callan</b> BEng, MBA <b>General Manager, Asset Sale</b>	\$369,182	\$8,147	\$72,667	Management and coordination of Delta's sale preparation activities.
<b>David Hogg</b> BE, GAICD <b>General Manager, Fuel &amp; Environment</b>	\$293,643	\$6,468	\$61,489	Development and management of Delta's fuel and environment portfolio (ensuring regulatory compliance) and assessment against other agreed performance targets.
<b>Ray Madden</b> BA (Hons), MBus, GradDipAppCorpGov, GAICD, ACIS <b>Corporate Secretary</b>	\$257,153	\$5,516	\$48,256	Management of Delta's compliance and legal activities and other agreed performance targets.
<b>G Sharrock</b> BSc, GCofM, GAICD <b>General Manager, Central Coast</b>	\$275,314	\$6,047	\$53,235	Management of Central Coast power station operations and assessment against other agreed performance targets.
<b>R Street</b> BEc, CA, MBA, GAICD <b>Chief Financial Officer</b>	\$325,266	\$7,627	\$73,780	Oversight of Delta's financial management and structures and assessment against other agreed performance targets.

\*This component was included in the overall base rate

### Managing organisational risk

In 2013/14 Delta Electricity's Risk Management Plan continued to conform to the Australian Standard AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines.

The Plan is structured to provide Delta Electricity and our employees with policy direction and a framework for identification, assessment and reporting of risk. During the year, key risks – operational and strategic – were reviewed and reported quarterly to Delta's Board.

Market risks dominate Delta's higher risk ratings, particularly due to rapid changes in the electricity market and Delta's limited influence as a small portfolio generator. All other strategic risks are assessed as tolerable or lower, with a mix of both preventative and corrective controls in existence. Strategic risks are assessed individually and as part of a portfolio of related risks, noting the interconnections with other strategic risks.

As part of Delta's annual insurance renewal program, reviews and valuations of risk exposures are undertaken. Delta Electricity is cooperatively engaged with our insurance providers to reduce risk exposures for key operating plant and equipment. Business continuity risks have been identified and action plans designed to return the business to normal operations after a Business Continuity Event.

During 2013/14 Delta Electricity's compliance framework ensured full compliance with all our legal and regulatory compliance obligations. The Board Audit Committee ensured responsibilities relating to the accounting, auditing and reporting practices of Delta Electricity were met. The Committee also oversaw the internal audit function and liaised with the Auditor-General regarding external auditing matters. Delta's internal audit reviews assessed compliance with policies and procedures, as well as the efficiency, economy and effectiveness of management policies, practices and controls. Audit reports were submitted to the Board Audit Committee to ensure full awareness of internal audit activities, audit results and any remedial actions required.

### Annual Reporting Compliance

Exemption from reporting provisions: Approval was given by the NSW Treasury under delegation from the then Treasurer, the Hon. Michael Egan, MLC to exempt Delta Electricity for the year ended 30 June 1997 and subsequent financial years from the following financial reporting requirements:

- budgets;
- research and development;
- land disposal;
- payment of accounts;
- time for payment of accounts;
- investment management performance; and
- liability management performance.

Exemptions from the following annual reporting requirements were approved subject to the condition that comments and information relating to these items are disclosed in summarised form:

- summary review of operations;
- management and activities;
- consumer response; and
- report on risk management and insurance activities.

Other exemptions were approved subject to specific conditions as follows:

- Consultants: The total amount spent on consultants is required to be disclosed, along with a summary of the main purposes of engagements. In 2013/2014, expenditure on consultants totalled \$12,000. The main purpose of these engagements was for environmental assessments;
- Sale of Assets: During 2013/14 Delta Electricity sold motor vehicle assets totalling \$ 858,000;
- Disclosure of controlled entities: Names of the controlled entities are to be disclosed, along with a summarised disclosure of the controlled entities objectives, operations and activities and measures of performance; and
- Financial statements of controlled entities: Delta Electricity is exempt from preparing manufacturing and trading statements, but required to prepare a summarised operating statement.
- Lodgement extension: Approval was given by the NSW Treasury under delegation from the Treasurer, the Hon. Andrew Constance MP, to extend the deadline for the submission of the 2014 Annual Report until 31 December 2014.

### Information Access under GIPA Act

During 2013/2014 Delta Electricity received zero formal access applications under the terms of the Government Information (Public Access) Act 2009 (GIPA Act). Section 7(3) of the GIPA Act requires agencies such as Delta Electricity to annually review our program for the release of government information under the Act. Delta Electricity proactively releases information on our website in accordance with our obligations under the Act. We annually review our compliance with the GIPA Act using the OIC's compliance checklist for agencies and have met all obligations. Delta Electricity also submits an annual report on our GIPA obligations. The GIPA Annual Report is provided directly to the Information Commissioner and the Minister each year as required by the Act.

### Public Interest Disclosures under *PID Act*

In compliance with Section 6D of the Public Interest Disclosures (PID) Act, Delta Electricity has a Standard which describes the internal reporting system for the reporting of public interest disclosures within our organisation. The Standard is designed to complement normal communication channels between employees, individuals, managers and team leaders.

In addition, Delta has taken action to meet our staff awareness obligations in compliance with Section 6E of the PID Act including staff training, briefing sessions and communications.

In the 2013/2014 reporting period no Public Interest Disclosures were made to Delta.

### Overseas Visits

Name	Date of Travel	Purpose of Travel
Justin Flood	11 – 25 November 2013	Attend CIAB meeting in Paris and International Coal & Climate Conference in Warsaw
Damian Cooper	17 – 19 June 2014	Attend the Alstom GT13E2 Users Conference in Humberside, United Kingdom.