



Our future is **bright**





Why we report

At CitiPower and Powercor, we believe there are many benefits in reporting sustainability performance. It gives our stakeholders the opportunity to see that we understand and are managing our key sustainability issues. It also allows us to more effectively deal with these issues and see the bigger picture.

Contents

1	Message from the CEO
2	1: About this report
4	2: Who we are
8	3: What we believe
10	4: Corporate Governance
14	5: Our stakeholders
18	6: 2008 performance
20	6.1: Financial performance
22	6.2: Supply reliability and quality
24	6.3: Engaged workforce
27	6.4: Customer service
30	6.5: Environmental management
36	6.6: Health and safety
38	6.7: Business growth
40	Awards
42	Verification and Assurance Statement
45	Contact information

What's in this report?

This report is the sixth sustainability report for CitiPower Pty and Powercor Australia Ltd, electricity distribution businesses located in Victoria, Australia. It covers our 2008 calendar year performance.

Our performance is detailed across our seven key sustainability areas as expressed in the CitiPower and Powercor Vision. The report also contains an overall description of our business, our corporate governance structure and our key stakeholder groups.

Our reporting journey

Our sustainability reports have evolved over the years to meet higher expectations and more comprehensive standards in sustainability reporting.

We began by reporting our environmental performance and community involvement in two separate reports in 1999 and 2000. We then combined these reports and published an Environment, Community and Health and Safety Report in 2001 and 2002.

Recognising the growing trend for sustainability reports, we produced a Towards Sustainability Report for 2003. We have produced a sustainability report each year since then.

The 2003 report was our first report to undergo verification and assurance by an external auditor. All reports since have been externally assured and verified.

Front cover: Prue Crawford-Flett, Manager National Projects.



Message from the CEO

This report covers our performance across the seven key sustainability areas for the 2008 calendar year as expressed in our Vision and provides an overview of our business, corporate governance structure and key stakeholder groups.

Reliability

Our networks enjoyed one of the best ever years for supply reliability in terms of total minutes off supply per customer (allowing for events excluded by the Essential Services Commission).

In April 2008, Victorians experienced severe wind storms, which left many customers without electricity. Processes and plans developed following the 2006 extreme storm events ensured our field crews were able to quickly restore electricity to our own customers and then assist other energy providers across the state to reconnect power supply.

Climate Change

During the year, the CitiPower and Powercor Board approved our climate change policy and strategy, which is focused on managing the implications of greenhouse gas emissions and minimising our own emissions.

Smart Meters

We undertook significant work in preparation for the Advanced Metering Infrastructure rollout, which will commence in 2009.

Awards and recognition

We received a number of awards during 2008. Highlights were:

- Our business was honoured with an Edison Electric Institute Emergency Recovery Award following the April 2008 wind storms.
- Customer service success was also acknowledged during the year with the business being presented with Australian Service Excellence Awards from the Customer Service Institute of Australia.
- During 2008, we had the least number of customer complaints made to the Energy and Water Ombudsman of Victoria of any electricity distribution business and subsequently have the lowest rate of customer complaints in the industry.
- We recognise the importance of keeping employees engaged in the business and have in place a range of initiatives, including a comprehensive training and development program. A key component of the program is our apprentice and trainee scheme, which was awarded Commonwealth Government recognition.

The following are some of our opportunities and challenges for 2009:

- We move into a new network regulatory environment in 2009 under the Australian Energy Regulator.
- Employee safety continues to be a top priority as we strive for an injury free workplace.

- The impacts of climate change on our assets and operations will continue to be managed, as well as ensuring we are responsive to the needs of our customers. Specific initiatives aimed at managing climate change impacts will be introduced company wide in 2009.
- We will continue to explore ways to improve the customer experience while seeking innovative ways to grow our business.
- The Advanced Metering Infrastructure rollout of Smart Meters and the establishment of Smart Grid. Installation of the new 'Smart Meters' and 'Grid' will represent the most significant change to the electricity industry in recent years. The rollout is expected to take four years to complete.

In closing, I would like to thank my fellow directors for their continued support and acknowledge the hard work and dedication of all employees of CitiPower and Powercor.

Shane Breheny
Chief Executive Officer



About this report

Sustainability reporting means different things to different organisations. For CitiPower and Powercor, it means producing an accurate and transparent report that demonstrates to our stakeholders that we understand and are managing our key economic, environmental and social impacts.

Framework of this report

This is the sixth CitiPower and Powercor sustainability report and the second to report according to our key sustainability issues rather than against the traditional triple bottom line of economic, environmental and social performance.

In the 2007 report, we took the step of reporting according to the seven key areas of the CitiPower and Powercor Vision, as we believe this approach enables us to more clearly demonstrate to our stakeholders our understanding and commitment to managing sustainability issues. As a result, we are using this framework again for our 2008 Sustainability Report.

Content of this report

When we first made the move to report in accordance with our Vision, we took steps to ensure we were including those issues that would allow stakeholders to understand our business. We:

- had an external consultant interview 47 stakeholders;
- examined the 2007 CitiPower and Powercor Corporate Risk Profiling Report, which uses the methodology based on the Australian Standard 4360:2004;
- commissioned a peer review to assess those sustainability issues other companies were including in their reports and evaluate how we compared; and
- examined recommendations from the auditors, who undertake the independent assurance and verification for our report.

We are confident that the key issues, risks and opportunities identified in each of these four processes are contained in this report.



This report should be read in conjunction with the CitiPower and Powercor Australia Annual Report 2008, which can be found in the reports section on our website www.citipower.com.au or www.powercor.com.au.

In preparing our 2008 report, we have taken into account the external auditor's recommendations following assurance and verification of the 2007 report. This included an evaluation of the report's content against the Global Reporting Initiative Version Three (GRI G3) October 2006 Standard Disclosures and a peer review.

The 2007 report was also benchmarked against the Australian Stock Exchange top 50 companies in the three key reporting areas of stakeholder engagement, climate change and human capital.

Based on the assurance and benchmarking, we have included more detail in some key areas, including stakeholder engagement and human capital. We have also decided to use more case studies in this report.

Another significant document which we have used to help guide the content of this report is the newly released Energy Supply Association of Australia's (esaa) Sustainable Practice Framework. The framework was launched in March 2009, replacing the Code of Sustainable Practice. CitiPower and Powercor were the first esaa member company to confirm our commitment to the Sustainable Practice Framework and its nine key principles.

These nine principles are to:

1. Maintain good corporate governance practices.
2. Deliver value to shareholders, customers and the community.
3. Provide a safe secure and reliable energy supply.
4. Engage key internal and external stakeholders on significant sustainability matters.
5. Maintain and enhance workforce health, safety, wellbeing and development.
6. Develop and implement climate change responses.
7. Improve environmental performance and resource efficiency.
8. Foster and support community programs.
9. Promote measurement and reporting of sustainability performance.

These principles are based on issues identified in consultation with esaa members. CitiPower and Powercor was one of the businesses involved in a series of workshops in which the principles were developed.

These principles are all addressed in this report.

External frameworks

In developing this report, we have been influenced by the GRI G3 and the GRIs Electric Utilities Sector Supplement. We have also been guided by its four key principles for defining the content of a sustainability report. Our response to the GRI indicators can be found on our website in the corporate information – reports section.

As discussed, another key reference is the esaa's Sustainable Practice Framework. Our response to these indicators can also be found on our website.

The AA1000 AccountAbility Principles Standard 2008 has also been taken into account in the development of this report. The standard contains three principles: the foundation principle of inclusivity, the principle of materiality and the principle of responsiveness.

External assurance and verification

One of the aims of this report is to provide information to stakeholders to increase their understanding of our business. The assurance and verification of the report by external auditors is aimed at giving our stakeholders confidence in the data and to promote transparency.

The Independent Assurance Statement can be found on pages 42 to 44 of this report.



CitiPower and Powercor distribute electricity to customers in urban and rural areas, including Melbourne's CBD and surrounding inner suburbs, as well as central and western Victoria.

Our business operations

CitiPower and Powercor Australia are two of Victoria's electricity distribution businesses. Their headquarters are in Melbourne.

The head entity of the CitiPower and Powercor businesses is CHEDHA Holdings Pty Ltd.

Fifty-one per cent of the CitiPower and Powercor businesses is ultimately owned by Cheung Kong Infrastructure and Hongkong Electric, which are both publicly listed in Hong Kong and members of the Cheung Kong Group Companies.

Forty-nine per cent of the CitiPower and Powercor businesses is owned by Spark Infrastructure, which is listed on the Australian Stock Exchange.

There were no significant changes to either our operations or structure in 2008, although it was the first full year of operating our networks under one single business unit, Electricity Networks. It was also the first full year of operation of our Advanced Metering Infrastructure Services business unit, which will implement and manage the advanced interval meter initiative.

Our construction and maintenance business, Powercor Network Services, also completed its first year as a separate entity under the ownership of CHEDHA, the owners of CitiPower and Powercor.

In 2008, the Cheung Kong Group Companies purchased the electricity distribution business servicing Wellington, New Zealand. Following the acquisition, CitiPower and Powercor business units have played a role in the transition and establishment of back office systems.

Details regarding our management team can be found on pages 28 and 29 of the *CitiPower and Powercor Australia Annual Report 2008*.



For information on our business, visit the corporate information and electricity networks sections on our website www.citipower.com.au or www.powercor.com.au.



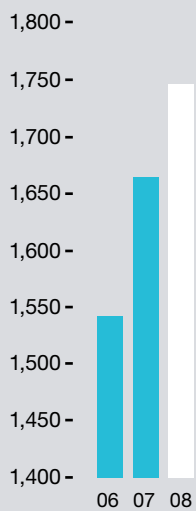
Steven Kane, High Voltage Field Operator.



CitiPower

CitiPower supplies approximately 301,000 customers over an area of 157 square kilometres. 6,337 GWh of electricity entered the CitiPower network in 2008, with customers using 6,097 GWh. Distribution losses were 240 GWh, or close to 4 per cent of load entering the network.

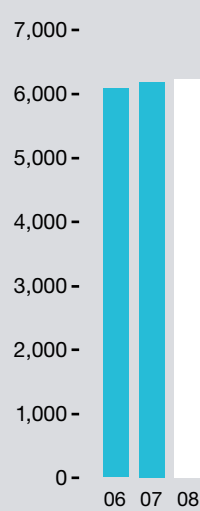
CitiPower/Powercor – Employee Numbers



CitiPower – Customer Satisfaction
Percentage of customers rating satisfied or very satisfied (%)



CitiPower – Electricity used by customers (GWh)





- Powercor Australia distribution area
- * Powercor locations
- Powercor local service agents

Powercor

Powercor supplies approximately 683,000 customers over an area of 150,000 square kilometres. 11,221 GWh of electricity entered the Powercor network in 2008, with customers using 10,507 GWh. Distribution losses were 714 GWh, or 6.8 per cent of load entering the network.

CitiPower/Powercor – Lost Time Injuries
(number)



Powercor – Customer Satisfaction
Percentage of customers rating satisfied or very satisfied (%)



Powercor – Electricity used by customers
(GWh)



3

What
we believe



For more information on our business, visit the corporate information section on our website

www.citipower.com.au or
www.powercor.com.au

Our Vision

To profitably grow our business, as a key member of the Cheung Kong Group and Spark Infrastructure, such that we are a leading infrastructure and related services business.

To ensure we are able to deliver the Vision the CHEDHA Holdings Group strives to excel in:

- financial performance;
- supply reliability and quality;
- engaged workforce;
- customer service;
- environmental management;
- health and safety; and
- business growth.

We believe these seven key areas of the Vision reflect the key sustainability issues for our business, and we have used them to report on our 2008 performance on pages 18 to 39 of this report.

Our Vision is supported by strategic areas of excellence which drive our ability to achieve leading results in our markets.

We will ensure sustainable growth and long-term value for our stakeholders through our strategic excellence positions in:

- financial performance;
- responsible corporate management;
- innovation;
- health and safety management;
- customer service;
- asset and operational management; and
- workforce engagement.

Our shared values

CitiPower and Powercor have a set of corporate values which influence the way we carry out our day-to-day activities and our relationships with employees and customers, ultimately leading to the achievement of our strategic objectives.

We are committed to:

- excellence and innovation;
- satisfied customers and motivated employees;
- ethical and fair standards and behaviour;
- strategies and practices that are environmentally responsible;
- personal safety of employees and the community; and
- working as a team that trusts and respects each other.

In addition, we have core values and behaviours which set the expectations for employees in the performance of their work and the way in which we do business. Employees are assessed against these core values and behaviours as part of the CitiPower and Powercor annual performance review program.

Our Vision and values are contained in our employee handbook and are available to all employees on our intranet. All new employees are made aware of these at their induction to the business.

Our strategic plan: 2008/2012

Each year, CitiPower and Powercor updates its strategic plan, which is used as a road map for the business.

The 2008/2012 plan was the result of a series of activities, including planning workshops attended by the joint management team, a review of previously written goals and objectives, and a workshop with Directors in September 2007.

The goals and objectives of the plan aim to ensure a continued focus on achieving positive outcomes for each of our four stakeholder groups – shareholder, customers, community and employees.

The strategic plan is supported by annual business plans, which include business wide performance measures and expected targets. It also contains key performance indicators, which are linked to each of our stakeholder groups and form part of the financial incentive scheme for all employees.

The overall responsibility for the plan lies with our Finance Business Unit, which works with all business units to develop and prepare the plan.

Each operational business unit also prepares its own annual plan, which is presented to and approved by the Chief Executive Officer and Chief Financial Officer.

Linking it together

Our Vision, strategic areas of excellence and values are all linked through our strategic plan. This enables us to demonstrate that we have identified the key sustainability issues for our business and our different stakeholder groups.

We develop business indicators and targets through which we measure our performance against the strategic plan.

Employees form part of this process through the annual performance review program in which the performance of the whole business, business units and individuals is taken into account.



The lead entity of the CitiPower and Powercor businesses is CHEDHA Holdings Pty Ltd (the 'Group'). During 2008, the Group and its Boards continued to demonstrate their commitment to the highest standards of corporate governance.

Corporate governance framework

Although CitiPower and Powercor are not publicly listed entities, the companies benchmark their corporate governance framework against current best practice guidelines applicable to publicly listed companies, including the applicable provisions of:

- the Australian Stock Exchange Corporate Governance Council, Principles of Corporate Governance Principles and Recommendations, August 2007; and
- Standards Australia, Good Governance Principles, AS 8000-2003.

Enhancements to the Group companies' corporate governance framework implemented during the course of 2008 included:

- review and update of Board Committee charters;
- enhancement of the Directors' Questionnaire process;
- adoption of a revised Treasury Risk Management Policy;
- adoption of a charter for the Group's Internal Audit Function; and
- further alignment of Internal Audit and risk profiling reporting.

The role of the Boards

The Group companies' Boards have overall responsibility for corporate governance. The four key objectives of each Board are to:

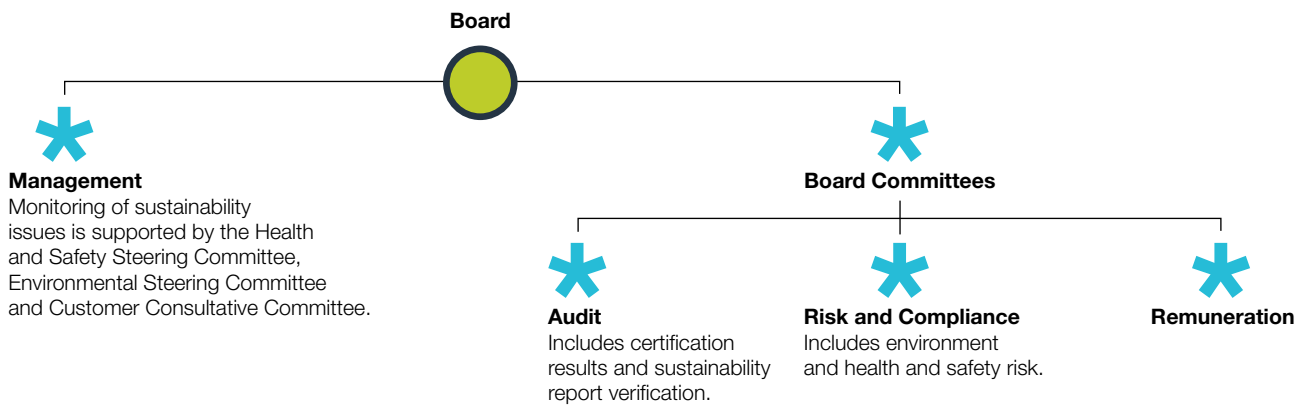
- protect and reinforce the rights and interests of the various stakeholders;
- ensure that it properly fulfils its primary responsibility to direct strategy and monitor the performance of the organisation;
- ensure that management controls and reporting procedures are satisfactory and reliable; and
- ensure that its performance is appropriate.

The Boards of Directors are responsible to the shareholders for the performance of the Group companies in both the short and the longer term, and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of the shareholders and other key stakeholders and to ensure the Group is properly managed.

Details regarding the Boards of Directors can be found in the *CitiPower and Powercor Australia Annual Report 2008* on pages 30 and 31.

Appointment of Directors

Directors for Group companies are appointed upon the nomination of shareholders in accordance with the provisions of a shareholders' agreement between Cheung Kong Infrastructure, Hongkong Electric and Spark Infrastructure.



Delegations

Day-to-day management of the Group companies' affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Boards to the Chief Executive Officer and senior management as set out in the companies' various delegations policies.

Responsibilities of the Boards of Directors

The responsibilities of the Boards include:

- contributing to the development of and approving the corporate strategy;
- reviewing and approving business plans, the annual budget and financial plans, including available resources and major capital expenditure initiatives;
- overseeing and monitoring:
 - organisational performance and the achievement of the Group's strategic goals and objectives;
 - compliance with the Code of Conduct; and
 - progress of major capital expenditures and other significant corporate projects, including any acquisitions or divestment;
- monitoring financial performance, including approval of the Group companies' financial reports and liaison with the Group companies' auditors;
- appointment, performance assessment and, if necessary, removal of the Chief Executive Officer;
- ratifying the appointment and/or removal and contributing to the performance assessment for the members of the senior management team, including the Chief Financial Officer and the Company Secretary;
- ensuring there are effective management processes in place and approving major corporate initiatives;

- enhancing and protecting the reputation of the Group companies; and
- ensuring the significant risks facing the Group, including those associated with its legal compliance obligations have been identified and that appropriate and adequate control, monitoring, accountability and reporting mechanisms are in place.

Board committees

The CHEDHA Holdings Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of more complex issues in the areas of audit, risk management and compliance, and remuneration. Minutes of committee meetings are tabled at Board meetings.

Formal charters have been established which set out the responsibility of each Board committee.

The committee structures and charters are reviewed on an annual basis.

Audit Committee

The Audit Committee assists the Board with its responsibilities for financial reporting, maintaining an efficient system of internal control and internal and external audit processes.

Risk Management and Compliance Committee

The Risk Management and Compliance Committee oversees and makes recommendations to the Board on the risk profile of the businesses, and ensures that appropriate policies and procedures are adopted for the timely and accurate identification and reporting, as well as effective management, of the significant risks to the businesses. It also assists the Board with its responsibilities to oversee compliance with obligations determined by statute, legislation, regulation, contract or agreement.

Remuneration Committee

The Remuneration Committee reviews and makes recommendations to the Board on remuneration policy and remuneration arrangements for senior executives and employees. It also reviews the performance of senior executives on an annual basis.

The above committee structures have been replicated at the operating subsidiary company level – i.e. for CitiPower Pty, Powercor Australia Ltd, CHED Services Pty Ltd and Powercor Network Services Pty Ltd.

Managing sustainability

Regular meetings of the Boards provide the opportunity for discussion on a wide range of sustainability issues, including supply reliability and quality, environmental management, health and safety performance, workforce engagement and customer service. Information is provided through a range of formal reports and scheduled discussion items.

The Boards also receive regular reports from the three key Board committees, as detailed previously.

Company ethical standards

The Directors of Group companies acknowledge the need for the highest standard of corporate governance practices and ethical conduct by all employees, and have established a Code of Conduct.

The Code of Conduct includes policy on issues such as political involvement and relationships with suppliers.

The Group also has a number of policies and procedures to mitigate the risk of any corruption or fraud. These are promoted and accessible to all employees on our intranet site.



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There are policies applicable to employees, suppliers and contractors.

The Group operates a whistle-blower hotline for employees, called 'Speak-up Anonymous'. The service is administered independently by an external provider and is an important element of the Group's governance framework. Reports on calls to this hotline are presented to the Audit Committee.

Securities Trading Policy – Spark Infrastructure

Given the high proportion of Spark Infrastructure that is represented by its ownership of the CitiPower and Powercor businesses, the businesses have issued a Securities Trading Policy that, in general terms, reiterates to employees the general legal principles relating to insider trading, and identifies additional obligations to apply to Directors and designated employees of CitiPower and Powercor, such as when they may buy or sell Spark Infrastructure securities. More details can be found in the *CitiPower and Powercor Australia 2008 Annual Report* on page 26.

Integrity of financial reporting

CHEDHA Holdings and its operating companies' Boards require annual formal statements from the Chief Executive Officer and Chief Financial Officer in relation to the financial reports, risk management and internal compliance systems of the organisations as part of the formal Board sign-off of the annual financial statements. More details on the sign-off of the annual financial statements can be found in the *CitiPower and Powercor Australia 2008 Annual Report* on page 26.

Internal audit

The operating companies have an internal audit function (Audit Services), which conducts a diverse program of financial, operational, IT and compliance audits and forms an integral part of the Group's corporate governance framework.

The role of the Internal Audit Unit is defined in the Internal Audit Charter, which has been endorsed by the Group's Audit Committee. The objective of the internal audit function is to provide independent assurance to the Board regarding the adequacy and effectiveness of the risk management and control framework in operation throughout the Group, and to add value through recommended process improvements.

The audit plan, which uses a risk based methodology (based on the AS/NZS 4360:2004 Risk Assessment Standard), is integrated with the Group's Enterprise Risk Management Framework. The plan provides assurance to management and the Board regarding:

- the reliability of financial and related management information;
- the effectiveness and efficiency of Group operations; and
- the level of compliance with legislative and statutory requirements.

The internal audit function assists the operating companies by providing best practice control advice and partnering with management to improve risk mitigation strategies. Achievements and outcomes in 2008 included:

- strengthened relationships with stakeholders by improving consultation with management to expedite the implementation of audit recommendations;
- improved audit reporting format to more effectively align with the Group's risk profiling activities;
- streamlined audit processes and standardised documentation to improve productivity; and
- implementing the use of automated audit software to more effectively interrogate data as part of the audit process.

The audit methodology employed by Internal Audit incorporates a comprehensive quality assessment process, aimed to achieve compliance with:

- the Professional Practices Framework and Code of Ethics issued by the Institute of Internal Auditors;
- where relevant, the Statement on Information Systems Auditing Standards issued by the Information Systems and Control Association;
- relevant auditing standards issued by the Auditing and Assurance Standards Board; and
- where appropriate, other relevant standards such as Australian Standards or standards issued by the International Standards Organisation.

Risk Management and insurance

The businesses have a formal Risk Management Framework that is consistent with the Australian and New Zealand Standard for Risk Management (AS/NZ 4360:2004) and which includes an annual review of the business risk exposures and regular reporting to the Boards via the Risk Management and Compliance Committee on the risk position.

An online risk management software tool is utilised to assist with the categorisation and evaluation of risks and controls. This software tool was used as part of the CHEDHA Holdings group's 2008 risk profiling process.

The Group companies participate in comprehensive and prudent programs of insurance. Self-insurance provisions are maintained within the Group to meet claims that arise from retained risks.

During 2008, the Risk Management and Compliance Committee reviewed the Treasury Risk Management Policy for the Group and made recommendations on policy revisions to the Group Boards which were accepted. The Treasury Risk Policy covers the management of various risks, including:

- liquidity risk;
- interest rate risk;
- foreign exchange risk; and
- treasury counterparty credit risk.

Compliance programs

In relation to the Group companies' electricity industry legislative and regulatory commitments, 2008 was the first full year in which an automated compliance system was utilised to track the status of individual obligations by their due dates throughout the year.

Compliance system results are reported to the Risk Management and Compliance Committee, and action plans developed and monitored for any instances of non-compliance. This compliance system also effectively facilitates the management and reporting of any breaches under the Essential Services Commission's regulatory reporting framework and monitoring by the Risk Management and Compliance Committee.

In relation to borrowing commitments, questionnaire processes are conducted semi-annually to provide internal assurances in regard to representations and warranty obligations and compliance certificate and notification obligations.

Questionnaires are subject to internal audit review.

The Group companies maintain external certification and accreditations in the areas of Health and Safety (SafetyMAP – Advanced), Environmental Management Systems (ISO 14001) and its Quality Management System (ISO 9001).

The Group companies are also accredited to the International Customer Service Standard (ICSS) by the Customer Service Institute of Australia.

Regular external surveillance and certification audits are conducted to confirm that the Group companies' systems continue to meet these standards.

Other governance policies

In addition to these policies and procedures, the Group companies have adopted and work to a range of other policies and procedures relevant to good corporate governance, including:

- conflicts and declarations of interest;
- Director performance evaluation;
- protocols for Board and management interactions between Board meetings;
- Board meeting preparations;
- Board meeting procedures;
- establishment of a program of technical briefings for Directors as part of Directors' training requirements;
- formal recognition of Group companies' disclosure obligations to shareholders in order to ensure that the shareholders are able to meet their respective continuous disclosure responsibilities in so far as those matters are affected by Group activities;
- role descriptions for the Chairman of the Board and the Chairman of each Board Committee; and
- procedures for Directors to access independent advice in appropriate circumstances.



CitiPower and Powercor recognise the importance of maintaining strong relationships with key stakeholders. Four key stakeholder groups have been identified by our Board and Senior Management Team – shareholders, customers, employees and community.

Managing our stakeholder relationships

As a measure of our commitment to our stakeholders, all company and business unit plans include key performance objectives, targets and indicators specific to each stakeholder group.

In the following sections, we include some details on the processes used to interact with each of the stakeholder groups.

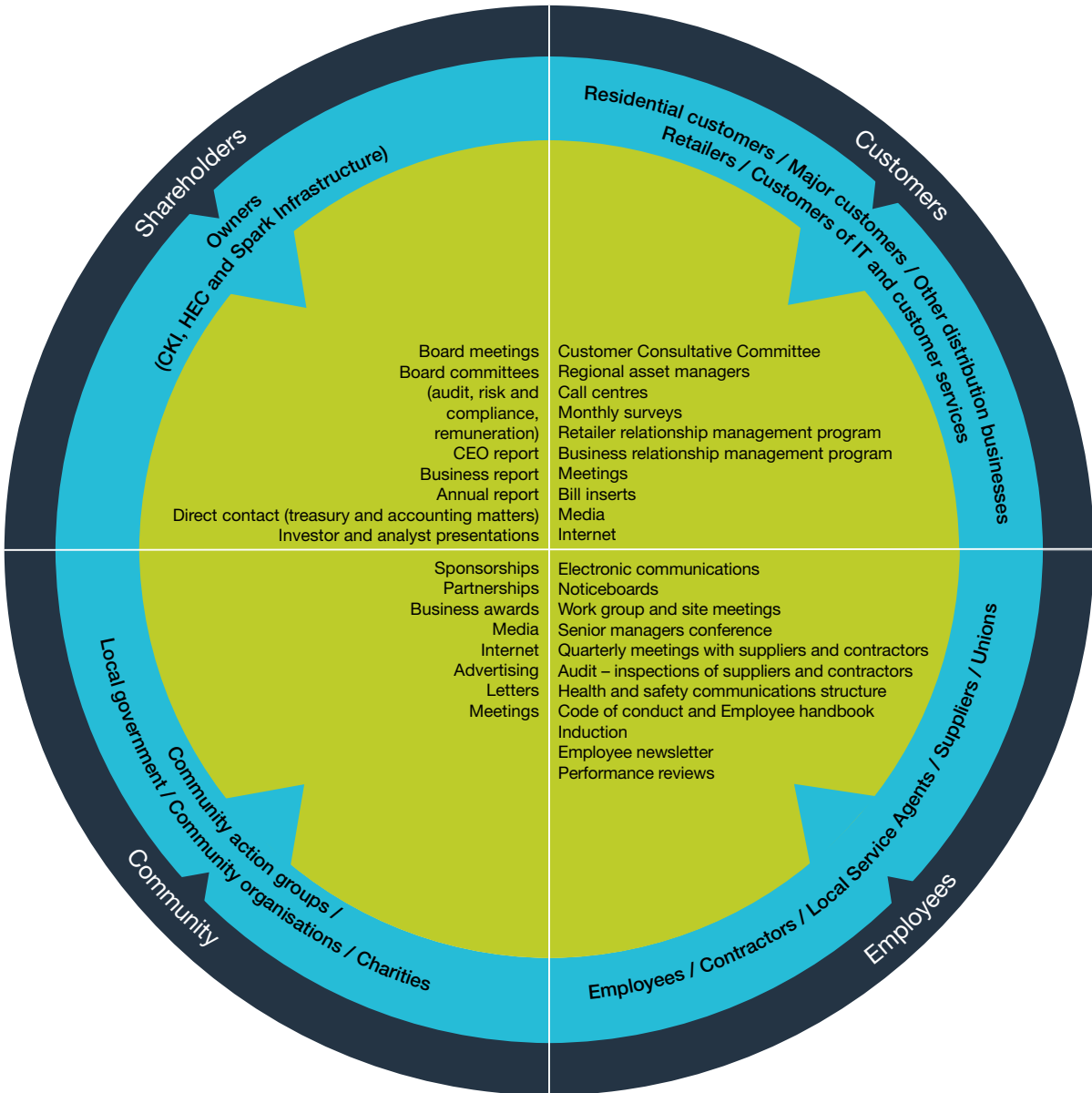
In section six where we detail our performance, we have included one case study in each section to give an example of stakeholder engagement in 2008. The examples illustrate a particular issue that has been identified, different types of engagement with the relevant stakeholder, the response that was developed and the opportunity for stakeholder feedback.

In addition, this year we have indicated the main stakeholder group impacted by the key issue in each of the performance sections.

Shareholders

Cheung Kong Infrastructure Holdings Limited (CKI) and Hongkong Electric Holdings Limited (HEH) together own 51 per cent of CitiPower and Powercor. CKI and HEH are members of the Cheung Kong group of companies. The remaining 49 per cent of the business is owned by Spark Infrastructure, a specialist infrastructure group listed on the Australian Stock Exchange.

Shareholders are effectively represented on the CitiPower and Powercor Boards of Directors. Regular meetings of these Boards provide the opportunity for discussion with shareholder representatives on a wide range of sustainability issues.



There are two other groups who are represented across all stakeholder groups. These are the regulatory bodies and industry associations. Regulatory bodies include the Australian Energy Regulator, Australian Energy Market Commission, Essential Services Commission, Victorian Government, Commonwealth Government, Energy Safe Victoria, Energy and Water Ombudsman of Victoria and Environment Protection Authority. Industry associations include the Energy Networks Association and Energy Supply Association of Australia.



For more information on our Customer Consultative Committee, visit the corporate information section on our website www.citipower.com.au or www.powercor.com.au.



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Customers

Our electricity distribution networks service residential, commercial and industrial customers in an area that covers more than half of Victoria.

With customers spread across more than half of the state, we have divided our service area into seven regions, each with a Regional Asset Manager who lives and works in that area. This enables us to work and consult more effectively with our customers. The Regional Asset Manager is the interface between CitiPower and Powercor and local communities and customers, enabling us to work and consult more effectively with them.

The business has a Customer Consultative Committee, which provides an open forum to discuss business and policy issues that affect our customers. The committee meets quarterly and includes community and customer representatives from The Australian Industry Group, Victorian Farmers Federation, St Vincent de Paul, City of Bendigo and local independent regional members, as well as several of our own senior executives. The committee is chaired by our Chief Executive Officer.

Our Business Relationship Management program underpins our relationships with major customers. As part of this program, key customers are identified and a regular schedule of contact is maintained with them.

Customers are surveyed each month on a range of issues, including planned outages, unplanned outages, public lighting, vegetation management, customer projects and contact centre. Each quarter, workshops are held to review the survey data and establish action plans, with the aim of working towards continual improvement of satisfaction performance.

Community

Our networks serve a mix of urban, suburban, regional and rural communities. These communities are widely varied and have a range of different needs.

Community consultation usually takes place in regard to a specific issue, such as our ongoing consultation with the Country Fire Authority and other associated parties in regard to bushfire mitigation.

One of our most significant programs of community engagement is our support and sponsorship of a wide range of projects, organisations and events in our network distribution area.

To help us improve our understanding of our reputation within the community, each year we conduct a survey rating us and the other Victorian distribution businesses against a number of criteria, including our visible presence in the community, consultation, encouraging safety and supporting local business. Details of the 2008 survey results can be found on page 28 of this report.

Employees

CitiPower and Powercor employ more than 1,700 people in field, technical and support roles. Our workforce is diverse and includes people working on a full time, part time, casual and contractual basis.

Our annual employee opinion survey is just one of the ways in which we engage with our employees.

Employees are also consulted on particular issues and, in some cases, focus groups may be formed. We hold regular meetings with unions representing many of our employees.

Communication with employees involves regular work group meetings, information on the intranet, emails, posters and our monthly employee newsletter, *electric news*. We also conduct a number of surveys. Some of these are annual, while others are 'one-off' to understand a particular issue.

Employees are regularly updated on the financial and operational performance of the business in the Quarterly Employee Report, which is published in *electric news*.

Our consultative approach with employees is best illustrated by our comprehensive Health and Safety structure. Each work location has a Health and Safety Committee which meets regularly. Local representatives then attend meetings of the Health and Safety Steering Committee to ensure that issues are raised and responded to across the business. The Committee is chaired by our Chief Executive Officer.

Our employees stakeholder group also includes contractors, local service agents, unions and suppliers.

Regulatory bodies and industry associations

Regulatory bodies and industry associations are also important, as they play a key role in responding to issues impacting on customers and the community, as well as on our own business. We work with these industry bodies to help develop appropriate responses.

We are members of many associations, with two key memberships being that of the Energy Supply Association of Australia (esaa) and the Energy Networks Association (ENA). Our Chief Executive Officer is a Director of the esaa and Deputy Chairman of the ENA. Other CitiPower and Powercor employees are representatives on a variety of esaa and ENA committees and working groups.

Other corporate memberships include the Clean Energy Council, Committee for the Economic Development of Australia, Committee for Melbourne and Committee for Geelong.

We are also a member of the Advanced Metering Infrastructure (AMI) Industry Steering Committee and associated working groups for the Victorian AMI Program.

In 2008, we became a corporate member of the Electric Energy Society of Australia (EESA).



For more information on customer service, visit the customer information section on our website www.citipower.com.au or www.powercor.com.au.

6

2008 performance

Financial performance

1

Supply reliability and quality

2

Engaged workforce

3

Customer service

4

Environmental management

5

Health and safety

6

Business growth

7



Our 2008 performance is detailed according to the seven areas of the CitiPower and Powercor Vision, reflecting our key material sustainability issues. In each section, a case study is included to illustrate our engagement with a particular stakeholder group on a specific issue. While each performance area may impact more than one stakeholder, at the beginning of each section we have highlighted the stakeholder most significantly involved.





6.1

Financial performance



In this section

Our EBITDA

Financial performance

Regulation

Business efficiencies

We recognise that strong financial performance is a key issue for our shareholders and this brings benefits for our employees, customers and the community.

As we operate in a highly regulated environment – including economic regulation – we have included key regulatory issues in this section.

We also acknowledge that business efficiencies can improve our performance and have included key initiatives from 2008 in this area.

Our EBITDA

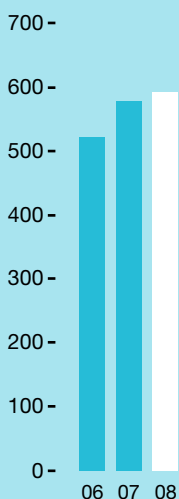
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) performance for the combined group of companies was \$591.5 million.

The 2008 EBITDA result was \$13.9 million (2.4 per cent) higher than 2007.

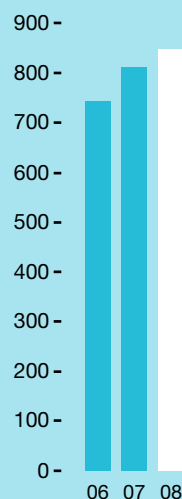
Distribution revenue increased as a result of higher consumption throughout the year and continued growth in customer numbers. Customer contribution revenue was higher than planned for the year due to increased development activity in relation to the Channel Deepening project and the Melbourne Docklands precinct. Revenue generated from the external business was 21 per cent higher in 2008 compared with 2007.

Operating costs increased in 2008 due to the increased work program, higher external unregulated activity, higher commodity prices and generally higher employee related costs.

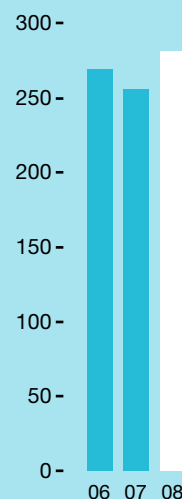
CitiPower/Powercor – EBITDA (\$m)

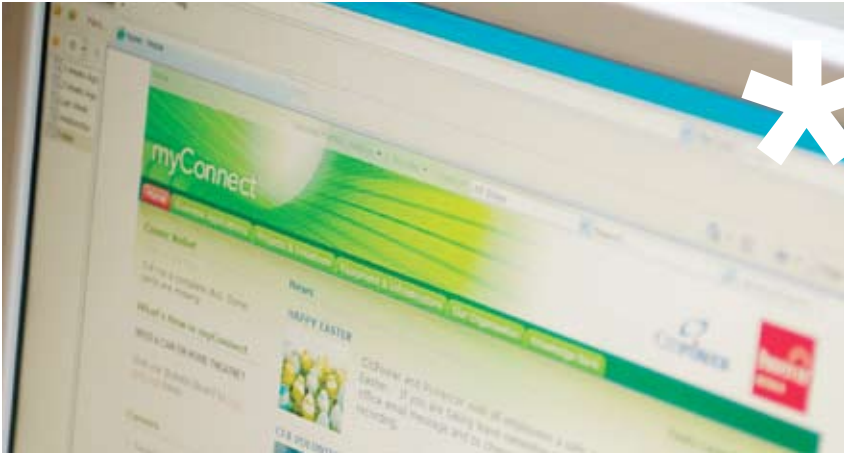


CitiPower/Powercor – Revenue Total (\$m)



CitiPower/Powercor – Net Capital Expenditure (\$m)





Intranet update

In 2008, our intranet was upgraded to allow better technical support and provide employees with easier access to information. Following a review of business and user requirements, a new site was designed, built and extensively tested with employees. Employee feedback continues to be sought and further enhancements are planned.

Financial performance

Our aim is to provide sound financial returns to our shareholders with minimal risk. In doing so, CitiPower and Powercor are committed to maintaining the highest standards of business practice. Our strategies and processes ensure we meet all statutory and ethical requirements in the conduct of our business.

Strategic and business planning processes focus the business on maintaining and increasing shareholder value and delivering a competitive return on assets and equity.

CitiPower and Powercor's financial performance exceeded the targets set for 2008.

Our non-regulated revenues were also greater than planned, largely as a result of Powercor Networks Services construction and maintenance contracts, information technology contracts and the provision of services to the Wellington network business in New Zealand.

More detailed analysis of our financial performance can be found in the *CitiPower and Powercor Australia Annual Report 2008*.

Regulation

CitiPower and Powercor's network businesses operate in a highly regulated environment.

In 2005, the Council of Australian Governments (COAG), through its Ministerial Council on Energy, established the Australian Energy Market Commission (AEMC) to undertake rule making and market development functions for the National Energy Market.

COAG also agreed to move from a state based regulatory framework for gas and electricity to a national regulator. Under this framework, the Australian Energy Regulator (AER) was established. This new framework creates a separation of powers with the AEMC setting the rules and the AER being responsible for administering these rules and ensuring compliance.

Up until the end of 2008, the Essential Services Commission Victoria (ESCV) was responsible for the economic regulation of the Victorian electricity distribution network providers, including CitiPower and Powercor. This responsibility was transferred to the AER from 1 January 2009.

In addition to the transfer of economic regulation, other key regulatory issues in 2008 included:

- preparation for the Price Review, which will regulate distribution charges over the period 2011/2015;

- AER review of the weighted average cost of capital (WACC) parameters; and
- finalisation with the Victorian Government of the cost recovery arrangements for Advanced Metering Infrastructure costs.

Business efficiencies

Opportunities to drive and improve business efficiencies are always being explored, whether it is a simple process improvement or a more significant project.

In 2008, we co-located the CitiPower and Powercor control centres to one location in our Melbourne headquarters and established a back-up Disaster Recovery Centre at Richmond. The co-location of control centres will enable further improvements to unfold, including the alignment of systems, processes and rosters, as well as the development of a sophisticated distribution management system for the control of the network.

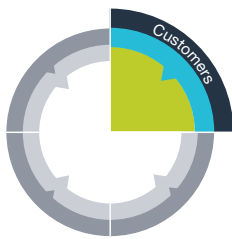
2008 also saw the introduction of improved information management for employees, with the creation of a new CitiPower and Powercor intranet. The new site gives employees faster and easier access to information such as forms, procedures and work instructions.



For more information on our financial performance, visit the reports section in corporate information on our website www.citipower.com.au or www.powercor.com.au.

6.2

Supply reliability and quality



In this section

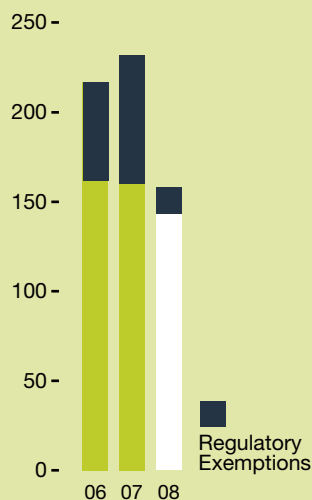
Network reliability

Investing in our networks and operations

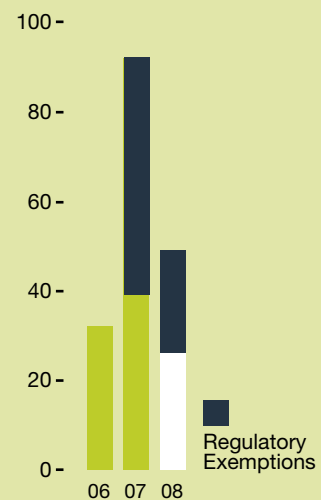
A critical goal for our business is to provide a safe and reliable electricity supply to our customers.

Reliability improvement strategies, extensive maintenance works, improved fault response, new technology, and vegetation and wildlife management programs all contributed to improving our performance.

Powercor Reliability – Average minutes off supply*



CitiPower Reliability – Average minutes off supply*



*Includes planned and unplanned events

Network reliability

In 2008, the CitiPower and Powercor electricity networks had among their best ever years for supply reliability, after regulatory exemptions, in terms of average minutes off supply per customer.

CitiPower achieved an average of 26 minutes off supply per customer, after allowing for exemptions from the Essential Services Commission (ESC). This is a 14 minute improvement over the previous year.

Powercor reduced the average amount of time customers were without electricity to 142.6 minutes, after allowing for exemptions from the ESC. This is a reduction of 19 minutes compared with 2007.

Both CitiPower and Powercor networks were significantly impacted by storms in March and April, which caused widespread damage across Victoria.

Storm response

Our escalation and event response processes were put to the test on 2 April 2008 when fierce winds swept across Victoria and almost 130,000 of our customers lost power. Between our call centres and emergency contingency planning, service crews were quickly deployed to the affected areas. As a result, we were also able subsequently to assist another affected distributor restore power to its customers.



Todd Andrews, Field Co-ordinator.

The business was honoured with an Edison Electric Institute Emergency Recovery Award for our efforts to recover from the April wind storms and in particular the support we offered to another affected distribution company.

The Essential Services Commission (ESC), monitors performance and publishes a 'traffic light' health card for electricity distributors in Victoria. The rating, which encompasses a number of performance measures, including reliability and quality of supply, was released in conjunction with the ESC's comparative performance report for 2007.

For the second successive year, Powercor was the only Victorian electricity business to achieve a 'green light' health card rating from the Victorian regulator. CitiPower also performed well, scoring a 'green light' against nine of the 12 criteria.

Investing in our networks and operations

In 2008, we co-located the CitiPower and Powercor control centres to one location in our Melbourne headquarters and established a back-up Disaster Recovery Centre at Richmond. The co-location of control centres will enable further improvements to unfold, including the alignment of systems, processes and rosters, as well as the development of a sophisticated distribution management system for the control of the network.

Investments in infrastructure and other improvements continued throughout the year to cater for increased electricity demand and customer growth across both networks.

Projects completed included a new 66kV supply to Ballarat Gold, replacement of a 66/22kV transformer at Shepparton zone substation, connection of load at the new Boundary Bend zone substation, installation of a new transformer at the Altona Terminal Station and 66kV line reconfiguration works between Laverton and Werribee. The old South Melbourne zone substation was also demolished to enable the start of greenfield construction of the Southbank zone substation.

A number of large projects are underway in the CBD and environs to support and ensure reliability of supply to meet electricity demand in this major Australian capital city. These include projects relating to CBD residential and commercial developments, the new Melbourne Convention Centre, the Metro 2012 supply upgrade and network reconfiguration works associated with the Yarra River Channel Deepening project. Also underway is a significant project to upgrade the security of electricity supply to the CBD.

Planning for the future

Each year, CitiPower and Powercor produce a Distribution System Planning report, which sets out our long-term network planning and reliability improvement programs. These reports are available on our website.



For more information on our supply reliability and quality, visit the electricity networks section on our website www.citipower.com.au or www.powercor.com.au.

6.3

Engaged workforce



In this section

Our workforce

Recruitment

Training and education

Work life balance and employee well-being

Satisfied workforce

Measuring and recognising good performance

Diversity and opportunity

Our contractors and suppliers

CitiPower and Powercor employees undertake a wide variety of roles across many locations. We aim to provide an environment where everyone is valued and respected.

Our workforce

CitiPower and Powercor's commitment to building a sustainable workforce reached a significant milestone in 2008. Thirty-one new apprentices and trainees joined the business, taking the total number of apprentices and trainees to more than 100. We employ apprentice line workers, electrical fitters and meter technicians, and trainee designers and testers.

In addition, six new entrants joined our graduate program, taking the total to 22.

For the second consecutive year, our apprenticeship program was recognised by the Commonwealth Government at the Minister's Awards for Excellence for Employers of Australian Apprentices, this time for our efforts in the Geelong region.

Our program and employees were recognised with other key awards, and details can be found on pages 40 and 41.

Number of Employees

CitiPower and Powercor: 1,739

Employee Turnover

6.31%

Absentee Rate (average per employee)

48.91 hours

6.52 days

Employees and temporary/agency

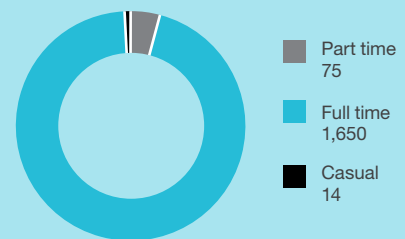
Permanent	1,687
Fixed Term	52
Agency	139

Gender Diversity

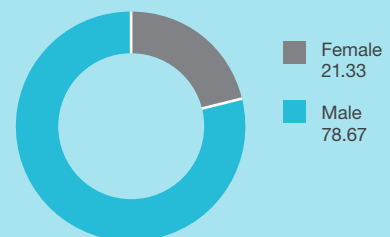
CitiPower and Powercor

	Female	Male
Managers	27	188
Professionals	103	271
Para professional	40	285
Trades	5	469
Clerks	196	142
Labourers	0	13

CitiPower/Powercor – Employee Type (number)



CitiPower/Powercor – Gender Diversity (%)



Recruiting for the future

The importance of managing our future workforce needs was recognised as a key issue for the business several years ago. We spoke with other stakeholders regarding this issue, including government bodies, universities and TAFEs. As a result, we developed a comprehensive graduate, trainee and apprentice program. The recognition and results we have achieved indicate the program is regarded as a success.



Daniel Cahill, Apprentice.

Recruitment

2008 was the second year of operation of our online electronic recruitment tool. Positions are advertised internally on our intranet site and externally through newspapers, recruitment internet sites, careers fairs and our internet site. Interested candidates then apply with an online job application.

The intranet site also alerts employees to any new positions that have been advertised in the last 24 hours. Emails are sent out to notify employees of new jobs.

Our internet site gives candidates a range of information about our company, including its culture and values, and the rewards and benefits offered.

There are three key components to inducting a new employee to the business. These include a group induction day, induction by their manager and online induction.

The online information was reviewed and updated in 2008 and a new 'getting started' portal gives employees a wide range of information about the business.

Training and education

CitiPower and Powercor provide training opportunities for all employees. In 2008, the business spent a total of more than three million dollars on training, excluding the salaries of all training specialists. The total spent on university and TAFE courses through our Employee Education Assistance Program was more than \$96,000.

A key component of our training and development program is the apprentice, trainee and graduate training scheme mentioned in the previous section.

Training and development opportunities are open to all employees, and training requirements are reviewed annually as part of the performance review process.

Training may also be required following legislative changes, the introduction of new policies or processes, or as part of business succession planning. Field employees complete regular refresher training.

CitiPower and Powercor have training arrangements with a number of tertiary education providers, including Deakin University, Swinburne University, the North Melbourne Institute of Tafe (NMIT) and GippsTafe (Energy Training Centre). A total of 42 CitiPower and Powercor employees completed qualifications in 2008.

In another first for the company, six employees completed a three-year company run design trainee program.

At CitiPower and Powercor, education is more than training courses. It is about giving our employees access to information to help them understand the business and the ways in which we operate. Important tools include the Human Resources Policy Manual, Employee Handbook, and Code of Conduct. These contain information relating to the business, including our Vision, values, behaviours, leave and

conditions of employment, and company policies addressing equal employment opportunity, sexual harassment, and appeals and grievances.

Our human resources policies are included in our Quality Management System, which is certified to ISO 9001.

Work life balance and employee well-being

One of the best ways to generate enthusiasm and commitment from employees is to offer a workplace where people feel secure and valued, together with attractive work conditions and benefits. These factors increase the ability of a business to retain and recruit the best employees.

At CitiPower and Powercor, our benefits go far beyond those that are mandated, and include family-friendly policies, financial security, leave and long service benefits, workforce support, health and lifestyle choices, and reward and recognition. We also offer counselling services to employees and their direct family members.

Satisfied workforce

Each year, we undertake an employee opinion survey conducted by Towers – Perrin ISR. It collects information about our business as a place to work and gives employees the opportunity to make suggestions for improving their working environment.



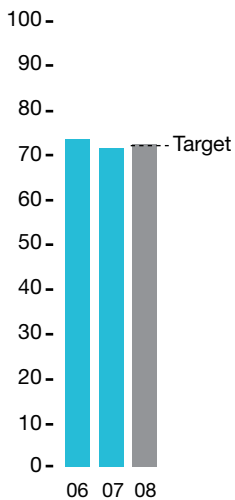
For more information on our engaged workforce, visit the career opportunities section on our website www.citipower.com.au or www.powercor.com.au.

6.3

Engaged workforce

(continued)

CitiPower/Powercor – Employee Satisfaction Index (%)



The 2008 Employee Opinion Survey received the highest employee response rate ever, with 79 per cent of surveys returned. This is four per cent above the 2007 response rate.

The employee satisfaction level was 72 per cent compared with 70 per cent for the Australian National Norm and 77 per cent for the Global High Performing Companies Norm. Employee engagement was 78 per cent.

Measuring and recognising good performance

CitiPower and Powercor have half yearly and annual performance reviews for all employees. Annual incentive and bonus payments are available to both award and contract employees.

Employees also have the opportunity to be recognised in other ways for their work. In 2008, 34 employees received CitiPower and Powercor Spirit of Excellence Awards, which recognise outstanding contributions by employees to customers, the business and the community.

Diversity and opportunity

CitiPower and Powercor are determined to have a workplace that fosters diversity and opportunity.

Our Equal Employment Opportunity (EEO) Policy addresses sexual harassment and racial discrimination, which are also covered by legislation. The EEO Policy also includes a provision to protect employees from victimisation as a result of a complaint or appeal.

We also report annually to the Equal Opportunity for Women in the Workplace Agency.

In 2008, no sexual harassment or other discrimination complaints were received.

Employees have access to a simple and open complaint and grievance process, which is detailed in the Human Resources Policy manual. The business also has a confidential service allowing employees to report suspected theft, fraud, dishonesty, harassment or unethical behaviour to an independent service provided by Deloitte.

Our contractors and suppliers

CitiPower and Powercor engage contractors to undertake a range of roles on behalf of the business. These included asset inspection and construction work, vegetation management meter reading services.

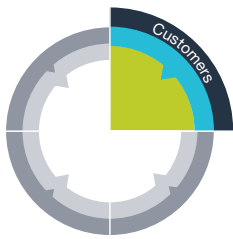
There are a number of criteria applied to assessing suppliers who submit for a contract with our business. Depending on the job, these may include price, environmental performance, health and safety record, public liability and indemnity insurance, certifications and detailed information in regard to their ability to perform the specified task.

CitiPower and Powercor conduct regular review meetings with key suppliers and contractors. The objective of these review meetings includes, but is not necessarily limited to, performance review and service level evaluation, review of operational processes and discussion of new initiatives for performance improvement.

In 2008, we introduced a Supplier/Resource Partner Performance Management model, which rates suppliers and provides quantitative feedback on a range of Key Performance Indicators covering quality, customer service, health, safety and environment management and on-time delivery.

6.4

Customer service



In this section

Managing our customer relationships

Customer service accreditation

Measuring our performance

Partnering with the community

Measuring community reputation

Delivering 'powerful customer service' to all our customers, whether large or small, is the key to CitiPower and Powercor's customer service philosophy. Our focus on supporting customers also extends to the communities in which they are based.

Managing our customer relationships

CitiPower and Powercor have a powerful customer service philosophy where the focus is on improving the processes, systems and attitudes to customers across all sections of the business.

Specific relationship management programs are in place to work with larger customer groups such as retailers and our major customers. We also work with trade allies, which include registered electrical contractors, builders and developers.

Internally, this is supported by powerful customer service training for our Customer Services unit, and in 2008, also included our Information Technology, Finance and Advanced Metering Infrastructure (AMI) units. Our vegetation, asset inspection and electrical inspection contractors also receive the training.

Crucial to our customer service is our contact centre, which handled close to 890,000 calls from Victoria and South Australia in 2008.

In 2008, a project was also initiated to trial 'push' email and SMS communications to update customers on unplanned outages. System capability was developed in 2008 and trials with customers start in 2009.

Customer service accreditation

In 2007, we became the first Victorian electricity business to be awarded International Customer Services Standard accreditation by the Customer Services Institute of Australia (CSIA).

In 2008, we were audited again, with CSIA rating CitiPower and Powercor a 'best in class customer service enterprise in relation to the energy industry'.

Our success in this area was further illustrated when we received five CSIA Australian Service Excellence awards, as detailed on page 40 of this report.



Customer communication

Each month, we survey customers on a range of issues, including planned interruptions where power is disconnected for maintenance work. Survey results revealed our communication could improve, so our Customer Services, Information Technology and Corporate Affairs teams worked together to enhance communication, including a new letter and brochure.

6.4

Customer service

(continued)

Measuring our performance

We measure our performance through customer and retailer satisfaction ratings, contact centre grade of service, complaints and compliments.

In 2008, CitiPower and Powercor achieved its highest customer satisfaction survey results in five years, with customer satisfaction levels of 81 per cent, slightly above our target (80 per cent) for the year. This was largely due to good results in the areas of the call centre and public lighting.

The business also increased the Retailer Satisfaction rating from 80 per cent in 2007 to 89 per cent in 2008, and the Major Customer Satisfaction rating from 78 per cent in 2007 to 86 per cent in 2008.

In 2008, we recorded 220 complaints, a decrease on the 235 complaints received in 2007. We also record the number of compliments received from customers. In 2008, we received 495 compliments, which was an increase on the 448 compliments received in 2007 and the 447 compliments received in 2006.

In 2007/2008, we were the only electricity distribution business to record a reduction in the number of cases presented to the Energy and Water Ombudsman of Victoria (EWOV). The number of cases involving CitiPower and Powercor dropped from 399 in 2006/2007 to 328 in 2007/2008, a decrease of 17 per cent.

Partnering with the community

While the most important service we offer to customers and the community is a safe and reliable electricity supply, we are aware of our wider responsibility to the people and communities where we operate.

Each year, we make significant contributions to the community through sponsorships, donations and in-kind support. In 2008, donations and sponsorships totalled \$1,039,998, which could be broadly broken down into the following categories: employee Spirit of Excellence, employee health and safety, charities, business awards, environmental, health and sporting, education, and culture and arts.

As part of the employee Spirit of Excellence Awards program, award winners are invited to select a charity to which CitiPower and Powercor will then donate money on their behalf. \$46,500 was made available for these donations in 2008.

Through our health and safety program, work groups are awarded money for achieving milestones without a lost time injury. This money is donated to a charity of the work group's choice.

Another key fundraising activity is our Christmas Appeal, which in 2008 raised \$6,672 in cash and donated 202 presents to the Society of St Vincent de Paul. In 2008, 90 employees took part in the 'Movember' campaign, raising a total of \$6,146. The business matched participants' donations dollar for dollar up to \$100 per person, and as a result the business made an additional contribution of \$4,204 towards the appeal.

Other significant company donations in 2008 included a \$20,000 donation to the Victoria State Emergency Service as a gesture of appreciation for its volunteers work following the wind storms of April.

CitiPower and Powercor continued to support regional business in 2008 with our sponsorship of 22 local business

awards, which are run in conjunction with local municipalities and business development associations. They are aimed at promoting growth and development of business communities through skills sharing and recognition of best practice.

We also supported our parent company's Endeavour Australia Cheung Kong Scholarship Program. Since 2005, the program has helped 965 Australian and Asian students to take part in overseas exchange.

Once again, the business supported the Melbourne Symphony Orchestra regional tour.

Information about our environmental partnerships can be found in the environmental section on page 35.

Measuring community reputation

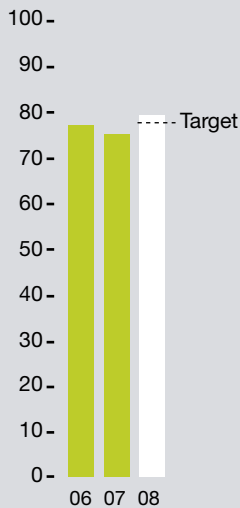
One of the tools we use to measure our reputation is through an annual Community Reputation Survey.

The survey ranks us and other distribution companies according to 16 specific criteria, including community involvement, local employment, community contribution and environmental commitment. The results are used to calculate a Community Reputation Index.

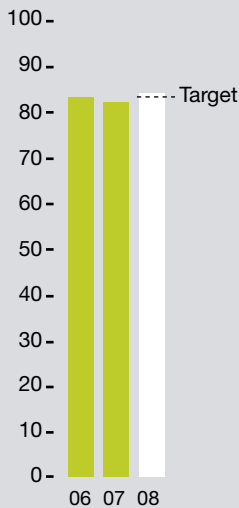
In 2008, Powercor achieved an index of 57, which was down slightly on its 2007 score of 58. Despite the slight decrease, Powercor's index score continued to be the highest of all power distribution companies surveyed.

CitiPower achieved a rating of 43, which was slightly lower than its 2007 score of 44.

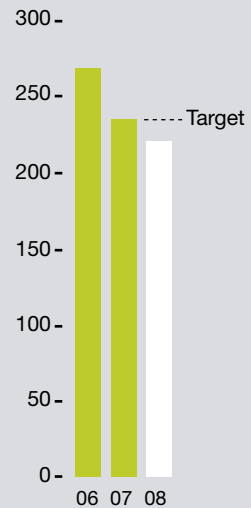
CitiPower – Customer Satisfaction (%)



Powercor – Customer Satisfaction (%)



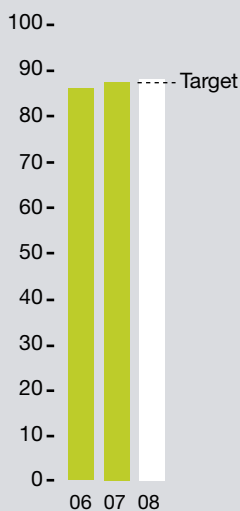
CitiPower/Powercor – Complaints (number)



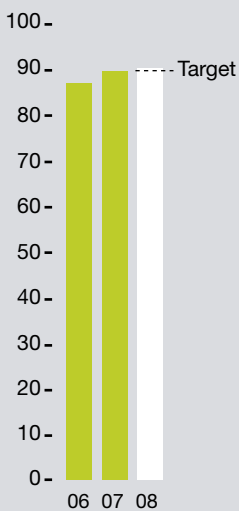
Each month, we randomly sample customers who have had a recent service experience with us. The customer satisfaction level is calculated from these surveys. In 2008, we achieved our highest rating in five years.

In 2008, we recorded 220 complaints. Our aim was to receive no more than 235 complaints, and we achieved this benchmark.

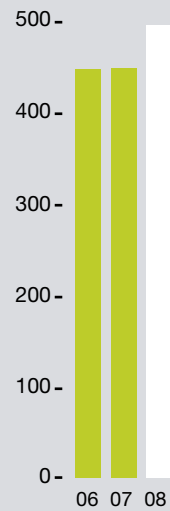
CitiPower – Contact Centre Grade of Service (%)



Powercor – Contact Centre Grade of Service (%)



CitiPower/Powercor – Compliments (number)



The grade of service refers to the percentage of faults calls that are answered within 30 seconds. The overall grade of service was 85.02 per cent, which was in line with the target of 85.00 per cent and an improvement 1.25 per cent on 2007.

In 2008, we received 495 compliments, which was an increase on the 448 received in 2007.

6.5

Environmental management



In this section

Environmental management

Compliance

Climate change

Greenhouse emissions

Bushfire mitigation and vegetation management

Material and resource efficiency

Managing hazardous substances

Recycling and waste

Land impacts

Environmental partnerships

CitiPower and Powercor are committed to the principles of sustainable development and managing our business in an environmentally responsible manner. In 2008, we reviewed and renewed our environmental focus to address the impacts of climate change.

Environmental management

CitiPower and Powercor are committed to managing our own environmental impacts and the impacts of the environment on our business.

In 2008, we enhanced the environmental management structure to better meet the environmental needs of the business. This included establishing a new Environmental Steering Committee.

All employees have some general environmental obligations, although there are more specific responsibilities for those with the day-to-day management of environment. Employees are made aware of their environmental obligations at induction and through information on the CitiPower and Powercor intranet. Field employees also receive refresher training.

The business has an Environmental Management System (EMS) certified to ISO 14001:2004, which provides the framework for implementing our Environment Policy.

Compliance

CitiPower and Powercor view compliance with environmental legislation, regulation and voluntary commitments as a minimum requirement.

No environmental violations resulting in fines and no penalties for non-compliance were recorded in 2008. We continued to work with Victoria's environmental regulator, the Environment Protection Authority (EPA), and other landowners and stakeholders in regard to contamination at our site in Rooney Street, Richmond for which we were issued with a Clean Up Notice in 2007. The contamination was a result of prior land use by previous site owners.

We submitted our annual Prescribed Waste Return to the EPA quantifying prescribed waste disposal in the reporting period and we reported on notifiable quantities of Polychlorinated Biphenyls (PCBs) as required.

CitiPower and Powercor are signatories of the Electricity Supply Association of Australia (esaa) Code of Sustainable Practice and are members of the Federal Government's Australian Greenhouse Office Greenhouse Challenge.

Climate change

In 2007, CitiPower and Powercor identified that climate change was a key issue for the business to address. Following detailed assessment of the risks, impacts and opportunities associated with climate change, we introduced a new policy and strategy for the business in 2008.

The policy and strategy were endorsed by our CEO and Board. They contain three key components, which are:

- continue looking for ways to reduce our greenhouse footprint;
- ensure climate change impacts are factored into asset augmentation replacement and maintenance policies; and
- influence regulators to develop a new regulatory model that encourages us to further support climate change initiatives.

Specific projects and actions were identified, with some commencing in 2008. These included a review of the efficiency and emissions relating to our vehicle fleet, a process for managing data requests in regard to energy and greenhouse, and an energy and resource audit of some of our depots.

CitiPower and Powercor Greenhouse Report

We have used the Australian Government's National Greenhouse Accounts Factors, November 2008 to calculate our greenhouse emissions, except in the case of SF6 where we have used the methodology used in previous accounts. We have done this to be consistent with previous data in relation to SF6 and its greenhouse contribution; however, we will update this to the NGER's requirements in 2009.

CitiPower Emissions – CO ₂ -e (tonnes)		2006	2007	2008
Scope 1	Transport	529	531	572
	SF6*	130	69	46
Total Scope 1		744	600	618
Scope 2	Network Losses	317,220	292,264	295,122
	Electricity – Offices/Depots	1,341	1,225	1,102
Total Scope 2		318,561	293,489	296,224
Powercor Emissions – CO ₂ -e (tonnes)		2006	2007	2008
Scope 1	Transport	6,441	6,594	6,800
	SF6*	201	201	201
Total Scope 1		6,642	6,795	7,001
Scope 2	Network Losses	858,360	837,496	876,771
	Electricity – Offices/Depots	8,045	9,719	9,556
Total Scope 2		866,405	847,215	886,330

*SF6 emissions are calculated by multiplying the number of failed switches by the estimated quantity of SF6 in each switch. CitiPower logs the number of failed switches containing SF6. Powercor estimates the number of failed switches based on repurchasing.

In 2008, we also began a project to quantify the physical impacts and costs of climate change on our networks. This will be used as part of our price review submission.

Greenhouse emissions

In 2009, reporting of greenhouse emissions will change for many businesses, including CitiPower and Powercor, when we move to report according to the National Greenhouse and Energy Reporting Scheme (NGERS).

We believe we are well placed to report under the scheme, but to ensure compliance, in 2008 we began to prepare for an external audit to ensure we are able to meet our new reporting obligations.

The new National Greenhouse and Energy Reporting Scheme (NGERS) requires companies to report scope one and scope two emissions separately, a practice we adopted in our 2007 sustainability report. As scope three emissions are not required under NGERS, we will no longer report our scope three waste emissions, although we do report general quantities of waste on page 35.

Scope one emissions are the direct emissions 'produced from sources within the boundary of an organisation and as a result of that organisation's activities'. (Department of Climate Change, National Greenhouse Accounts Factors, January 2008.)

CitiPower and Powercor scope one emissions result from transport (fuel use), with a minor source being sulphur hexafluoride. SF6 is a gas which is used as an electrical insulator in sealed electrical switchgear.

Scope two emissions are indirect emissions 'generated in the wider economy as a consequence of an organisation's activities, but which are physically produced by the activities of another organisation'. (Department of Climate Change, National Greenhouse Accounts Factors, January 2008.)

Our scope two emissions are those associated with network losses and electricity used in our offices and depots. The majority of our scope two emissions relate to network losses which occur when energy is lost from our distribution networks while transporting electricity from the transmission grid to end users.

The business will not be required to participate in the Federal Government's planned Carbon Pollution Reduction Scheme. The scheme is only for companies with scope one emissions above a certain threshold. Our scope one emissions are significantly below this threshold. CitiPower and Powercor's most significant emissions are associated with network losses, and these are deemed to be scope two emissions.

We recognise that we need to look for ways to reduce our greenhouse footprint. In 2008, this included:

- purchasing 10 per cent of electricity used in our office and depots from renewable sources;
- working to reduce the amount of energy used in offices and depots;
- offsetting light fleet emissions through the Green Fleet program;
- reviewing our light fleet requirements, including the continued use of hybrid cars as company pool cars;
- continuing our support of the State Government's Travel Smart program, which promotes more environmentally sustainable means of travelling; and
- recycling initiatives to reduce the amount of waste going to landfill.

We are also a member of a consortium working under the Federal Government's Solar Cities program to trial energy efficiency initiatives such as smart metering, solar generation and hot water heating, and demand management.

In 2008, we asked employees to make suggestions on how we could reduce our greenhouse emissions. More details can be found in the business growth section on page 39.

6.5

Environmental management

(continued)

Bushfire mitigation and vegetation management

A structured approach to managing assets and managing risk is applied to deliver CitiPower and Powercor's bushfire mitigation program. This approach is captured in our bushfire strategy plans.

The plans serve as a mechanism to demonstrate to Energy Safe Victoria (ESV) how we comply to minimise the risk of fire ignition. The plans are developed in accordance to the requirements of the Electricity Safety (Bushfire Mitigation) Regulations 2003, which are then approved and audited by ESV in addition to undergoing a comprehensive internal audit.

Vegetation Management (customer satisfaction with vegetation management)

	2007	2008
Customer satisfaction		
Powercor only	85%	89%
Target	90%	90%
Customer complaints		
Powercor	19	18
CitiPower	N/A	5
Number of enquiries		
Powercor	744	962
CitiPower	N/A	198
Number of customers affected by vegetation work		
Powercor	21,950	23,682
CitiPower	N/A	7,849

Our vegetation management policies and practices are developed around the Electricity Safety (Electric Line Clearance) Regulations 2005. In addition to the Bushfire Mitigation Strategy Plan, CitiPower and Powercor also submit an annual Vegetation Management Plan to ESV which is linked to the Bushfire Mitigation Strategy Plans.

Conditions for the 2007/2008 bushfire season were severe as a result of prolonged drought and harsh weather conditions. These conditions were replicated in the 2008/2009 bushfire period with many municipalities again announcing fire declaration dates well ahead of previous years. The 2008/2009 bushfire season was also anticipated to last longer than most previous years, with numerous municipalities not declaring their fire season terminated until 1 May 2009.

Enhancements to our bushfire mitigation program included targeted ground clearance around fused installations, thermographic and corona camera inspections of 35 main lines, and enhanced maintenance and vegetation audit programs. These activities were focused in areas identified by the Country Fire Authority as high risk for the 2008/2009 fire season.

New technologies are also being investigated by CitiPower and Powercor to further improve our bushfire mitigation strategies, with a trial recently undertaken using Light Detection and Ranging technology, which used a laser measuring unit mounted on a helicopter to measure the clearance between trees and power lines and enable rapid information capture and database verification.

Both CitiPower and Powercor achieved 100 per cent of their Bushfire Mitigation Program Key Performance Indicators during 2008.

A new *Guide to Planting Trees Near Power Lines* was published in 2008 suggesting native trees and shrubs suitable for planting in the vicinity of power lines in our network areas.

Material and resource efficiency

We are committed to using materials and resources in a sustainable manner. Materials used within our business mainly involve those needed to maintain, construct and operate our electricity distribution networks. The graphs on page 33 illustrate our electricity and fuel use.

Water

The majority of water used at CitiPower and Powercor is consumed within our offices and depots. In 2008, we used 21,202.41 kL of water across the business. This was an increase on the 19,121.83 kL used in 2007, but similar to the 21,423.71 kL used in 2006.

We are committed to conserving water and have water saving initiatives in place across the business.

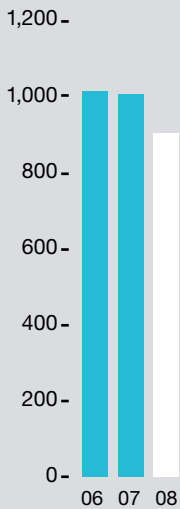
We have water tanks at seven locations – Horsham, Ballarat, Bendigo, Richmond, Shepparton, Kyneton and Warrnambool.

In addition to reducing the amount of water we use in our field-based operations, we also encourage our office-based employees to reduce their water consumption.

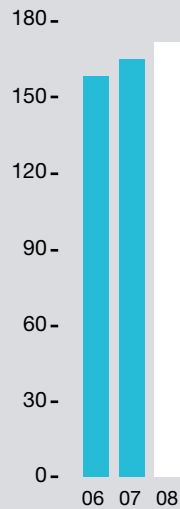
We have installed tap and shower flow restrictors at several locations. We have developed and displayed posters and used email to encourage employees to limit the amount of water used in company kitchens and showers.

Material and resource efficiency

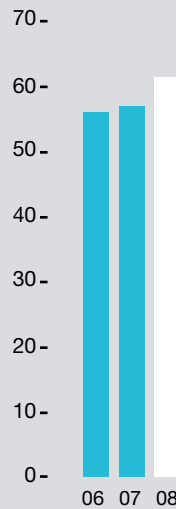
CitiPower – Electricity used in Offices and Depots (kWh) '000s



CitiPower – Unleaded/Leaded Petrol (kL)



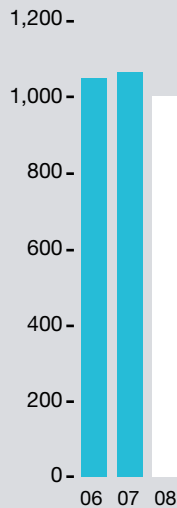
CitiPower – Diesel (kL)



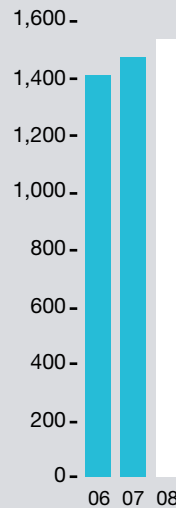
Powercor – Electricity used in Offices and Depots (kWh) '000s



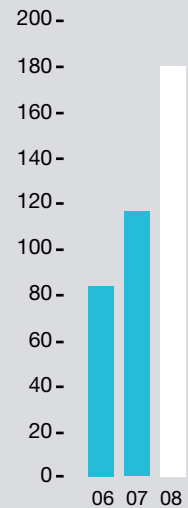
Powercor – Unleaded/Leaded Petrol (kL)



Powercor – Diesel (kL)



Powercor – LPG (kL)



Energy

We record the amount of electricity consumed in all depots and offices, and encourage employees to use energy wisely through a range of communication campaigns. Both CitiPower and Powercor recorded a decrease in the amount of electricity used in 2008.

Fuel

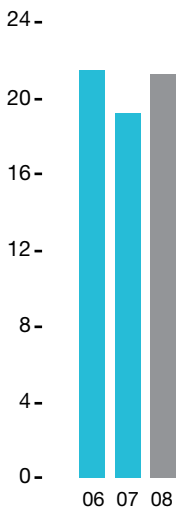
CitiPower and Powercor have implemented a range of initiatives in regard to our fleet and transport. Following a review of our fleet requirements, we have introduced hybrid cars as company pool cars. We also have an on-line car pooling system for employees. We promote the use of public transport, have bicycle users groups in several locations and offset the emissions from our light fleet through Green Fleet.

6.5

Environmental management

(continued)

CitiPower/Powercor – Water Usage (kL) '000s



We have a waterless urinal system at our head office and some depots. The system has the potential to reduce urinal water use by 98 per cent.

Paper

As part of our program to encourage recycling and reduce excessive use of paper, we record the amount of copy paper used at all CitiPower and Powercor locations.

Over several years, we have encouraged employees to make more use of online material rather than printed information. We also made recycled paper the default option on our electronic ordering system.

In 2008, we used a total of 18,228 reams of A4 paper, 677 reams of A3 paper and two reams of A5 paper. This was an increase on the 17,539 reams of A4 used in 2007, 16,552 reams used in 2006 and the 17,092 reams used in 2005.

Managing hazardous substances

We have assets which contain oil, polychlorinated biphenyls (PCBs) and asbestos. Where it is not possible to substitute or eliminate the use of these substances, we seek to manage them appropriately.

Polychlorinated Biphenyls (PCBs)

Under the Australia and New Zealand Environmental Council's National PCB Management Plan, PCBs are defined as any material or waste containing PCBs at a concentration of more than 2mg/kg.

CitiPower and Powercor did not record any PCB releases to the environment in 2008.

CitiPower removed and disposed of 16,605 litres of PCB contaminated oil in 2008, and Powercor 23,825 litres. These figures are based on estimates

calculated from waste transport certificates and data from invoices.

Oil

CitiPower and Powercor's electricity distribution networks contain oil filled plant, with the majority found in zone substations, distribution substations and regulators. These are regularly inspected as part of our ongoing asset inspection and maintenance program.

No significant oil spills were recorded in 2008.

CitiPower and Powercor assets and operations have minimal impacts on water environments; however, our Easement Management Policy recognises the need to protect surface water and drainage lines near our assets. Our policy addresses potential oil spills from our assets, erosion and sedimentation. No significant discharges to water were recorded in 2008.

Asbestos

CitiPower and Powercor have an Asbestos Management System and Asbestos Management Manual. In 2008, CitiPower disposed of six cubic metres of asbestos, and Powercor two cubic metres. This data is estimated based on waste transport certificates.

Recycling and waste

Our commitment to recycling and managing waste is reflected across the organisation. We are committed to managing our operational wastes – including waste oil, scrap metal and waste water – as well as our office waste.



Going Waste Wise

In 2008, our Geelong office and depot achieved Waste Wise accreditation following its implementation of an employee-based initiative aimed at conserving resources and reducing current and potential waste. Waste Wise is a Victorian Government project. Following an audit, Geelong was certified Waste Wise, and will now take part in a regular review process designed to continuously reduce waste.

Left to right: Peter Garlick, Resource Manager; Steve Cleeland, Construction Project Leader; Rhonda Oliver, Maintenance Officer; and Suzy Hulm, Administration Officer.

Operational waste

Solid co-mingled waste goes to landfill. Waste that is recycled includes cardboard, paper, glass, plastic and aluminium cans.

CitiPower's co-mingled waste decreased by 3.65 per cent during 2008 compared with 2007. 2,373.33 m³ solid co-mingled waste went to landfill in 2008 and 2,276 m³ solid co-mingled waste went to land fill in 2007. In 2006, this was 2,463 m³.

Powercor's co-mingled waste to landfill was 9,198.18 m³ in 2008, which was a decrease from 10,593.75 m³ recorded in 2007 and 10,320 m³ in 2006.

Metal recycled

Scrap metal such as steel, copper and aluminium generated from the upgrading and refurbishment of equipment is recycled.

In 2008, CitiPower recycled an estimated 77 tonnes of scrap metal compared with 18.9 tonnes in 2007. Powercor recycled an estimated 1,195 tonnes of scrap metal in 2008 compared with 764.78 tonnes in 2007.

Waste water

CitiPower's waste water is recycled and then used at Veolia's soil treatment facility and through a recycling project with Barry Brothers, Telstra and the City of Port Phillip where recycled water is used to irrigate municipal parks and gardens.

In 2008, CitiPower recycled 3.76 megalitres of waste water compared with 2.34 megalitres in 2007.

Waste oil

CitiPower and Powercor recover waste oil from scrapped equipment and, if appropriate, it is recycled by an accredited company. Otherwise it is disposed as prescribed waste through a local agent.

CitiPower recovered 54,892 litres of waste oil and Powercor 232,473 litres. These figures are based on data provided by our contractors.

Office waste

CitiPower and Powercor have joined the Victorian Government's WasteWise program, with our Market Street, Melbourne and Geelong sites having received Waste Wise accreditation.

The business encourages recycling to reduce the amount of waste going to landfill. We no longer use disposable cups, we reuse or recycle old computer hardware, we recycle toner cartridges and bottles, mobile phones, glass, plastic, cardboard and paper. We also recycle fluorescent lighting tubes and compact fluorescent light globes.

We have introduced additional recycling opportunities for employees, who can bring their used compact fluorescent light globes and other recyclable products to work, including prescription glasses. We also work with Green Collect to recycle corks, CDs, DVDs, household batteries and mobile phone batteries.

Public lighting

Damaged, obsolete and used public lighting items are disposed of in an environmentally responsible manner. Damaged and obsolete lanterns are recycled through a metal recycling company, while lamps and photoelectric switches are sent to an appropriately licensed waste recovery/disposal company.

Land impacts

We undertake Environmental Impact Assessments for major new works and projects to ensure planning, environment and heritage approvals and considerations are taken into account. The assessments assist with route and site selection, identification of sensitive areas (such as protected flora and fauna) and integrate information from government and authorities. They incorporate a range of environmental values, including biodiversity and habitat, surface and ground waters, cultural heritage and local amenity.

Environmental partnerships

In 2008, CitiPower and Powercor entered the second year of a three-year Silver Level partnerships with Landcare Australia. Through this partnership, we supported 14 projects in 2008.



For more information on environmental management, visit the community and environment section on our website www.citipower.com.au or www.powercor.com.au.

6.6

Health and safety



In this section

Health and safety management

Keeping the focus on health and safety

Measuring health and safety performance

Public safety

2008 was a year of strong health and safety performance for our employees and contractors. Many key initiatives were implemented, and several health and safety honours were awarded to CitiPower and Powercor and key employees.

Health and safety management

We have a Health and Safety Policy with the stated aim of never compromising health and safety to get a job done. The Policy is implemented through our Health and Safety Management System, which is accredited to the certification standard *Advanced Level SafetyMAP* Edition 4.

The business successfully maintained its *Advanced Level SafetyMAP* Accreditation. This followed two rounds of auditing by an external auditor.

The health and safety system is supported by our health and safety management structure, which includes a Health and Safety Steering Committee supported by Health and Safety Committees at all locations. Six per cent of our workforce are members of Health and Safety Committees, and safety is a core value and behaviour for all employees.

Keeping the focus on health and safety

To ensure compliance with new Victorian Occupational Health and Safety (OH&S) Construction Regulations, which came into effect on 1 July 2008, we undertook a number of significant activities, including development of a new policy and a coordination plan in consultation with key stakeholders, liaison with other distribution companies and WorkSafe on an industry approach to compliance, formal training for employees, and delivery of communication packs to contractors and relevant employee groups.

Manual handling was once again a key focus area that saw, among other things, the development of an e-learning module for field employees as part of the induction process. This was a continuation of the *LIFT with your brain* campaign that was implemented in 2007 to help employees avoid manual handling injuries. The campaign achieved a 35 per cent reduction in manual handling injuries over the 2007/2008 financial year and was honoured with a highly commended in the 2008 National Workplace Safety Awards.

Chemical registers were reviewed across the business and standardised for key user groups. This has resulted in a 50 per cent reduction in the number of chemicals required to be used within the company.

A number of actions aimed at improving contractor health and safety performance were identified and agreed to during 2008. These included changes to audit programs, incident reporting and follow up, and tender evaluation processes. Another initiative was the development of a series of bulletins for contractors aimed at raising the awareness of proactive incident and injury management.

A project was initiated to verify whether health and safety related communications positively impact on behaviour, and support the overall aims of the OH&S program. An external consultancy assisted with a cultural/behavioural review and assessment of communications. Agreed improvement initiatives will be implemented in 2009.

A safe driving project was undertaken in 2008 to identify what further improvements can be implemented. The project involved analysis of vehicle accident data and a workshop to verify the findings and identify improvement initiatives. Implementation will occur in 2009.

Incident management training programs were conducted across the business in 2008 to either refresh employees' knowledge or to train new people for the role of Incident Control Person.

CitiPower and Powercor monitor community health issues and establish policies and plans, as appropriate, such as our Pandemic Business Continuity Plan and policies for dealing with diseases such as AIDS, SARs, hepatitis and anthrax.

We received two awards related to health and safety in 2008. More details are on pages 40 and 41.

Measuring health and safety performance

Health and safety is subject to a range of legislative controls – both at a state and federal level. The health and safety regulator in Victoria is WorkSafe.

CitiPower and Powercor record and notify injuries in accordance with *Occupational Health and Safety Act 2004*. We monitor and report on injury, incident and hazard statistics to identify trends and issues. Our monitoring includes reporting to our Board, Joint Management Team and Joint Health and Safety Steering Committee, as well as producing a number of performance reports.

We set challenging Key Performance Indicators (KPI) for Lost Time Injuries (LTIs) and Medical Treatment Injuries (MTIs).

In 2008, two LTIs were recorded against a target of two and 20 MTIs recorded against a target of 28. This is 14 fewer MTIs than the 34 recorded in 2007.

An Occupational Health and Safety Performance Report by the Energy Networks Association for 2007/2008 found that CitiPower and Powercor were among the top performers in the Energy Industry in regard to the low number of Lost Time Injuries for both field and office based employees.

Employees continue to express high levels of satisfaction with health and safety management, as evidenced by the 2008 Employee Opinion Survey results. The overall employee satisfaction result for health and safety was 88 per cent. This is eight per cent higher than the Australian National Norm and three per cent higher than the Global High Performing Companies norm.

The Field Worker satisfaction result was 85 per cent. This is 12 per cent higher than the Global High Performing Companies Norm.

There has been a steady decline in the number of contractor serious injuries over the past 12 months. A substantial effort has been put into improving contractor performance with health and safety initiatives that will continue in 2009.

Public safety

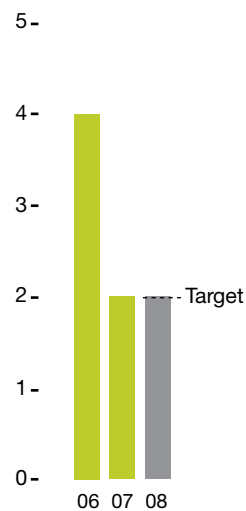
Our commitment to customers and the wider community is also outlined in our Health and Safety Policy. Energy Safe Victoria (ESV), the regulatory body responsible for electricity safety standards for the electricity industry in Victoria, actively monitors compliance and performance.

We also have an Electricity Safety Management Scheme (ESMS) that provides a framework for managing electricity safety hazards and risks associated with operating large electricity networks. The ESMS is open to internal and external audit and review.

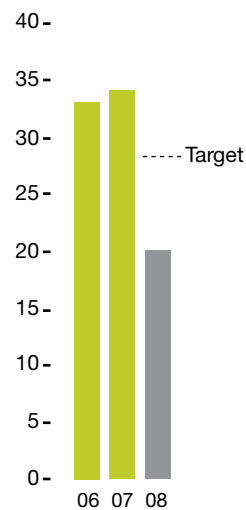
We promote public safety education, particularly on our website where information can be found on a wide range of health and safety topics.

One of the most common public safety perceptions we deal with relates to electric and magnetic fields (EMF). In managing this issue, we follow the principles of prudent avoidance when designing new or augmenting existing installations. We have a protocol of investigation for individual EMF enquiries from the community and we monitor new EMF developments through our membership and support of the Energy Networks Association.

CitiPower/Powercor – Lost Time Injuries (number)



CitiPower/Powercor – Medical Treatment Injuries (number)



New testing policy

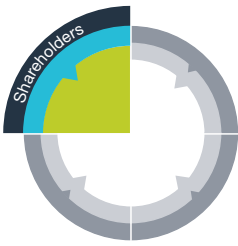
A review of the Alcohol and Drug Policy in 2008 identified a number of areas for improvement, including alcohol and drug testing. The review was supported by an extensive consultation process with all key stakeholders, including the Board, the Joint Management Team, H&S Steering Committee and Local H&S Committees, employees and contractors. The revised policy is planned to be implemented in 2009.



Glenn Henstock, Health and Safety Manager; and Adam Laffey, Health and Safety Advisor.

6.7

Business growth



In this section

Powercor Network Services, Customer Services and Information Technology

Advanced Metering Infrastructure

Innovation

CitiPower and Powercor focus on improvement initiatives and innovation to deliver benefits in our regulated core business. Powercor Network Services, Information Technology and Customer Services drive additional business growth in unregulated markets. The Advanced Metering Infrastructure project also offers opportunities for growth.

Powercor Network Services, Customer Services and Information Technology

2008 was the first full year of operation for Powercor Network Services Pty Ltd as a separate business. Powercor Network Services provides design, construction and maintenance services to CitiPower and Powercor, and to other utility and asset management businesses in Australia.

External clients included SP AusNet and SPI Electricity, Jemena, Energex, Alcoa, Powerlink, Transgrid, Transend Networks, Hydro Tasmania, Telstra, NextGen, Optus, Country Energy, Perseverance Mining, wind farm developers, including Pacific Hydro and West Wind, and several councils.

Customer Services and Information Technology also provide a range of services to external companies, in addition to providing services to CitiPower and Powercor.

Information Technology supplies ongoing services to ETSA Utilities in South Australia and Northern Gas Networks in the United Kingdom (UK). Other significant projects in 2008 included the implementation of SAP for WestNet in Western Australia and commencing the transition of all IT systems for Wellington Electricity in New Zealand. This project will be completed in 2009.

In 2008, Customer Services provided contact centre, billing and credit, connections and data management services for ETSA Utilities and connections, billing and credit for Wellington Electricity.

Revenues from these three areas – Powercor Network Services, Customer Services and Information Technology – all contributed to external revenues, exceeding the target for 2008.

Advanced Metering Infrastructure

A key issue for the business over the next few years will be the impact of new Advanced Metering Infrastructure (AMI). AMI represents a significant step change for our industry. It will change the way customers think about electricity and it will change many aspects of the way we run our business.

In 2008, significant background work was undertaken in regard to AMI, including obtaining regulatory and design approvals. The physical aspect of the program will begin in 2009 when the installation of the new meters commences. All meters should be installed by 2013.

The new AMI meters will record significant amounts of information, capturing electricity consumption data in 30 minutes intervals, and will be able to be remotely read, connected and disconnected.

The impacts of this new technology will be significant, with customers, retailers and distributors better able to understand near real time electricity usage. AMI will incorporate two-way remote communication capabilities.

Green innovation

Innovation went green in 2008 with an employee competition to reduce greenhouse gas emissions. The winning entry came from a team of five from Information Technology who developed a plan to assess and mitigate the impact of IT infrastructure on our greenhouse footprint. The plan looks at personal computers, servers and printers, opportunities for new technology and considers 'cradle to grave' policies for the procurement and technology selection process.



James Tod, Database Administrator; and Lyndel Sainsbury, IT Business Delivery Manager.

This means electricity retailers will be able to offer different prices according to the time of consumption. Over time and following the introduction of the national smart metering program, those customers who buy an in-home display device will be able to monitor their electricity usage and choose to reduce it based on the price they have to pay for their electricity.

The roll out of new AMI meters will be one of the biggest projects ever undertaken in the Victorian electricity industry. CitiPower and Powercor will be required to replace over 1.1 million meters across both networks.

We will need to increase our meter data processing to accommodate millions of interval meter reads every day, and we will be obliged to retain these readings electronically for at least 13 months.

To prepare and manage this enormous work load, CitiPower and Powercor created a new business unit, illustrating its significance to the business. The AMI Services business unit is assisted by groups from across the company, in particular Information Technology, Customer Services, Powercor Network Services, Electricity Networks, and Human Resources and Corporate Affairs, Legal and Regulation.

Innovation

At CitiPower and Powercor we encourage innovation and innovative thinking. Employees are encouraged to participate in the innovation program and develop those ideas that show genuine promise into business opportunities.

The innovation program, *eighthgate*, was relaunched in 2008 following the development of a new innovation strategy, which includes a communication and marketing plan and new branding.

A new ideas management tool was also established giving employees the opportunity to collaborate, submit and track innovative ideas online from concept to implementation. A skills and development program was implemented, including scholarships for employees undertaking master's level education in entrepreneurship and innovation at Swinburne University, as well as a lunch and learn series, which provided employees with an opportunity to learn more about innovation. There were also idea development workshops and skills development workshops for Business Units.

CitiPower and Powercor also hold a Business Innovation Cup in conjunction with ETSA Utilities. It involves individuals or teams submitting an idea or concept that will have significant impact on the business. Teams then develop the ideas into business opportunities via a series of workshops and presentations.

Teams compete for a \$20,000 prize pool and the chance to implement the business opportunity. The 2008 Business Innovation Cup attracted 12 teams from CitiPower and Powercor, and six from ETSA Utilities, involving a total of 47 employees.

Three employees from Powercor Network Services won the award for their 'safetees' innovation, which has a number of applications, including identifying the live parts of a circuit, highlighting unfinished areas of work or marking incorrect wiring and open links. Outage incidents, which can compromise worker safety and health and incur regulatory penalties, can be reduced with the use of this innovation. Second prize was awarded to another Powercor Network Services employee for the 'powercar' project, which aims to give our business the opportunity to take a lead role in the installation and roll out of vehicle charging stations for electric cars. More details on the awards winners are on page 41.

In 2008, CitiPower and Powercor also conducted an innovation campaign specifically targeted at ideas to reduce our greenhouse footprint. The campaign attracted 40 entries and the winner is detailed in the case study on this page. For each of the 40 ideas submitted, CitiPower and Powercor worked with the Pinkerton Landcare and Environment Group to plant 40 trees as part of the Werribee River Gorse Project.



For more information on business growth and innovation, visit other businesses and corporate information sections on our website www.citipower.com.au or www.powercor.com.au.

CitiPower and Powercor are proud of the many achievements and honours awarded to individual employees and teams of employees in 2008. These accomplishments cover many areas and include internal and external awards.

External awards

Graduates

In 2008, two graduate engineers, Steve Simm and Gaurav Sharma, received an award from the Electric Energy Society of Australia, which is the technical society of Engineers Australia. They were awarded the Power Engineering Student Award 2007 for their final year project.

Apprentices

For the second consecutive year, our apprenticeship program was recognised at the Minister's Awards for Excellence for Employers of Australian Apprentices, this time for our efforts in the Geelong region.

Fourth year apprentice lineworker, Alasdair Pollock, won the GippsTAFE Third Year Apprentice of the Year award.

Bendigo-based apprentice electrical power systems electrician, Sam O'Brien, won the Second Year Top Apprentice (Electrical) at the Bendigo Regional Institute of TAFE (BRiT) awards.

Fourth year apprentice lineworker, Brendan Edwards, reached the finals of the Victorian Training Awards and also received an Annual Rotary Training Award.

Health and safety

CitiPower and Powercor's *LIFT with your brain* campaign was recognised in the 2008 National Safety Awards of Excellence with a Highly Commended in the category National Safety – Best Communication of a Safety message. The awards are facilitated by the National Safety Council of Australia (NSCA).

Customer service

Brendan Bloore, General Manager Customer Service, was named the Victorian Customer Service Executive of the Year and the National Customer Service Executive of the Year at the 2007/2008 Customer Service Institute of Australia's (CSIA) Australian Service Excellence awards.

The business was also honoured with three major CSIA awards – the Victorian Customer Charter of the Year, National Customer Charter of the Year and Victorian Large Business of the Year.

Project management

Powercor Network Services was a finalist in the 2008 National Project Management Achievement Awards hosted by the Australian Institute of Project Management. This followed its win in the Small Projects category in the Victorian Chapter Awards for the Menegazzo Dam 3 Project, which involved the construction of overhead and underground assets to supply electricity to a pumping station in an almond development in north-west Victoria.

The business also won the Chairman's High Commendation in the Regional Development section of the State Awards for a project to build electrical infrastructure supporting the Coliban Water Superpipe.

Emergency response

The business was awarded an Edison Electric Institute Emergency Recovery Award for its efforts to recover from the wind storm of April 2008. The awards recognise companies that faced untoward circumstances caused by extraordinary events.

Industry acknowledgment

Mark de Villiers was awarded a Certification of Recognition from the Energy Networks Association (ENA) for the work he contributed to the cost of capital review.

Glenn Henstock was awarded a Certificate of Recognition from ENA for his contribution to the Australian Energy Industry through the ENA.

Environmental partnership

Powercor was the recipient of the Local Government and Business Partnership Award and the 2008 Glenelg Hopkins Environment Achievement Awards for our support of the Landcare/Coastcare Middle Island Maremma Project, where specially trained dogs protect the local penguin colony.

Sustainability awards

In 2008, it was announced that our 2006 Sustainability Report was the runner-up in the 2007 Energy Supply Association of Australia (esaa) Sustainability Report Awards.

Internal awards

The business runs a range of internal awards paying tribute to employees who have made significant contributions to CitiPower and Powercor.

Apprentices and trainees

In 2008, we held our sixth Annual Apprentice and Trainee Awards where our eight leading apprentices and trainees were presented with awards. Winners were Dale Hyland, Steven Wells, Elise Bilney, Casey Millard, Sam O'Brien, Marcus McMahon, Ryan Nelson and Alasdair Pollock. The key role of mentor was also recognised, with Andrew Doyle being presented with the Mentor of the Year award.

Emergency response

Our Bendigo and Melbourne contact centres were recognised with an award from our sister company ETSA Utilities for outstanding performance over the 2007/2008 summer period. The award recognised the efforts of the contact centres during the March heatwaves when South Australia experienced 15 days of temperatures over 35 degrees.

Innovative thinking

eighthgate is a CitiPower, Powercor and ETSA Utilities initiative to encourage innovative thinking and bring ideas to life. A key component of the program is the Business Innovation Cup, which gives employees the chance to be rewarded for significant innovations. In 2008, 18 teams made up of 47 individuals entered the event, which was won by Blake Stonehouse, Nigel Lewis and Peter Church, with Mark Spencer the runner up.

As part of *eighthgate*, we also held a special 'innovation goes greenhouse' ideas competition. Forty ideas were submitted, with the winning team being made up of Information Technology's Ian Williams, James Tod, Jason Price, Lyndal Sainsbury and Paul Kirkwood.

Employee excellence

For the past 12 years we have held Spirit of Excellence Awards to recognise employees for their commitment to the business, customers and community. In 2008, there were 54 nominations representing 124 employees across the business. The final awards were presented to nine individuals and six teams, totalling 34 employees.

Verification and Assurance Statement



Net Balance Management Group Pty Ltd
Level 4, 460 Bourke Street
Melbourne Victoria 3000 Australia
T +61 3 8641 6400
F +61 3 9600 1295
E info@netbalance.com
W netbalance.com



To the Board of Directors, management and stakeholders of CitiPower and Powercor Australia:

CitiPower and Powercor Australia (CitiPower and Powercor) commissioned Net Balance Management Group Pty Ltd (Net Balance) to provide independent assurance of their 2008 Sustainability Report (the 'Report'). The Report presents CitiPower and Powercor's sustainability performance over the period 1 January 2008 to 31 December 2008. CitiPower and Powercor were responsible for the preparation of the Report and this statement represents the assurance provider's independent opinion. Net Balance's responsibility in performing its assurance activities is to the Board and management of CitiPower and Powercor alone and in accordance with the terms of reference agreed with them. Other stakeholders should perform their own due diligence before taking any action as a result of this statement.

Assurance Standard and Objectives

The assurance was undertaken in accordance with the AA1000 Assurance Standard (AA1000AS (2008)). Assurance undertaken using this standard provides a comprehensive way of ensuring an organisation is responsible for its management, performance and reporting on sustainability issues. This is achieved through the evaluation of the organisation's adherence to the AA1000 AccountAbility Principles (2008) and by reviewing the accuracy and quality of disclosed sustainability performance information.

The AA1000 AccountAbility Principles (2008) against which CitiPower and Powercor's processes are assessed include:

Inclusivity: An assessment is made on whether the organisation has included stakeholders in developing and achieving an accountable and strategic response to sustainability.

Materiality: An assessment is made on whether the organisation has included in its report the material information required by its stakeholders to be able to make informed judgements, decisions and actions.

Responsiveness: An assessment is made on whether the organisation has responded to stakeholder concerns, policies and relevant standards, and adequately communicated these in its report.

Assurance Type and Scope

Net Balance provided Type 2 assurance in accordance with the AA1000AS (2008). This involved an assessment of the organisation's adherence to the AA1000 AccountAbility Principles (2008) and an assessment of the accuracy and quality of the report's sustainability performance related information.

The review of accuracy and quality of sustainability performance information was undertaken using CitiPower and Powercor internal protocols and the Global Reporting Initiative's (GRI) G3 principles of quality.

Assurance Level and Limitations

The level of assurance provided is moderate as defined by the scope and methodology described in this assurance statement. The assurance covered the whole report and focused on systems and activities of CitiPower and Powercor during the reporting period, with the following exceptions:

- The scope of work did not involve verification of financial data, other than that relating to environmental, social or broader economic performance.
- The assurance provider's involvement with stakeholder engagement was limited to reviewing external and internal stakeholder engagement processes and outcomes.
- Only the corporate office was visited as part of this assurance engagement, with site data being reviewed remotely.

Assurance Methodology

The assurance engagement was undertaken in April 2009, and the process involved:

- development of a materiality register using the five-part materiality test, including a comparison of CitiPower and Powercor against its peers, a risk review, a review of selected Australian media, a policy review and review of stakeholder feedback;
- senior management interviews to assess the effectiveness of the policy, procedures and frameworks in place to manage sustainability within the organisation;

- a review of the processes used by CitiPower and Powercor to engage with its stakeholders and the outcomes of the external and internal stakeholder engagement undertaken during the reporting period in order to understand the nature of material issues raised by stakeholders;
- a review of CitiPower and Powercor's key sustainability strategies, policies, objectives, management systems, measurement and reporting procedures, background documentation and data collection and reporting procedures;
- interviews with key staff responsible for the sustainability report to ascertain their views, understanding and response to material sustainability issues faced by the business;
- a series of interviews with key personnel responsible for collating and writing various parts of the report in order to substantiate the veracity of selected claims;
- a review of the Report for any significant anomalies, particularly in relation to significant claims, as well as trends in data;
- examination of the aggregation and/or derivation of, and underlying evidence for, over 75 selected data points and statements made in the report and evaluation of the data and statements against CitiPower and Powercor internal data protocols and the GRI G3 principles of quality;
- collecting and evaluating evidence to support the assurance work undertaken; and
- a GRI G3 application level check.

Our Independence

Net Balance was not responsible for preparation of any part of the Report. During the reporting period, Net Balance was commissioned by CitiPower and Powercor to undertake the following engagements:

- Sustainability Report Scorecard Benchmarking; and
- Commercial Fleet Benchmarking.

These projects were determined by CitiPower and Powercor and Net Balance, using our Independence Policy as a guide, to not be in conflict with the assurance role. Project and assurance teams were also kept separate to ensure independence. As such, Net Balance has not undertaken work for CitiPower and Powercor during the reporting period that would compromise our independence.

Our Competency

The CitiPower and Powercor assurance engagement was carried out by an experienced team of professionals led by a Lead Sustainability Assurance Practitioner (Lead CSAP), accredited by the International Register of Certified Auditors UK (IRCA UK). The project included consultants with expertise in environmental, social and economic performance measurement across a range of industry sectors. Net Balance is a global leader in the use of AccountAbility's AA1000AS, having undertaken over 50 assurance engagements in Australia over 2007 and 2008.

Verification and Assurance Statement

(continued)

Findings and Conclusions

Adherence to AA1000 Principles

Inclusivity: CitiPower and Powercor have effective systems in place to collect feedback from stakeholders to ensure that the organisations appropriately measure, monitor and manage their material sustainability issues. Net Balance investigated a number of case studies from the Report that highlight stakeholder engagement, and found comprehensive and continuous processes in place for communicating with stakeholders, as well as actively seeking and incorporating stakeholder feedback into strategy. The case studies reviewed related to customers, staff, emergency response, corporate governance and climate change.

Materiality: CitiPower and Powercor have multiple processes in place to determine material issues across the organisation. The Report was found to be in alignment with the outcomes of these processes and, as such, appropriately addressed CitiPower and Powercor's environmental, social and economic material issues. In addition, the Report was also found to provide balanced information about CitiPower and Powercor's sustainability management and performance.

Responsiveness: Net Balance tested the responsiveness of CitiPower and Powercor through a review of management systems and policies that govern the way the organisations respond to stakeholder concerns and interests. Responsiveness was also tested by assessing allocation of resources, the timeliness and accessibility of reported information, and by the review of targets.

The organisations were found to be responsive to stakeholder concerns and expectations, and this was clearly demonstrated through a number of highlighted case studies within the Report.

Reliability of Performance Information

Based on the scope of the assurance process, the following was observed with regard to performance information:

- The findings of the assurance engagement provide confidence in the systems and processes used for managing and reporting sustainability performance information.
- The level of accuracy of sustainability performance information was found to be within acceptable limits.
- Data trails selected were generally identifiable and traceable, and the personnel responsible were able to reliably demonstrate the origin(s) and interpretation of data.
- The sustainability performance disclosures presented within the report appropriately reflect environmental, social and economic performance achieved during the period.
- The GRI application level check found that the Report was classified as B+.

Overall, it is Net Balance's opinion that the information presented within the report is fair and accurate and that the report is a reliable account of both CitiPower and Powercor's sustainability performance during the reporting period.

The Way Forward

It was found that CitiPower and Powercor have strong processes in place for collecting sustainability performance information, and that the Report appropriately addresses CitiPower and Powercor's environmental, social and economic material issues. To ensure that CitiPower and Powercor continue to improve, Net Balance has provided recommendations and suggestions with regard to data management protocols and mapping out of stakeholder engagement processes. These have been outlined in a more detailed report presented to CitiPower and Powercor's management.

On behalf of the assurance team
1st May 2009
Melbourne, Australia



Terence Jeyaretnam
Director, Net Balance & Lead CSAP
(IRCA UK)

Contact information

Contact us

CitiPower

Tel. 1300 301 101
info@citipower.com.au
www.citipower.com.au

Powercor Australia

Tel. 13 22 06
info@powercor.com.au
www.powercor.com.au

For more information about this report, please contact

Kathryn Franklin

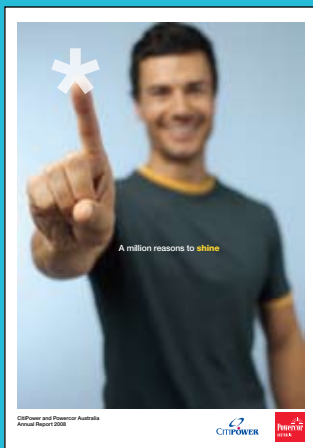
Manager Environmental Affairs and Sustainability Reporting

Telephone 03 9683 4889

Email kfranklin@powercor.com.au

Locked Bag 14090
Melbourne 8001

40 Market St
Melbourne



For more information on our business, or for copies of the CitiPower and Powercor Australia Annual Report 2008 or Sustainability Report, visit our website

www.citipower.com.au or
www.powercor.com.au



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