

Delta Electricity **Annual Report 1996**

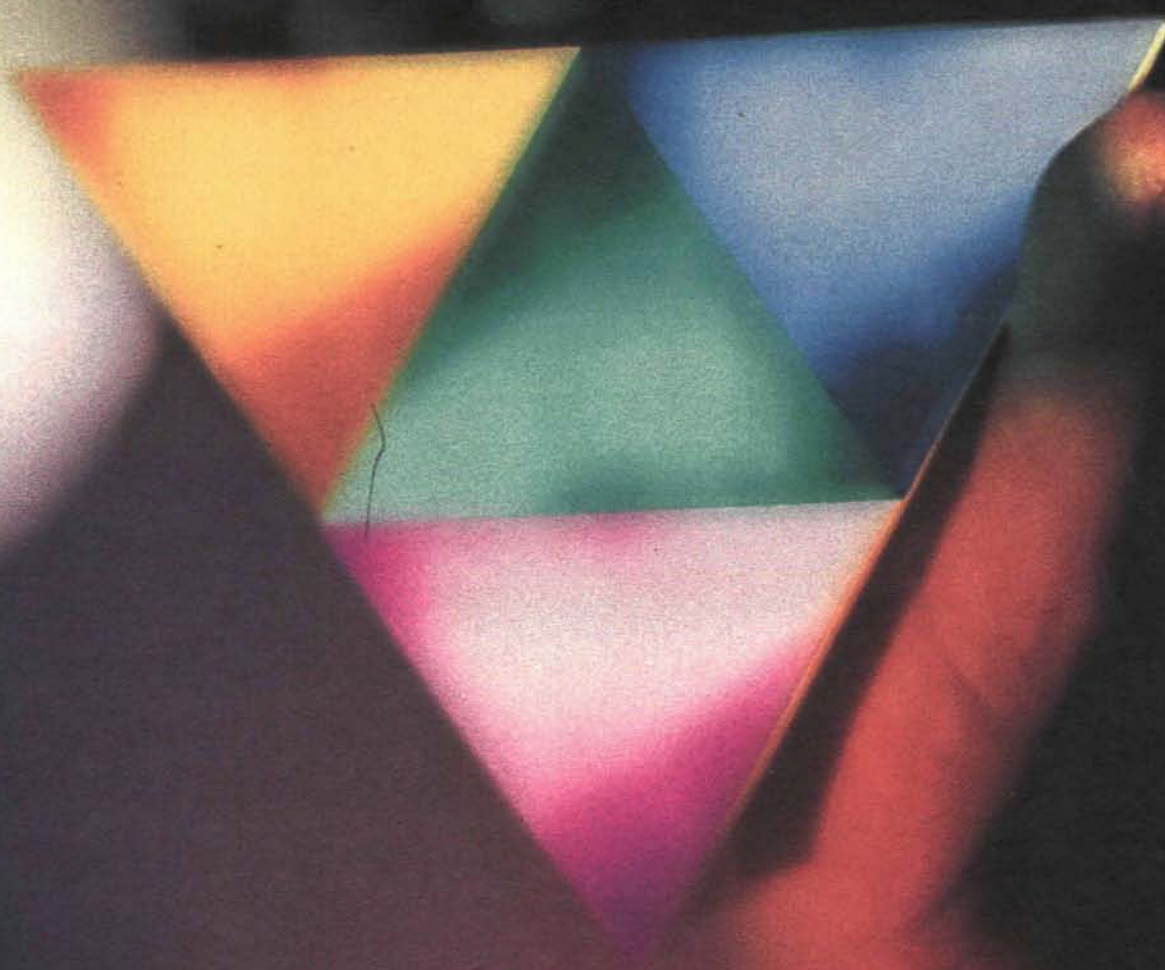


Table of Contents

1. Introduction	1
Letter of Submission to Voting Shareholders	2
Board Members	3
Chairman's Report	4
Chief Executive's Report	5
2. Summary Review of Operations	6
Our Business	6
Business Profile	7
Market Conditions	8
Our Market	9
Energy Trading	10
Marketing and Sales	11
Our Power Stations	12
Wallerawang Power Station	13
Mt Piper Power Station	14
Vales Point and Munmorah Power Stations	16
Maintenance Services	19
Our People	20
Employee Relations	21
Our Environment	22
Environmental Management	23
Ash Management	24
3. Financial Statements 1996	25
4. Statutory Information	39

Cover Picture

A symbolic representation
of Delta Electricity's logo.

Highlights

- \$220 million revenue
- \$29.3 million profit before tax
- \$14.4 million dividend

Introduction

Delta Electricity is a successful generator of electricity, providing competitively priced electricity in a safe, efficient and environmentally responsible manner, initially to the State, and later to the National Market and is committed to ensuring the satisfaction of its shareholders and stakeholders.

Wallerawang Power Station.

Letter of Submission to Voting Shareholders



The Hon M Egan MLC
Treasurer, Minister for Energy,
Minister for State and Regional Development &
Minister Assisting the Premier
Level 33, Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000



The Hon P Whelan MP
Minister for Police
Level 20 Avery Building
14-24 College Street
Darlinghurst NSW 2010

17 October, 1996

Dear Shareholders,

It is our pleasure to submit to you the first Annual Report of Delta Electricity (formerly known as First State Power) for the period 1 March, 1996 to 30 June, 1996. The Annual Report covers the activities of Delta Electricity in its first four months of operation and contains the Statement of Accounts for the period ended 30 June, 1996. The Annual Report was prepared in accordance with Section 24A of the State Owned Corporations Act 1989 and the Annual Reports (Statutory Bodies) Act 1984 and is being submitted for presentation to Parliament.

Yours faithfully

B Murphy
Chairman

J Hennessy
Chief Executive

Board Members



Mr Barry Murphy
Chairman and Director
*BScApp (Hons), BE (Chem), MBA
DipEnvironStud*



Mr Jim Henness
Chief Executive Officer
and Director
BSc, BE (Hons), MEngSc, MBA

**The Honourable
Barrie Unsworth**
Director



Ms Barbara Ward
Director
BEc (Qld), MPolEcon (Qld)



Mr Peter McIveen
Corporate Secretary
Ind Rel Cert, Pers Admin Cert

Mr David Asimus, AO
Director
BEc, HonDSc



Mr Neil Rose
Director

Chairman's Report



Change has been the order of the day for the electricity industry in New South Wales since the introduction of the State market on 1 March, 1996.

Since that time, the Board of Delta Electricity has considered both short and long term strategies for positioning our Corporation as an effective competitor in the State,

and shortly, the National Market.

In addition, plans for financial and environmental management in Delta Electricity were developed and a number of Board Committees established to provide direction on operational aspects of the business.

The competitive pressures resulting from the operation of the market are new to the people in the New South Wales industry. The Board, with its diverse range of backgrounds sees its role as providing strategic experience and expertise to deal with the challenges of a deregulated electricity market.

I am pleased to advise that in these first four months of operation the Corporation has produced revenues of \$220 million and a net profit before tax of \$29.3 million. This will enable dividends of \$14.4 million to be paid to our shareholder.

Over the next twelve months, the Board will continue to monitor financial and performance measures and provide direction in these areas.

The guidelines on corporate governance for each Director will also be developed to ensure appropriate management under the various laws governing Delta Electricity.

Each member of the Board is aware of the efforts made by all Delta staff in meeting the demands arising from this new era of operating the business and expresses their individual appreciation for this invaluable contribution.

We look forward to maintaining the momentum that has been established in our first four months of operation and importantly, to successfully meeting our customers' requirements in the changing and challenging times ahead.

Chief Executive's Report



Since its establishment on 1 March, 1996 Delta Electricity has operated in a continually changing environment. The New South Wales' electricity market has developed from trading electricity on an administered price basis to a competitive wholesale market.

Participants in this market, through bilateral contracts and spot trading, have seen electricity prices decrease significantly on average, from the Bulk Supply Tariff that applied only a short time ago.

Company profiles in the industry have also changed as a result of structural reform and these entities are creating new corporate images to support their positioning in a competitive environment.

Delta Electricity has developed and launched its own corporate image and has enthusiastically embraced the challenges presented by its new market environment.

Market share has been maintained through the development of relationships with customers, and through marketing competitively priced financial instruments focused on our customers' risk management and supply needs.

While changes in the electricity supply industry to date have been unequalled in the past, the pace of change is not expected to abate.

The New South Wales market is preparing to introduce retail trading in October, 1996 and a National Market is scheduled to commence in July 1997.

Further asset sales are anticipated in Victoria and plans for new private generation projects have also been announced for all States. These commercial developments are occurring against a backdrop of increasing environmental pressures on coal-fired thermal generators, both through possible imposition of emission targets directly to generators, and through targets for those purchasing electricity.

Simultaneous with the changes taking place in the electricity industry, the gas industry is also being deregulated. This move is expected to introduce a truly competitive energy market with participants not restricting their activities to a single type of energy.

Delta Electricity intends to transform these challenges into opportunities to deliver business success. Activities are already underway to enhance efficiency and shape the business in a way that is appropriate for competing in the new environment. These activities include, but are not restricted to:

- participation in an international bench-marking program
- market investigation and sensitivity studies

- an organisational review of service provision within Delta Electricity
- preparation of an Information Technology Strategy
- negotiations for a new enterprise agreement which facilitates productivity improvements
- developing new risk management products with customers which will differentiate our products from those of our competitors.

These initiatives are expected to create significant improvements in themselves. However, in order to realise our vision of being the supplier of first choice in the electricity market, Delta Electricity will need to become a low cost, high value adding provider of energy from a balanced portfolio of assets.

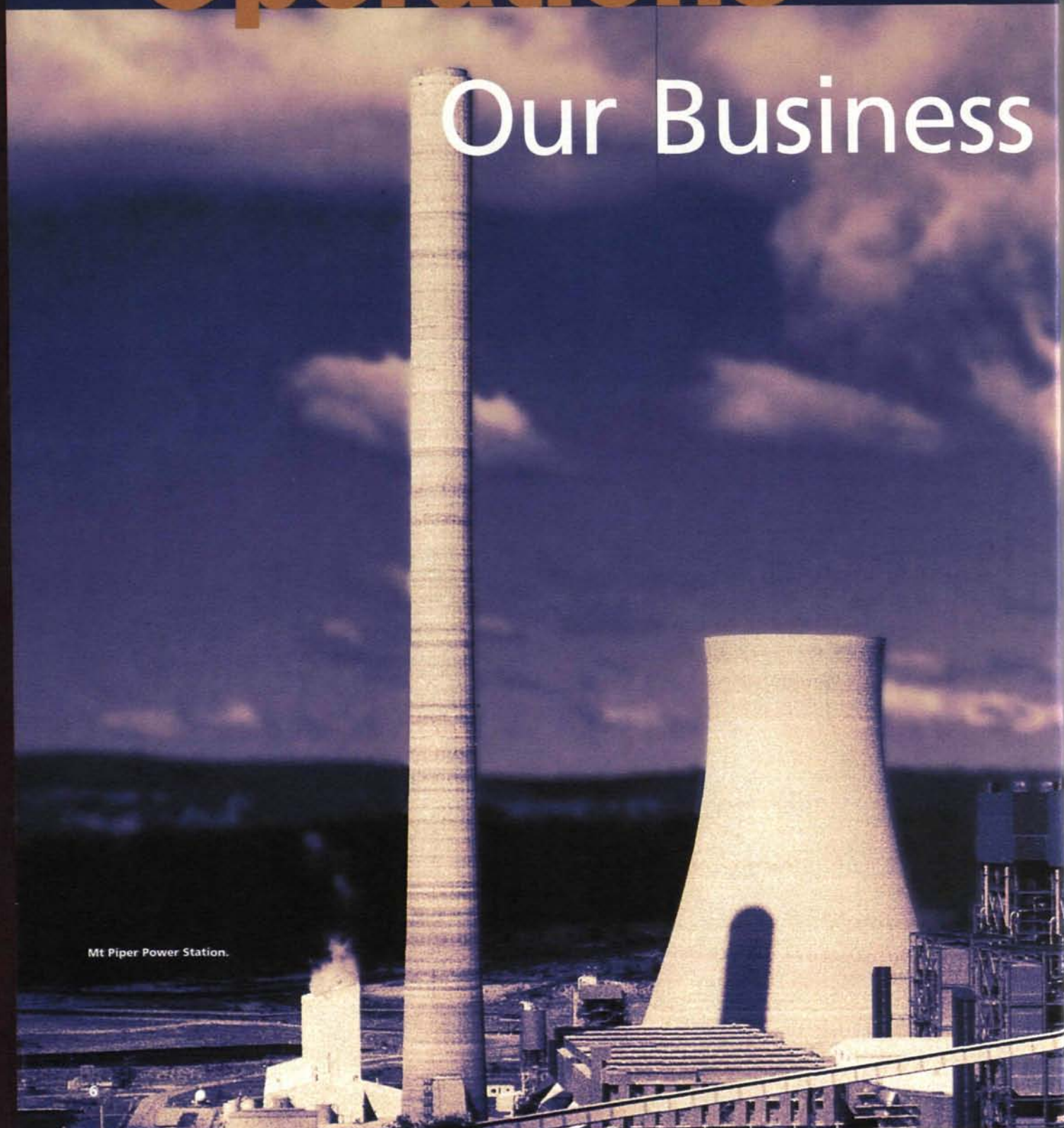
We have made excellent progress towards our objectives over the four months to the end of the year and I join with the Board in thanking our staff for their efforts in these challenging and formative times.

Mr J Hennessy was appointed as Chief Executive on 18 July, 1996. Mr Hennessy was Acting Chief Executive from 1 March, 1996 to this date.

Summary Review of Operations

Our Business

Mt Piper Power Station.



Business Profile

Delta Electricity commenced operations under the Energy Services Corporations Act 1995 and, as a statutory State Owned Corporation, is governed also by the State Owned Corporations Act 1989.

As part of this restructuring of the industry, Delta Electricity is also implementing the requirements of the Ministerial Order which detailed the terms and conditions associated with the transfer of staff, assets, rights and liabilities from Pacific Power.

Delta Electricity operates four power stations: Mt Piper and Wallerawang (near Lithgow) and Vales Point and Munmorah (on the Central Coast). Its corporate office is located in the Sydney CBD.

The total generating capacity of Delta Electricity is 4,240 MW with our power stations providing approximately 30% of New South Wales electricity supplies. Delta Electricity's workforce numbers 1,248.

We are currently reviewing our structure, information technology strategies, and asset management strategies in preparation for the introduction of the National Electricity Market scheduled for 1 July, 1997.

Our current, interim organisational structure clearly differentiates between core and support functions. However, an organisational review is being undertaken to ensure

greater service delivery, to identify responsibilities and establish relevant performance measures.

Quite clearly, to achieve success in the marketplace, Delta Electricity must work closely with its customers and suppliers. Support through the implementation of information technology strategies will enable Delta Electricity to effectively compete in meeting the needs of these stakeholders.

A review of asset management strategies, including the role of each power station in the market, will enable Delta Electricity to secure its role as an effective competitor in the marketplace.

The creation of Delta Electricity on 1 March, 1996 follows the New South Wales Government's restructuring of the State's electricity industry.

Delta Electricity is one of three electricity generators, along with Macquarie Generation and Pacific Power, formed to compete in the State Electricity Market which was also established on 1 March, 1996.

Market Conditions

Since 1 March, 1996 all wholesale trading of electricity in New South Wales has been managed by the Market and System Operator, initially as an administered market, and, since 10 May, 1996 as a fully contestable spot market.

The trading of electricity in the New South Wales wholesale electricity market is governed by the Electricity Supply Act 1995, and the Public Authorities (Financial Arrangements) Act 1993.

New South Wales main system generating plant is dispatched by the Market and System Operator in a simple price merit order with the lowest priced generating unit chosen first.

Spot trading of electricity can be hedged through financial arrangements between market participants.

Since 10 May, 1996 the bulk of electricity sales to distributors has been subject to vesting contracts. These hedging arrangements were established by the New South Wales Government to protect the financial position of all participants in the early stages of the New South Wales electricity market.

The balance of sales are either at the spot price, or are hedged by negotiated bilateral contracts between generators and distributors, or by a continuation of direct retail

arrangements between generators and large industrial customers.

The level of sales covered by vesting contracts is expected to reduce quickly as the market develops, particularly with the introduction of retail competition. As the vesting level reduces, the importance of negotiated bilateral arrangements will grow and may ultimately cover the majority of electricity sales in the wholesale market.

Delta Electricity will implement a pricing policy which will make it an effective participant in a competitive electricity market.

Delta Electricity is committed to reducing the costs of electricity production by delivering efficiency gains to increase the value of the organisation, and to achieve an appropriate level of dividend for shareholders.

Delta Electricity determines the offer price for electricity from each of its generating units daily for subsequent trading days. This information is passed to the Market and System Operator prior to the closing time of 1000 hours on the relevant business day.

The price received by Delta Electricity for the sale of its electricity and associated products is determined each half hour of every day in accordance with the value of the

New South Wales system load and the New South Wales State Electricity Market Code, as administered by the Market and System Operator.

Delta Electricity hedges the risk of its production volume and price. An Electricity Trading Risk Management Strategy guides trading. The risk from the volatility of the wholesale spot price is managed so as to achieve the strategic sales outcome approved by the Board.

Pricing policy also takes into account the likely commencement of the National Electricity Market in mid 1997, the introduction of retail competition into New South Wales from October 1996, and the uncertainty of the vesting contract roll-off path over the next three years.

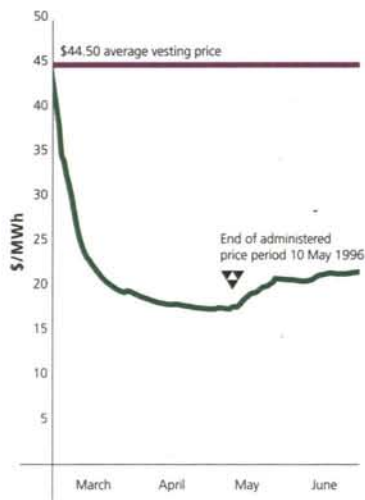
Our Market



Munmorah Power
Station.

Energy Trading

Fig 1.
Rolling Daily
Average Spot Price
1 March 1996 to
30 June 1996.



The establishment of Delta Electricity has also seen the formation of an Energy Trading team, interfacing the organisation to the competitive electricity market. The team is responsible for co-ordinating power station operation, bidding into the physical market and short term contract trading. These activities require management of the physical risks that arise from power station operations, and the financial risks arising from an overall contract position. These sets of risks are interdependent and require an integrated risk management approach.

The focus on market performance has called for the development of a range of policies and procedures, new software, and staff training and development.

Communicating market performance to all our staff is of vital importance. Among initiatives taken

in this regard are regular review and feedback sessions at each power station site involving the Energy Trading and Marketing teams.

Delta Electricity has performed successfully in what has been a highly competitive wholesale market. The current 'over supply' of generation capacity has resulted in strong downward pressure on price.

Marketing and Sales

Of special note is the design of innovative products (financial instruments) which better meet the risk management needs of our customers. Through these tailored solutions Delta Electricity looks to achieve ongoing success as the electricity market evolves beyond State boundaries to a fully integrated National Electricity Market.

Between 1 March, 1996 and the full implementation of wholesale competition on 10 May, 1996, Delta Electricity developed an account management relationship with each of the six New South Wales distributors, and ACT Electricity and Water. Since 10 May, Delta Electricity's Marketing and Sales team has concentrated on customising its products to the individual needs of each distributor. In particular, it has created derivative instruments which protect its customers from the volatile physical electricity market while facilitating the degree of price and volume risk which individual distributors seek to adopt.

Pursuant to the Energy Services Corporations Act 1995, Delta Electricity is the direct supplier to two of New South Wales' largest electricity consumers. Delta Electricity's senior executive management has focused attention on the special needs of these important customers to ensure their needs are addressed at the most senior level.

While the competitive electricity market is still in its development stage there are already encouraging signs that the competitive approach adopted by Delta Electricity is meeting with the approval of its customers. We are confident this approach will underpin the organisation's future commercial success.

Since its establishment on 1 March, 1996 Delta Electricity has been intent upon developing a reputation as a flexible, customer focused organisation.

Delta Electricity values relationships and works with wholesale market customers (currently the electricity distributors of New South Wales and the Australian Capital Territory) to better understand their evolving needs in the new electricity marketplace.

Our Power Stations

Vales Point Power
Station



Left and below:
Construction work on Wallerawang's new dry coal stockpile with undercover stacker reclaimer - providing increased security of production during wet weather.

Wallerawang Power Station

Wallerawang has a total capacity of 1,000 MW provided by two generating units of 500 megawatts capacity. Six other units, the oldest commencing operation in 1957, have been decommissioned.

This year marked the commissioning and successful return to service of Unit 7 following a nine month refurbishment program. A similar program was subsequently undertaken for Unit 8. These refurbishment works included major upgrades of the turbine, boiler, cooling towers, precipitators, unit controls and coal handling plant.

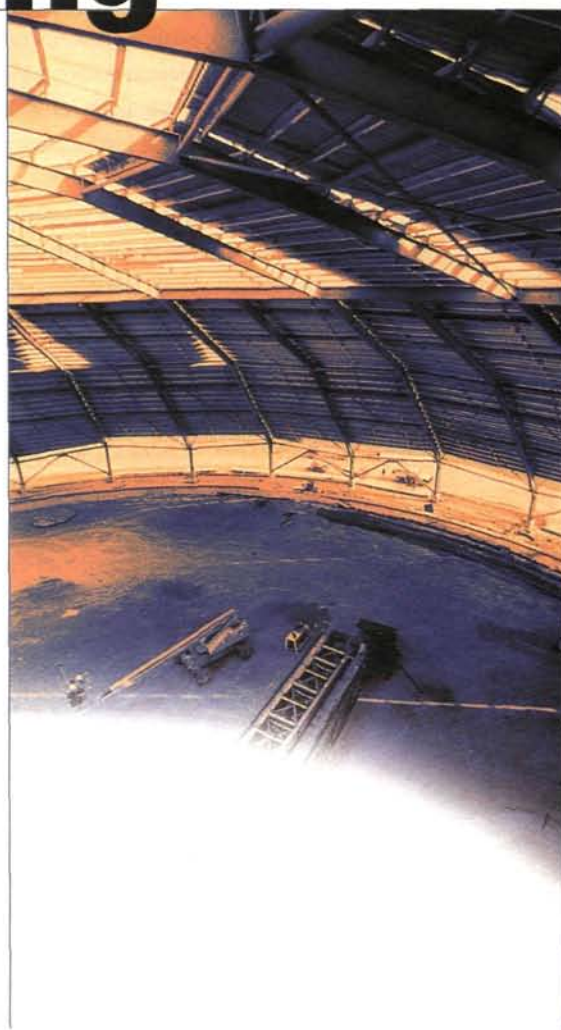
The commissioning of the new Unit 7 digital control system also represented a significant achievement with the tuning of all controls and rigorous simulator training for operating staff undertaken before the unit was placed into service.

The thermal efficiency of the station also improved with the installation of new high efficiency blades in the turbines.

An upgrade of the pulverised fuel milling plant commenced during the year. This project, set for completion in 1996/97, will see improved performance and fuel combustion.

Environmental works continued to strengthen the station's capacity to ensure compliance with environmental statutory requirements. Preparations have been made for further major environmental works commencing in 1996/97.

During the year the National Safety Council granted Wallerawang a four star rating following an annual audit of the station's safety systems, procedures and personnel. This rating reflects our staff's commitment to continual improvement in this important area.



Mt Piper

Power Station

Mt Piper is a thermal power station (2 x 660 MW units) situated approximately twenty kilometres west of Lithgow. The plant is relatively new, Units 1 and 2 having entered commercial service in April 1994, and April 1993 respectively.

The station incorporates a zero process water discharge system which recycles all process water within the plant. High efficiency fabric filters remove dust from the boiler flue gases and low nitrogen oxide burner technology minimises greenhouse gas emissions.

Operation and maintenance of the plant and property are carried out by a small team of station staff supplemented by Maintenance Services staff and contractors, where appropriate.

Mt Piper performed well for the year with thermal efficiency above target, excellent availability and a very low forced outage rate.

Development of people and culture has continued throughout the year with special emphasis on a highly multi-skilled workforce working in self-managed teams. Small, highly focused teams continually seek improved productivity and optimised economic solutions. A revised Production Officer employment agreement was implemented during the year.

Training at Mt Piper continued strongly, particularly in the Production Officer area, matching staff development to station needs.

Training is planned and monitored by individuals and team leaders based on station and team requirements.

Safety performance was exceptional with station staff recording no lost time injuries for the period. The TQM Safety System continues

to support the management of safety at a very high level. In terms of community involvement, the Energy Expo Centre provides technical information and station tours for local residents, visitors and school groups. Support also continues for local charities, sports and heritage projects.

Relationships with local government, industry and community groups are promoted through representation on various committees and participation in working parties.

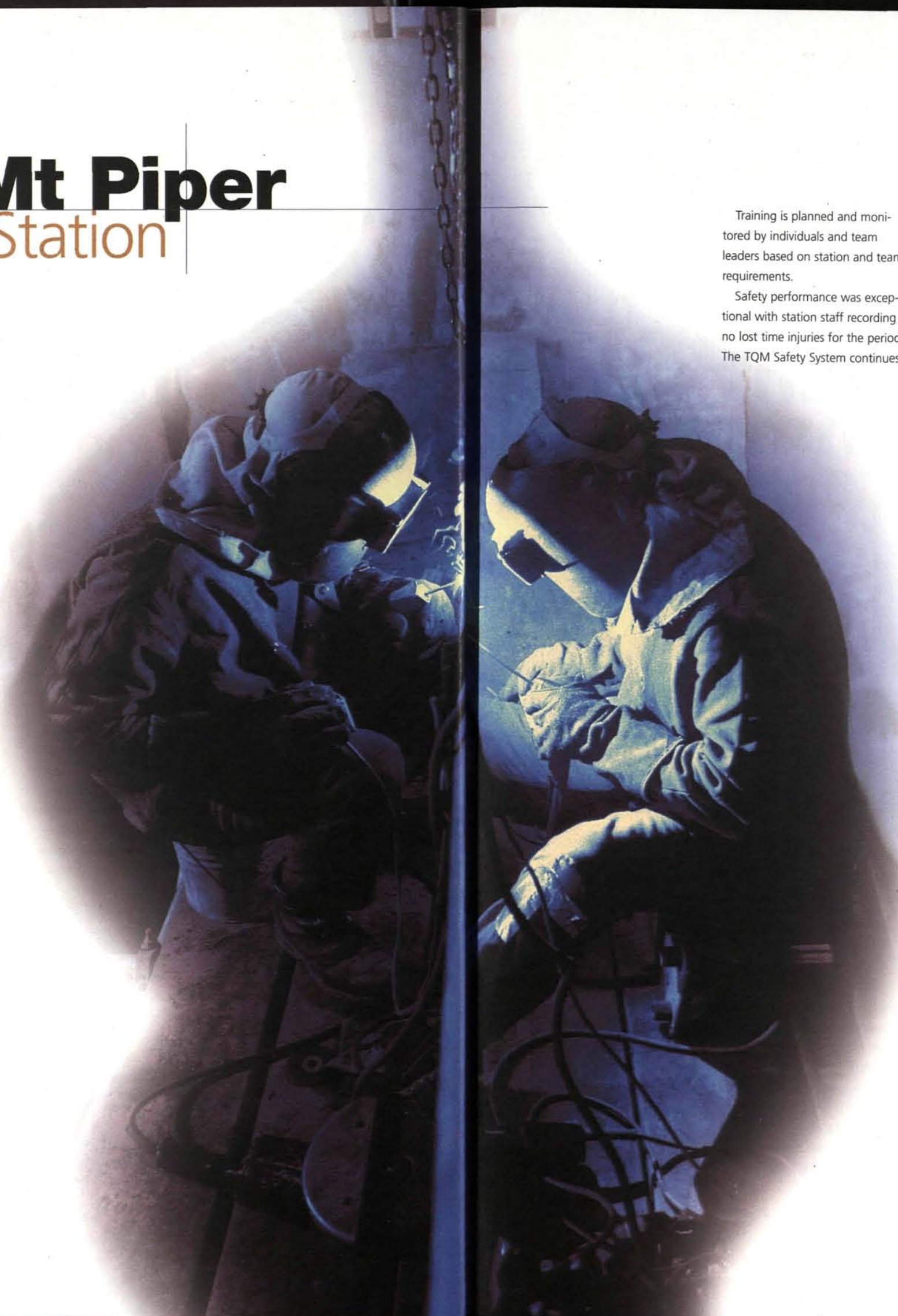
Mt Piper continues to be recognised by the community for its environmental initiatives. Highlights include winning first prize in the Greater Lithgow City Council's 1995 Environmental Awards, a Certificate of Accreditation for the RiverCare 2000 Program for commitment to the Lake Pillans Urban Wetlands Project, and a Certificate of Appreciation from Kelso High School for assistance with its Stream Watch Program.

Community concern about noise emission from the chimney stack has been addressed with installation of fan silencers on both units. Environmental pollution control and containment systems were also improved and a remote water quality monitoring station installed for improved emergency response.

Mt Piper is expected to phase out one of its licensed water discharge points in 1996/97 following the introduction of additional waste water recycling initiatives.

As part of the station's continuing emphasis on environmental awareness, leading edge computer based training programs developed at the site and specific to Mt Piper are being employed in refresher training.

Centre: Modifications at Mt Piper Power Station have enhanced the life of the boiler.





Vales Point & Munmorah

Power Stations

Above and right:

Elements of the Plasma Arc Ignition System - providing flexibility to Munmorah's operations.

Facing page: Bruce

Stringer dismantling an air heater using a thermal lance as part of the Vales Point Unit 1 demolition.



Vales Point operates two 660 MW units which were installed in 1978-79. The original four units built in the 1960s were decommissioned in 1989 and are currently being dismantled.

Munmorah has four 300 MW generating units and was commissioned in 1967. Currently,

Units 1 and 2 are being stored and determination on the best utilisation of the units will be made in the near future.

Amalgamation of Vales Point and Munmorah Power Stations as one effective operating business commenced in July 1995. The power stations are only some five

kilometres apart.

At Munmorah the plasma arc research and development project was successfully completed. The project enables a boiler to be started up using coal rather than oil with substantial cost savings. A testing program is currently being implemented prior to final evaluation.

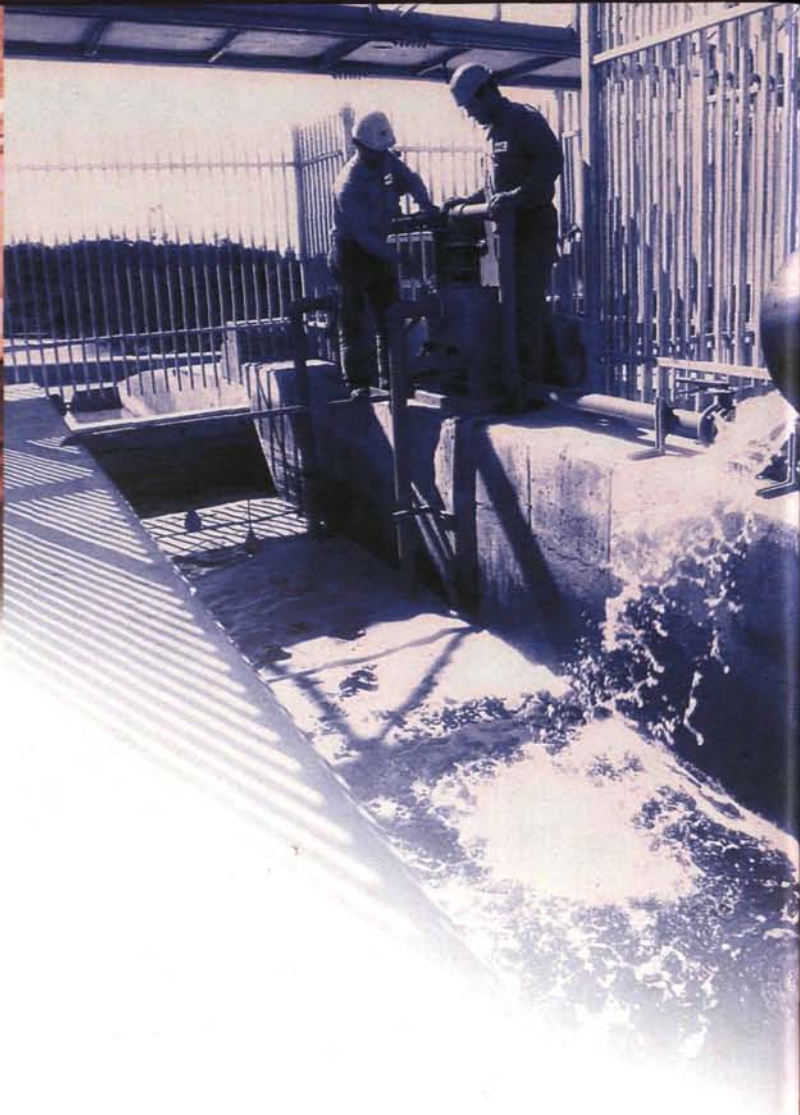




Above: Trevor Davis in the Vales Point Plant Control Room.

Above right: Ash dam return water system at Vales Point - minimising discharges to Lake Macquarie.

Right: Kevin Ryan with student Rachel White - developing business skills as part of the Young Achievers program.



Both Vales Point and Munmorah were again extremely successful under the National Safety Council of Australia Award System, attaining a Five Star Safety Award.

At Vales Point a return water system was completed and placed into service. This system returns water from the ash dam to the power station making the system a closed cycle and effectively eliminating discharges to Lake Macquarie.

Vales Point was also successful in selling bottom ash and conditioned

dust for various industrial uses such as road construction and also for completion of the Vales Point Ash Dam Wall extension.

In the Pacific Power Fire Fighting Competition the stations achieved a unique double; Vales Point taking first place with Munmorah second. Vales Point also won the special Ted Watson Memorial Trophy for the major team event.

Vales Point Maintenance staff self-managed work teams continue to attract the interest of outside industries and are regarded as the

benchmark of excellence in team self-management.

Active community and school participation continued through student quality programs ('E' Teams), the School Industry Link Program and Young Achievers. Vales Point also achieved second prize in the Wyong Shire Garden Competition.

Maintenance Services

The Group has again convincingly demonstrated its expertise in generator, turbine and boiler overhauls, utilising staff with electrical, mechanical, pressure welding and industrial painting skills.

In April, Maintenance Services staff from the Western and Central Coast groups combined to perform and manage outage work in the turbine, boiler and generator areas at Mt Piper.

All major turbine overhauls at Vales Point and Munmorah have been carried out by Maintenance Services staff for many years. The recent overhaul at Wallerawang further demonstrated the accumulated expertise and the ability of Maintenance Services' staff to perform this work at any of our power stations.

Over the past year, other work has been undertaken at Eraring Power Station and at hydro stations as a contracted service to other organisations.

Fuel and external service operation, maintenance and capital work in the Central Coast and Western regions have been a significant part of the Group's activities over the formative period of the new business. Among the many challenges successfully addressed by the Group has been managing wet coal periods at

Vales Point and the major capital expansion undertaken for the coal plant at Wallerawang.

Dismantling of the older units at Vales Point, primarily by Maintenance Services staff, has continued through the period. Major contract work in relation to the dismantling of Wallerawang's decommissioned units is planned to continue into next year.

Apprentice development and training continues strongly with over ninety apprentices employed within Delta Electricity's electrical, mechanical and boiler making areas. Apprentices are also hired to Eraring Power Station as a service. Delta Electricity apprentices excelled in the Regional Skills Competition taking out gold, silver and bronze medals.

Left: Turbine house for Units 1 and 2 at Vales Point during its dismantling.

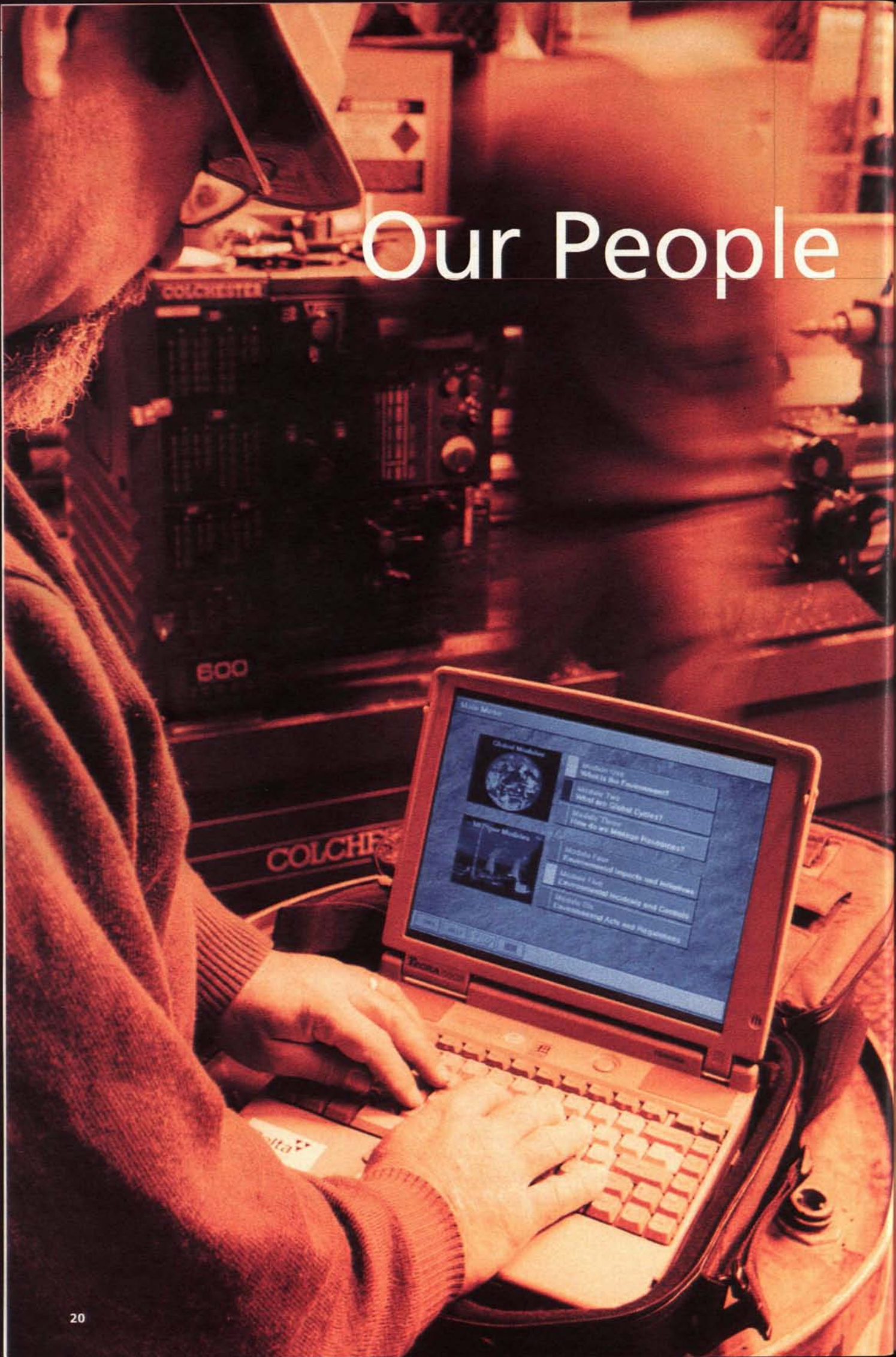
Below: Silver Award mechanical apprentice Robert Rooksberry.



This Business Group provides services in relation to station maintenance, fuel and external service operation, decommissioned plant dismantling and disposal, and apprentice training.

Since the formation of Delta Electricity, Maintenance Services has continued to perform the majority of maintenance work at Vales Point, Munmorah, Wallerawang and, increasingly, at Mt Piper.

Our People



Employee Relations

The competitive electricity market in which Delta Electricity now operates has provided all of our staff with a challenging environment despite the extensive industry experience of most staff.

In the four months to 30 June, 1996 many new opportunities have been identified which we are now working together to meet.

One important initiative is an organisational structure based on business groups which identifies core business and support functions thus helping people understand their role and the ways they can personally contribute to Delta Electricity's future success.

New consultative arrangements have also been put in place both

at the Corporate level with Labor Council and Union representatives, and with employee representatives at the Business Group level. These new arrangements will improve communications with staff and stakeholders enabling us to focus clearly on key issues.

Enterprise Agreement negotiations are also being undertaken to establish greater flexibility in working arrangements.

New staffing arrangements with an emphasis on decentralising certain organisation-wide functions such as payroll and recruitment have also been implemented.

We are also conducting a review of all employee related policies and procedures to ensure their relevance and instigating a streamlined position evaluation process for various classifications.

Delta Electricity's innovative approach to training and development involves a combination of professional development, work related skills development, personal development and organisation-wide training for each and every staff member.

Changes to shiftwork patterns are currently being planned and their implementation discussed with staff.

Left: Shane Kearney listens to the course facilitator during training on power station safety rules.

Facing page: New technologies have led to alternative approaches to training. Alan Cherry in the maintenance workshop working through the SPICE program (Self Paced Interactive Competency Evaluation).





Our Environment

A comprehensive environmental management process in place at the time of disaggregation has been modified and enhanced to suit our new organisational structure. The process includes power station, regional and executive environmental meetings and a reporting structure which ensures environmental communication throughout the organisation. Training and development for all staff is also undertaken.

Environmental audits, waste audits and environmental risk assessments are carried out at all sites on a two yearly cycle and procedures are well established to ensure the recommendations of these audits are adequately addressed.

In 1995/96 environmental audits for Mt Piper, Wallerawang, Lyell Dam upgrading and augmentation and the dismantling of decommissioned units at Vales Point and Wallerawang were undertaken. Waste audits were completed at Vales Point and Munmorah.

A new Environmental Policy consistent with the principles of ISO14000 has been developed. Investigations into the development of a comprehensive computerised environmental data management system were also initiated.

Delta Electricity is conscious of increasing community concerns about greenhouse emissions and continues to implement initiatives which reduce these emissions.

Over the period 1989/90 to 1995/96 the power stations now operated by Delta Electricity have reduced the rate of carbon dioxide emissions by 7.9% (fig.2).

Delta is developing short and long term strategies to further reduce greenhouse emissions in line with national goals. In the short term these will focus on efficiency improvements and optimising plant operation with possible fuel switching and other initiatives in the longer term. Delta Electricity proposes to join the Commonwealth sponsored "Greenhouse Challenge Program" by the end of 1996.

Facing page: Dawn on the Colongra Wetlands - a gazetted wetlands area and part of Munmorah Power Station's buffer zone.

Below left: Thompsons Creek Dam.

Below: A pelican on the Colongra Wetlands.



Environmental Management

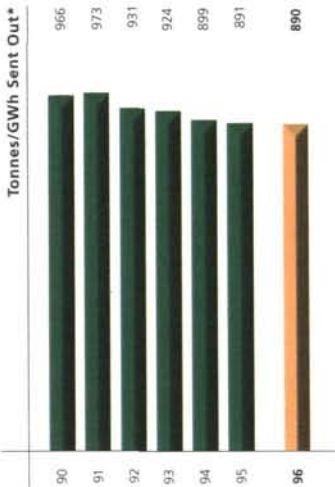


Fig 2.
Carbon Dioxide Emission Rate
1990-1996 Delta Electricity.
*All figures normalised to 30.1% of energy supplied.

Ash Management



Above and below: Earth moving during construction of the Ash Dam Saddle Wall at Vales Point.

The coal burnt at our power stations produces quantities of ash that pose challenges for environmental management.

Our approach is to maximise the use of this ash for other purposes, and to prevent or minimise the environmental discharges from ash dams.

A comprehensive ash dam management plan has been prepared for the Vales Point/Munmorah ash dam. Major capital works to improve the environmental aspects of this dam were completed in 1995/96. These include augmen-

tation of the ash dam wall to increase capacity and an ash dam water recycling system to minimise environmental discharges.

Studies are also in progress to develop methods of removing trace elements from ash leachate.

Construction of a stormwater diversion around the Wallerawang ash dam was completed in 1995/96. This, together with ash transport water recycling, has resulted in the elimination of discharges from this dam. A biological trace element removal trial is also in progress.

At Mt Piper where dry ash placement is used, leaching rate studies have commenced on the possible co-disposal of brine with ash. The aim is to dispose of the brine waste product from water treatment at the station, while preventing leaching of trace elements from the ash.

A major feature of the new ash dam wall at Vales Point was using water conditioned fly ash from the power station in the construction process. This utilised a considerable quantity of fly ash and demonstrated the versatility of ash as a construction material.

Other uses for ash products are increasing. In 1995/96 a total of 255,000 tonnes of ash from Vales Point and Mt Piper was sold for other uses. Delta Electricity continues to support the Ash Development Association and is actively promoting further ash sales.



Financial Statements 1996

Balance Sheet	26
Profit and Loss Statement	27
Statement of Cash Flows	28
Notes to the Statement of Cash Flows	29
Notes to and Forming Part of the Financial Statements	31
Statement by Members of the Board	37
Auditor-General's Opinion	38

The Financial Statements have been prepared in the name of First State Power which was the name of the entity at 30 June, 1996. On 2 August, 1996, First State Power changed its name to Delta Electricity.

Beginning of the Financial Statements audited by the Auditor-General.

Balance Sheet

As at 30 June, 1996

	Note	1996 \$'000
Current Assets		
Cash		436
Receivables	4	148,950
Investments		18,947
Inventories	5	108,932
Other	7	3,724
Total Current Assets		280,989
Non-Current Assets		
Receivables	4	172
Investments		-
Property, Plant and Equipment	6	1,200,310
Other		-
Total Non-Current Assets		1,200,482
Total Assets		1,481,471
Current Liabilities		
Creditors and Borrowings	8	73,486
Provisions	9	27,132
Other		-
Total Current Liabilities		100,618
Non-Current Liabilities		
Creditors and Borrowings	8	663,729
Provisions	9	41,422
Other		-
Total Non-Current Liabilities		705,151
Total Liabilities		805,769
Net Assets		675,702
Capital and Retained Earnings		
Capital	1(b)	671,301
Retained Earnings		4,401
		675,702

The accompanying Notes form an integral part of these Financial Statements.

Profit and Loss Statement*For the Period Ended 30 June, 1996*

	Note	1996 \$'000
Operating Revenue	2	220,343
Operating Profit Before Income Tax	3	29,339
Income Tax Attributable to Operating Profit	1(i)	10,562
Operating Profit after Income Tax		18,777
Retained Earnings at Commencement		-
Aggregate of Amounts Transferred from Reserves		-
Total Available for Appropriation		18,777
Dividend	12	14,376
Retained Earnings at the End of the Period		4,401

The accompanying Notes form an integral part of these Financial Statements.

Statement of Cash Flows*For the Period Ended 30 June, 1996*

	Note	1996 \$'000 Inflows (Outflows)
Cash Flows From Operating Activities		
Cash Received in the Course of Operations		111,546
Interest Received		437
Cash Payments to Suppliers and Employees		(128,184)
Interest and Other Finance Costs Paid		(20,438)
Income Tax Paid		(2,286)
Net Cash Used by Operating Activities	g	(38,925)
Cash Flows from Investing Activities		
Payments for Property, Plant and Equipment		(16,729)
Proceeds from Sale of Property, Plant and Equipment		-
Net Cash Used by Investing Activities		(16,729)
Cash Flows from Financing Activities		
Proceeds from Borrowings		-
Repayment of Borrowings		-
Dividends Paid		-
Net Cash Provided by Financing Activities		-
Net Increase (Decrease) in Cash Held		(55,654)
Establishment Cash		75,037
Cash at the End of the Period	b	19,383

Notes to the Statement of Cash Flows

For the Period Ended 30 June, 1996

(a) Cash

For the purposes of the statement of cash flows, cash includes cash on hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts.

(b) Reconciliation of Cash

Cash at the end of the period as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	1996 \$'000
Cash	436
Other Deposits	-
Liquid Investments	18,947
Bank Overdraft	-
Balance as per Statement of Cash Flows	19,383

(c) Dividends and Taxes

No dividends were received or paid. Tax equivalents paid by First State Power during the period amounted to \$2,286,000.

(d) Acquisitions and Disposal of Entities

No entities were acquired or disposed of during the period, although assets and liabilities were transferred between Pacific Power and First State Power on establishment.

	1996 \$'000
(e) Financing Arrangements	
Facilities Available	
Bank Overdraft	2,000
NSW Treasury Corporation Loans	663,330
Total Available	665,330
Facilities Utilised	
Bank Overdraft	-
NSW Treasury Corporation Loans	663,330
Total Utilised	663,330

First State Power, with the exception of overdraft facilities, is required to borrow all new money through the NSW Treasury Corporation.

(f) Net Cash Flows

The following items have been presented on a net cash basis in the statement of cash flows.

- (i) borrowings and repayment of debt
- (ii) purchases and sales of investments

Notes to the Statement of Cash Flows*For the Period Ended 30 June, 1996*

	1996 \$'000
(g) Reconciliation of Net Cash Used by Operating Activities to Operating Profit	
Operating Profit After Income Tax	18,777
Add/(Less): Non-Cash Items	
Depreciation	13,091
Amortisation	(434)
Inventory Adjustments	616
Assets Written Off	199
Net Cash Provided by Operating Activities Before Changes in Assets and Liabilities	32,249
Net Changes in Assets and Liabilities During the Period	
(Increase)/Decrease in Trade Debtors	(103,275)
(Increase)/Decrease in Other Debtors	(10,690)
(Increase)/Decrease in Inventories	(6,827)
(Increase)/Decrease in Other Assets	(3,726)
Increase/(Decrease) in Creditors and Borrowings	45,233
Increase/(Decrease) in Income Tax Payable	8,276
Increase/(Decrease) in Other Liabilities	(165)
Net Cash Used by Operating Activities	(38,925)

Notes to and Forming Part of the Financial Statements

For the Period Ended 30 June, 1996

1. Summary of significant accounting policies

The financial statements are a general purpose financial report prepared in accordance with Australian Accounting Standards and the requirements of the State Owned Corporations Act 1989 (as amended).

(a) Basis of Accounting

The financial statements have been prepared on the basis of historical costs and except where stated do not take into account current valuations on non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. Present values are calculated using rates applicable to similar borrowing arrangements of the economic entity.

Non-current assets are revalued from time to time as considered appropriate by the directors and are not stated at amounts in excess of their recoverable amounts. Except where stated, recoverable amounts are determined using discounted cashflows.

Land and Buildings are valued at market value except that land under infrastructure assets that is reserved for operating power station usage is valued at net realisable value having due regard to the level of expenditure that would be required to get the land into saleable condition.

All valuations apart from opening system balances are determined by First State Power staff and have not been adjusted in respect of the potential effect of any capital gains tax.

Overseas borrowings are stated at current exchange rates (Note 1(m)).

Investments in short term securities are stated at purchase price, while fixed interest investments are revalued using market interest rates prevailing at balance date. Associated hedging instruments are treated the same as the underlying investment.

(b) Opening Balances

First State Power commenced operations on 1 March, 1996. Under the terms of a Ministerial Order signed by the Honourable P.C. Scully Acting Minister for Energy and dated 1 March, 1996, staff, assets, rights and liabilities were transferred from Pacific Power to First State Power. The transfer process will be continuing into the next financial year.

The emerging competitive energy market has created inherent uncertainty in the valuation of system assets in the electricity generation sector. These uncertainties relate to future cashflows and leveraged risk factors adopted in the independent valuation of the non-current system assets commissioned by the New South Wales Treasury.

(c) Capitalisation

(i) Capital Expenditure

Capital expenditure is defined as expenditure in relation to:

- acquisition of a new unit of plant;
- installation of a new unit of plant;
- work performed on a unit of plant, where the need for the work existed at the time the unit was acquired and the work was carried out prior to it being put into operation;
- replacement of a unit of plant, or of a substantial part of a unit of plant;
- an addition to a unit of plant;
- an alteration to a unit of plant;
- a significant improvement to a unit's overall design.

Expenditure is not capitalised below a minimum threshold of \$500.

(ii) Design and Engineering Costs

Design and engineering costs, whether incurred externally or from the use of internal resources, relating to a specific capital project and incurred up to the time of practical completion or commissioning of the project, are capitalised as part of the project cost. Only direct costs which can be clearly substantiated are capitalised. Internal overhead costs are not capitalised.

(d) Liability Management

During the year, First State Power actively managed its liabilities against a neutral benchmark in accordance with both approved Board policies and the New South Wales Treasury Liability Management Guidelines. New South Wales Treasury Corporation stock, interest rate and currency swaps, foreign exchange forward contracts, forward rate agreements and futures and options are available as a means of hedging First State Power's interest rate and currency exposures. In accordance with the accounting policy adopted for the underlying debt instruments, all gains and losses incurred in the use of these derivative instruments are written off in the year in which they occur.

(e) Depreciation

Property, plant and equipment, other than freehold land, are depreciated over their estimated useful lives using the straight line method.

(f) Assets Under Construction

Interest costs on borrowings specifically financing assets under construction are capitalised up to the date of completion of each asset to the extent those costs are recoverable.

Notes to and Forming Part of the Financial Statements

For the Period Ended 30 June, 1996

(g) Discount on Loans

Discount on loans is in the nature of an additional cost of borrowing which is amortised over the term of the loans, the amount applicable to each year being included in the Profit and Loss Statement as part of First State Power's financing charges for that year. The amount appearing in the Balance Sheet is net of amortisation.

(h) Employee Entitlements

First State Power makes provision through its Profit and Loss Statement for its liability in respect of employee entitlements for annual leave and long service leave. The principles employed are set out in detail in Note 9. Note 13 provides details in relation to superannuation entitlements.

(i) Investments

Income received from the investment of all funds is included as income in the Profit and Loss Statement.

(j) Insurance

First State Power is a self-insurer for certain risks, while others are insured externally.

(k) Inventory Valuation

Inventories of Stores and Materials are valued at the average cost of items in store automatically adjusted at time of delivery of new items, separately determined for each location. Coal and Oil Stocks are valued at the weighted average cost per tonne/litre.

(l) Taxation

Income tax expense for the period ended 30 June, 1996 is calculated as 36% of Operating Profit before Tax based on an agreement with New South Wales Treasury. Income tax payments are made to the New South Wales Office of State Revenue under the income tax equivalent regime.

As from 1 July, 1996, income tax will be brought to account using the liability method of tax effect accounting.

(m) Foreign Currency Translation

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables at balance date are translated at exchange rates current at balance date. Exchange gains and losses are brought to account in determining the profit or loss for the year.

Exchange gains and losses and costs arising on forward foreign exchange contracts entered into as hedges of specific commitments are deferred and included in the determination of the amounts at which the transactions are brought to account. All exchange gains and losses and costs relating to other hedge transactions are brought to account in the profit and loss account in the same period as the exchange differences on the items covered by the hedge transactions. Costs on such contracts are amortised over the life of the hedge contract.

Gains and losses on foreign currency transactions that are not accounted for as specific hedges are brought to account as they arise and disclosed as speculative gains or losses. Open speculative positions are valued at market rates at balance date.

(n) Expenditure Carried Forward

Research and development costs are charged to expense as incurred except that costs incurred on research and development projects are deferred to future periods to the extent that such costs are to be recoverable beyond any reasonable doubt. Deferred costs are amortised from the commencement of the commercial production of the product to which they relate on a straight line basis over the period of their expected benefit, but not exceeding five years.

Other significant items of expenditure having a future benefit are amortised over periods to which they relate.

(o) Leased Assets

Assets acquired under finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of the leased property are included as Property, Plant and Equipment in the Balance Sheet. Other leases, under which all the risks and benefits of ownership are effectively retained by the lessor, are classified as operating leases. Operating lease payments are charged to expense in the periods in which they are incurred.

(p) Segment Reporting

First State Power operates predominantly in one industry and geographical segment and is reported accordingly.

(q) Operating Revenue

Sales revenue represents revenue earned from the sale of electricity. Other revenue includes interest income on short term investments and miscellaneous income.

(r) Derivative Financial Instruments

Derivative financial instruments, principally interest rate swap contracts and forward foreign exchange contracts, are entered into to manage financial risks.

Payments and receipts under interest rate swap contracts are recognised in the profit and loss account on a basis consistent with corresponding fluctuations in the interest payments on floating rate financial liabilities.

The carrying amounts of interest rate swaps, which comprise net interest receivables and payables accrued, are included in assets or liabilities, respectively.

Notes to and Forming Part of the Financial Statements

For the Period Ended 30 June, 1996

	1996 \$'000
2. Operating Revenue	
Sales Revenue	214,210
Other Revenue	
Interest Revenue	648
Proceeds from sale of non-current assets	232
Miscellaneous	5,253
Total Operating Revenue	220,343
3. Operating Profit	
a). Operating Profit before Income Tax has been determined after:	
<i>Crediting</i>	
Employer Superannuation Reserve Units interest and liability adjustment (advised by the Superannuation Administration Authority)	
- State Authorities Superannuation Scheme	705
- State Authorities Non-Contributory Superannuation Scheme	1,543
<i>Charging as Expense</i>	
Depreciation	
- Buildings	1,662
- Plant and Equipment	11,268
- Motor Vehicles	161
Depreciated value of non-current assets sold	204
Provision for Employee Entitlements	2,147
Superannuation	
- State Superannuation Fund Provision Contributions	1,049
- Superannuation Guarantee Levy	111
Interest expense	19,920
b). Auditors' remuneration	
Amounts received, or due and receivable by the auditors for auditing the accounts	-
c). Fees Paid to Board Members	
Fees including superannuation benefits paid to Board Members other than salaries paid to full-time members	84
4. Receivables	
Current	
Trade Debtors	103,275
Debtors other than trade	45,675
	148,950
Non-Current	
Long term debtors	172
	172
5. Inventories	
Current	
Stores and Materials	41,081
Coal Stocks	65,839
Oil Stocks	2,012
	108,932

Notes to and Forming Part of the Financial Statements

For the Period Ended 30 June, 1996

	Cost 1996 \$'000	Accumulated Depreciation 1996 \$'000	Written Down Value 1996 \$'000
6. Property, Plant and Equipment			
Land			
Infrastructure - at cost	5,634	-	5,634
	5,634	-	5,634
Buildings			
Power Stations - at cost	182,431	1,661	180,770
Other Buildings - at cost	487	1	486
	182,918	1,662	181,256
Plant and Equipment			
Power Stations - at cost	1,006,410	10,428	995,982
Other Plant and Equipment - at cost	18,434	996	17,438
	1,024,844	11,424	1,013,420
Total Property, Plant and Equipment	1,213,396	13,086	1,200,310
			1996 \$'000
7. Other			
Current			
Prepayments			3,724
			3,724
8. Creditors and Borrowings			
Current			
Accounts Payable			62,236
Other Creditors			11,250
			73,486
Non-Current			
Non-Current Borrowings			663,330
Accounts Payable			399
			663,729
9. Provisions			
Current			
Income Tax			8,276
Dividends			12,672
Employee Entitlements			6,184
			27,132
Non-Current			
Employee Entitlements			21,422
Insurance			20,000
			41,422

The Government has proposed part payment of the dividends to meet other liabilities and this has been reflected in the statements in Current Accounts Payable.

For Employees Accrued Entitlements, a calculation is made each year in respect of First State Power's liability at balance date for employees entitlements to long service leave, annual leave, and an annual contribution is made to adjust the provision to an amount which is considered adequate to meet that liability.

The basis of the liabilities and contributions are:

(i) For annual leave, the liability represents the amount which First State Power has a present obligation to pay resulting from employees' services provided up to balance date. The provision has been calculated at nominal amounts based on current salary rates and includes related oncosts.

(ii) For long service leave, the liability is based on a short hand measurement technique actuarially determined which represents the present value of expected future payments for long service leave, including projected remuneration rates. Associated oncosts are also included.

Notes to and Forming Part of the Financial Statements

For the Period Ended 30 June, 1996

10. Retained Earnings

The movement in Retained Earnings is set out in the Profit and Loss Statement.

11. Shareholders

The State Owned Corporations Act, 1989 (as amended), requires First State Power to have two voting shareholders; the Treasurer and another Minister, being the Minister for Police.

12. Dividend

In accordance with the provisions of the Share Dividend Scheme, dividends payable in respect of the period ended 30 June, 1996, total \$14.4 million.

13. Superannuation

Any unfunded superannuation liability is recognised as a liability in the balance sheet. Amounts representing prepaid superannuation contributions are recognised as an asset.

The date of the last triennial review was 30 June, 1994. A review was undertaken of the key economic assumptions used at the last triennial review prior to calculating the gross superannuation liability of the various defined benefit schemes as at 30 June, 1996. The economic assumptions used are as follows:

	1995/96 % pa	1996/97 % pa	Thereafter % pa
Investment Return	9.0	9.0	8.0
Salary Growth Rate	5.0	3.0	6.0
Consumer Price Index	3.5	4.0	4.5

Payments are made to the Superannuation Administration Authority to reduce the superannuation liability. These payments are held in Investment Reserve Accounts.

The unfunded liability or prepaid contributions disclosed in the balance sheet is composed of:

	SASS(i) \$'000	SANCS(ii) \$'000	SSF(iii) \$'000	1995/96 \$'000
Gross Liability Assessed by Actuaries as at 30 June, 1996	27,824	7,035	45,543	80,402
Less: Investment Reserve Account Balance	29,636	8,947	45,220	83,803
Unfunded Liability / (Prepaid Contributions)	(1,812)	(1,912)	323	(3,401)

(i) SASS - State Authorities Superannuation Scheme

(ii) SANCS - State Authorities Non-Contributory Superannuation Scheme

(iii) SSF - State Superannuation Fund

The prepaid contributions are included in Other Current Assets and the liability is included in Current Liabilities.

Notes to and Forming Part of the Financial Statements

For the Period Ended 30 June, 1996

1996
\$'000**14. Capital Expenditure Commitments**

Total capital expenditure contracted for at balance date but not provided for in the financial statements:

Payable no later than one year	713
Payable later than one, not later than 2 years	50
Payable later than two, not later than 5 years	-
Payable later than 5 years	-

15. Events Occurring After Balance Date

Schedule 1 of the Energy Services Corporations Act 1995 has been amended via a Regulation, to change the name of First State Power to Delta Electricity. The name change takes effect from the 2 August, 1996, and has no financial effect on the entity for the period ended 30 June, 1996.

16. Treasurer's Exemptions

In accordance with the requirements of the State Owned Corporations Act, 1989, the financial statements have been prepared to comply with Part 3 of the Public Finance and Audit Act, 1983, and the Public Finance and Audit (General) Regulation, 1995, except where the Treasurer's exemption has been granted.

Exemptions have been granted by the Treasurer under Section 41BA of the Public Finance and Audit Act and Section 15 of the Regulation so that the financial reporting requirements which apply are broadly consistent with Corporations Law reporting requirements, given that the entity will be entering a competitive national electricity market.

The following specific disclosures are not required to be made as a result of the exemptions:

(i) Public Finance and Audit Act

- Section 41B(1)(c)(ia) presentation of manufacturing and trading statements.

(ii) Public Finance and Audit (General) Regulation

- Part 1, clause 11, "amounts payable to consultants."

- Part 1, clause 13, "a separate description and amount for all other material items of income and expenditure on a program or activity basis."

- Part 2, clause 10, "description and amount of negotiable certificates of deposit and interest bearing deposits."

- Part 3, clause 5, "schedule of outstanding public borrowings or other repayable advances."

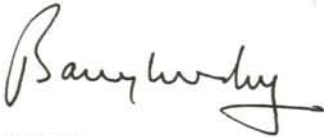
- Part 3, clause 13, "non-current assets whose value exceeds the replacement cost, where adequate provision for writing down that asset is not made."

Statement by Members of the Board


Pursuant to Section 41 of the Public Finance and Audit Act, 1983, and in accordance with a resolution of the Board of First State Power, we declare on behalf of First State Power that in our opinion:

- 1 the accompanying Financial Statements exhibit a true and fair view of the financial position of First State Power as at 30 June, 1996 and transactions for the period ended 30 June, 1996.
- 2 the accompanying Financial Statements have been prepared in accordance with applicable accounting standards and other mandatory professional reporting requirements, the provisions of the State Owned Corporations Act, 1989, including Part 3 of the Public Finance and Audit Act, 1983, the Public Finance and Audit (General) Regulation, 1995, except where the Treasurer's exemption has been granted.

Further, we are not aware at this time of any circumstance which would render any particulars in the Financial Statements to be misleading or inaccurate.



B Murphy
Chairman
17 October, 1996



J Hennessy
Chief Executive
17 October, 1996

Auditor-General's Opinion



BOX 12 GPO
SYDNEY NSW 2001

Independent Audit Report

First State Power

To Members of the New South Wales Parliament and Members of the Board of First State Power

Scope

I have audited the accounts of First State Power for the period ended 30 June 1996. The preparation and presentation of the financial report consisting of the accompanying balance sheet, profit and loss statement and statement of cash flows, together with the notes thereto, and the information contained therein, is the responsibility of the Board of the Corporation. My responsibility is to express an opinion on these statements to Members of the New South Wales Parliament and Members of the Board based on my audit as required by section 24A of the *State Owned Corporations Act 1989* and sections 34 and 41C(1) of the *Public Finance and Audit Act 1983*.

My audit has been conducted in accordance with statutory requirements and Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and statutory requirements so as to present a view which is consistent with my understanding of First State Power's financial position, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion, the financial report of First State Power complies with statutory requirements and presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements the financial position of First State Power as at 30 June 1996 and the results of its operations and its cash flows for the period then ended.

Inherent Uncertainty Regarding Valuation of System Assets

Without qualification to the opinion expressed above, attention is drawn to the following matter. As indicated in Note 1(b) to the financial statements, it is disclosed that uncertainty currently exists concerning valuation of system assets. Until more discernible market conditions apply, the quantum of the financial effect of adjustments, if any, to the values is unclear.

A handwritten signature in dark ink, appearing to read "A.C. Harris".

A.C. HARRIS

SYDNEY
17 OCTOBER, 1996

End of the Financial Statements audited by the Auditor-General.

Statutory Information

Statutory Information

Aims and Objectives

The principal objectives of Delta Electricity are contained in the Energy Services Corporations Act 1995.

The objectives are:

- (a) to be a successful business and, to this end:
 - (i) to operate at least as efficiently as any comparable businesses,
 - (ii) to maximise the net worth of the State's investment in it,
 - (iii) to exhibit a sense of social responsibility by having regard to the interests of the community in which it operates.
- (b) to protect the environment by conducting its operations in compliance with the principles of ecologically sustainable development contained in section 6 (2) of the Protection of the Environment Administration Act 1991,
- (c) to exhibit a sense of responsibility towards regional development and decentralisation in the way in which it operates,
- (d) to operate efficient, safe and reliable facilities for the generation of electricity,
- (e) to be an efficient and responsible supplier of electricity,
- (f) to be a successful participant in the wholesale market for electricity.

The range of services provided by Delta Electricity is also derived from the Energy Services Corporations Act 1995. The principal functions of Delta Electricity are:

- (a) to establish, maintain and operate facilities for the generation of electricity and other forms of energy, and
- (b) to supply electricity and other forms of energy to other persons and bodies.

The principal clientele served by Delta Electricity are the six New South Wales electricity distributors (energyAustralia, Integral Energy, Advance Energy, NorthPower, Great Southern Energy and Australian Inland Energy), the Australian Capital Territory Electricity and Water Corporation, BHP and Capral Aluminium.

Annual Report Costs

This is the first Annual Report of Delta Electricity and it has an important role in developing a corporate image and profile with customers, staff and other stakeholders. 3000 copies of the Annual report were produced at a cost of \$15.00 each.

Chief and Senior Executive Officers

Delta Electricity has not been included as a Declared Authority under Schedule 3 of the Public Sector Management Act 1988.

Accordingly, senior managers in Delta Electricity are not members of the Government's Senior Executive Services (SES) notwithstanding that 14 people with Senior Executive Service contracts were transferred to Delta Electricity under Ministerial Order.

The terms of the transfer provide for the terms and conditions of their contract of employment to be maintained.

Between 1 March, 1996 and 30 June, 1996, six of these people have moved from SES contracts to Delta Electricity Contracts of Employment.

Code of Conduct

Delta Electricity is currently in the process of developing a Code of Conduct, in the interim Delta Electricity has adopted Pacific Power's Code of Conduct. Delta Electricity will also be conducting Code of Conduct awareness sessions which will allow staff to have input and make suggested changes to the Code of Conduct.

Consultants

During the period 1 March, 1996 to 30 June, 1996, no consultants were engaged by Delta Electricity.

Consumer Response

Delta Electricity has established an account management relationship with each of its customers, that is the six New South Wales electricity distributors, the Australian Capital Territory Electricity and Water Corporation, BHP (steelworks at Port Kembla and Newcastle) and Capral Aluminium.

Through this relationship Delta Electricity is able to ensure that the needs and concerns of its customers are addressed expeditiously and at the most senior level. Delta Electricity meets regularly with its customers and these meetings provide the forum for airing of any concerns and to monitor progress and ensure that all issues are addressed and followed through to resolution.

Exemptions from the Reporting Provisions

Delta Electricity was granted exemptions by the Treasurer from the following annual reporting requirements:

- Benefits from Management and Strategy Reviews
- Budgets
- Details of Significant Committees Established/Abolished
- Frequency of Meetings and Members' Attendance at Meetings
- Funds Granted to Non-Government Community Organisations

Statutory Information

- Internal and External Performance Reviews
- Investment Performance
- Land Disposal
- Legal Change
- Liability Management Performance
- Major Problems and Issues
- Major Works in Progress
- Management Improvement Plans and Achievements
- Measurers and Indicators of Performance
- Method and Term of Appointment of the Board Members
- Organisational Chart Indicating Functional Responsibilities
- Reasons for Significant Delays of Major Works or Programs
- Research and Development
- Risk Management and Insurance Activities
- Time for Payment of Accounts
- Titles and Names of Senior/Principal Officers and their Qualifications

The exemptions were granted as disclosing the information would provide commercially sensitive information and be detrimental to Delta Electricity's market operations.

Freedom of Information

During the period 1 March, 1996 to 30 June, 1996 Delta Electricity did not receive any applications under the Freedom of Information Act.

Delta Electricity's compliance with the Freedom of Information Act did not raise any major issues during the reporting period, nor did compliance with the Act have any prominent impact on Delta Electricity's activities.

Guarantee of Service

Delta Electricity will be developing a guarantee of service which reflects our vision, mission and values which are set out below.

Vision

To be the supplier of first choice in the electricity market.

Mission

Delta Electricity will be commercially successful in the electricity market and will operate its business in a safe, efficient and environmentally responsible manner.

Our success will be achieved through:

- marketing customised products;
- a co-operative and open work environment;
- honesty, integrity and tolerance;
- support of learning and innovation.

We value:

- productive relationships with colleagues, customers and suppliers;
- provision of opportunity to participate, contribute and improve;
- flexibility in responding to competitive markets, technological change and stakeholder requirements;
- performance through pride in business success, environmental commitment and technical excellence.

Implementation of Pricing Determinations

As a State Owned Corporation, Delta Electricity competes with other suppliers in the NSW electricity market. All electricity is now sold on the NSW spot market to the Market and System Operator and is subject to the pressures of competition. Sales on the spot market can be hedged by financial contracts with other market participants, particularly the electricity distributors of NSW and the ACT.

With the introduction of competition in the NSW wholesale electricity market, the Independent Pricing and Regulatory Tribunal (IPART) no longer determines the price for bulk electricity sales. However, to assist in implementing existing electricity contracts, IPART has determined a proxy "Bulk Supply Tariff" to apply from 1 March, 1996 and this has been fully implemented where relevant in Delta Electricity's commercial arrangements.

Overseas Travel

In the reporting period, Messrs Tim Baker and Bruce Cameron visited the United Kingdom and Norway in the period 23 April to 5 May, 1996 to review current practices in electricity trading in a competitive market.

Statutory Information

Performance of Recycling Activities

Delta Electricity's Policy Statement: "Delta Electricity is committed to minimising the use of resources (material, fuel and energy) and to minimising the production of wastes. We actively pursue opportunities to reduce, re-use and recycle waste materials and to convert wastes to useful by-products by supporting research, marketing and recycling activities.

In making purchasing decisions, Delta Electricity gives favourable consideration to suppliers utilising an environmental management system and who consider product life cycle in their products, processes and packaging."

Recycling initiatives for 1995/96 include:

- waste audits conducted at Vales Point and Munmorah Power Stations;
- waste management teams established at all power station sites;
- materials recycled include paper, oil, metals, cardboard, printer ribbons and toner cartridges, glass, timber, lead acid batteries, polystyrene and a variety of miscellaneous materials;
- a salvage officer appointed to handle material salvage at all sites; and
- 288,000 tonnes of fly ash re-used for construction work and cement manufacture.

Promotion

Delta Electricity did not produce any publications in the period 1 March, 1996 to 30 June, 1996.

Significant Committees of the Body and Names of Committee Members

Board Audit Committee

The charter of the committee is to:

- oversee and appraise the quality of audits conducted by both Delta Electricity's internal and external auditors;
- maintain, by scheduling regular meetings, open lines of communication among the Board, the internal auditors and the external auditors to exchange views and information, as well as confirm their respective authority and responsibilities;
- determine the adequacy of Delta Electricity's administrative, operating and accounting controls.

Ms B Ward - Convenor

Director

Mr D Asimus AO

Director

Mr J Hennes

Chief Executive

Mr P McIlveen - Secretary

Corporate Secretary

Board Environment, Occupational Health and Safety Committee

The charter of the committee is to:

- review and approve environmental and occupational health and safety policies and management plans to implement these policies;
- review all significant proposed policy changes and recommend to the Board;
- review and approve the program of environmental audits and occupational health and safety audits;
- require reports from senior management of any significant incidents and review management's response;
- evaluate the overall effectiveness of environmental and occupational health and safety policies and procedures through regular meetings with senior managers.

The Hon B Unsworth - Convenor

Director

Mr N Rose

Director

Mr J Hennes

Chief Executive

Mr P McIlveen - Secretary

Corporate Secretary

Staff Numbers as at 30 June, 1996

Australian Traineeship Scholarships	6
Administrative Officers	163
Apprentices	91
Engineering Officers	190
Operators	176
Professional Officers	78
Production Officers	50
Tradespersons	186
Power Workers	284
Cadets	10
Senior Managers (non-award)	14
Total Staff	1,248

As Delta Electricity was established on 1 March, 1996 it is not possible to compare staff numbers over preceding years.

Statutory Information

Statement of Corporate Intent

The State Owned Corporation Act 1989 requires Delta Electricity to identify and set out reasons for departures from the performance targets contained in the statement of corporate intent.

Accordingly, the operating result for the year to the 30 June, 1996 shows a profit before tax of \$29.3 million against a projected outcome of \$36.4 million. The reduction resulted mainly from a lower than expected sales income, particularly in the months of March and April, 1996 which was primarily due to the restricted bidding arrangements within the administered price set for Delta Electricity and the lower spot prices being experienced in the market due to competition.

Other significant issues were the revaluation of Delta Electricity's assets and the valuation of debt to market value effective 1 March, 1996. The general reduction in operating expenditure together with constraints on spending over the reporting period assisted in offsetting the impact of reduced sales income.

Workforce Diversity

Delta Electricity's Workforce Diversity objectives are to enable individuals to realise their potential by encouraging participation and contribution, taking into account the diversity of the workforce and providing an environment that is free from discrimination and harassment.

Our achievements to date have been to set objectives, strategies and accountabilities which form the basis for Business Group contributions to the overall management of diversity. Workforce Diversity Groups, such as the Women's Contact Officer Network have been established to provide support and assist in defining strategies for women in Delta Electricity. Policies and Standards which support and promote Workforce Diversity will be progressively developed.

Strategies for 1996/97

Develop and communicate Workforce Diversity Policy to achieve Workforce Diversity objectives.

Develop training program on Valuing Diversity and the elimination of Harassment and Discrimination for all Managers and Team Leaders.

Develop effective procedures for EEO grievance handling and dealing with harassment which devolve responsibility to managers and team leaders.

Conduct voluntary EEO Survey to ensure collection and reporting of appropriate information.

Develop Workforce Diversity Plan and supporting Plans such as Disabilities Plan, Aboriginal Strategy and Women in Management Strategy.

Statistical Information

Representation & Recruitment of Aboriginal Employees

	Total Staff	Aboriginal People
1995/96	1248	14 1.1%

Representation of Female Employees within Levels*

	1995/96	
	Total Staff	Women
Below CO1 < \$21,353	70	11 15.7%
CO1 \$21,354 - \$28,048	99	15 15.2%
Gds 1 - 2 \$28,049 - \$31,354	327	15 4.6%
Gds 3 - 5 \$31,355 - \$39,679	308	25 8.1%
Gds 6 - 9 \$39,680 - \$50,777	282	17 6.0%
Gds 10 - 12 \$50,778 - \$64,138	125	2 1.6%
Above A&C > \$64,139	37	1 1.6%
Total	1248	86 6.9%

*Note: Information on employees from other EEO groups is not available until the next EEO survey is conducted in 1996-1997.

Index

A			
Access	Inside Back Cover		
Accounting policies	31		
Aims and objectives	40		
Annual report costs	40		
Ash	18		
Auditor General's Opinion	38		
B			
Balance Sheet	26		
Board	3		
Business Profile	6-8		
C			
Chairman's Report	4		
Charter	1		
Chief and Senior Executive Officers	40		
Chief Executive's Report	5		
Code of Conduct	40		
Consultants	40		
Consumer Response	40		
D			
Dividend	35		
E			
Employee Relations	21		
Employees, statistical information	42, 43		
Energy Trading	10		
Environment	23, 24, 42		
Equal Employment Opportunity			
- see Workforce Diversity	43		
Exemptions from the Reporting Provisions	40		
F			
Financial Statements	25		
Freedom of Information	41		
G			
Greenhouse gas emissions, minimisation of	14, 23		
Guarantee of Service	41		
H			
Highlights	1		
I			
Implementation of Pricing Determinations	41		
L			
Letter of Submission to Voting Shareholders	2		
M			
Maintenance Services	19		
Marketing	11		
Mission	41		
N			
Notes to the Statement of Cash Flows	29		
Notes to and Forming Part of the Financial Statements	31		
O			
Overseas travel	41		
P			
Performance of Recycling Activities	42		
Power Stations			
- Mt Piper	14-15		
- Munmorah	16-18		
- Vales Point	16-18		
- Wallerawang	13		
Pricing Policy	8		
Profit and Loss Statement	27		
Promotion	42		
Publications	42		
S			
Safety			
- station	15, 16		
Significant Committees of the Body and Names of Committee Members	42		
Staff numbers	42		
Statement by Members of the Board	37		
Statement of Cash Flows	28		
Statement of Corporate Intent	43		
V			
Values	41		
Vision	41		
W			
Workforce diversity	43		



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Off Boulder Road
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Munmorah Power Station
Scenic Drive
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Facsimile: (043) 90 1642
Office Hours: 7.43am - 4.00pm

Vales Point Power Station
Vales Road
Manning Park NSW 2259
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Facsimile: (043) 52 6111
Office Hours: 7.43am - 4.00pm

Wallerawang Power Station
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Access

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