

sustainability

/ REPORT 2006



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highlights

/2006

economic

- Recorded highest ever before tax profit of \$234 million.
- Adopted a compliance management system to ensure all applicable compliance obligations are fulfilled.
- Awarded 2006 Project of the Year by the Sydney Chapter of the Project Management institute for new marketing and revenue system.
- Record level of production with a total of 21,948 GWh sent out

environmental

- Adopted Sustainability Policy.
- Retained ISO 14001 certification for best practice in environmental management.
- Sourced waste water from Springvale mine for reuse at Wallerawang Power Station significantly reducing annual fresh water usage.
- Progressed joint venture with NSW Sugar Milling Co-operative to produce renewable energy.

social

- Implemented D-ZIP, a behavioural safety program to help build Delta's safety culture.
- Convened Central Coast CARE forum.
- Piloted a unique community relations program, Delta e-schools.
- Invested nearly \$400,000 in community development programs.



chief executive's report on sustainability

Delta Electricity is Australia's second largest generator of electricity. Like most of the nation's generators, our primary fuel is coal and our operations are heavily dependent on water. With over 95% of NSW in continuing drought and the issue of climate change firmly on the public agenda, coal fired generators like Delta are at the front line of the sustainability debate.

At the same time, the National Electricity Market has forecast that demand for electricity continues to grow and this will require investment in new generation.

Australia's economy depends on an affordable and reliable supply of electricity, as do our schools, our hospitals and homes. Much of contemporary work life would not be possible without electricity. The comforts of air conditioning are no longer considered a luxury and balancing work and family life would be even more difficult, if not impossible without the goods that free homemakers from the time consuming drudgery of washing, food preparation and storage. Ironical indeed that in Australia, the driest continent in the world, much of what we have embraced as a community could be contributing to the new problems we face in the 21st century.

While the causes of climate change remain the subject of continuing debate, Delta is already working to fulfill our vision of generating performance through innovation.

As an example, earlier this year, we welcomed the NSW Premier's announcement of development approval for the building of a 600 MW open cycle gas turbine facility on the Central Coast. Gas fired power stations can be started and fully operational within a few hours compared to the two days required by coal-fired power stations.

They are an ideal solution to meeting peak demand requirements generated by weather conditions – very hot days and very cold nights. Gas fired power stations also have the environmental advantage of producing significantly less greenhouse gas emissions than coal-fired power stations.

Even operating one combined cycle gas turbine plant would afford a significant reduction in Delta's greenhouse emission rate. Delta is proposing two such plants. One is proposed for Bamarang near Nowra and a second at Marulan.

Delta has other initiatives to meet growth in energy demand while reducing negative impacts on the environment. A joint venture with the New South Wales Sugar Milling Co-operative will see the development and operation of two 30 MW co-generation facilities on the north coast of NSW. This plant will use sugar cane waste material as its primary fuel and will be the largest of its kind in New South Wales. The construction of these renewable energy plants at Condong and Broadwater is well advanced.

Also producing renewable energy, are mini hydro projects with a total capacity of 570 kW at Mt Piper, Chichester Dam and Dungog Water Treatment Plant. Two other mini-hydros proposed for Windamere and Glennies Creek have been delayed due to the current drought conditions.

In the face of water restrictions arising from drought, Delta has instigated a raft of water saving initiatives ranging from using salt water rather than fresh water to retrofitting the plumbing of washing and toilet facilities. In addition, a scheme was completed to transfer mine water to Wallerawang power station and agreement has been reached with the owners of Invincible mine to utilise its mine water. Investigations continue into how to source additional mine water from the Clarence and Ivanhoe mines.

Delta is a member of the Energy Futures Forum. This brings together a wide set of stakeholders from the energy and transport sectors – energy suppliers, generators, distributors, major energy end-users, financiers, government and community representatives – to develop scenarios for the future of energy in Australia to 2050 and, in doing so, consider the implications for Australia's future.

This Sustainability Report provides detailed information on how Delta is working to ensure that our community's need for a reliable supply of electricity is met without compromising the ability of future generations to meet their needs.



Jim Hennessy, Chief Executive

vision

Generating performance through innovation.

mission

To manage and grow the business in a safe, secure and environmentally responsible manner with reliable plant to generate consistent, superior dividends for the Shareholder while recognising the interests of communities within which we operate.

values

- We provide excellent customer service
- We live and work safely
- We deliver outstanding business success
- We promote high achievement
- We behave with respect and integrity



overview of delta electricity

Delta Electricity is an electricity generation corporation. We produce electricity from several facilities using diverse energy sources such as coal, water and biomass materials.

Most of our electricity is generated at four coal-fired power stations in New South Wales. These are Mt Piper and Wallerawang near Lithgow (Central West) and Munmorah and Vales Point on the Central Coast. Generation from the portfolio is co-ordinated, helping Delta lower production cost, and respond to market demand and plant changes.

The capacity of Delta's coal-fired plant is 4,240 megawatts which provides some 12% of electricity for the market covering South Australia, Queensland, New South Wales, Victoria, the Australian Capital Territory and Tasmania.

The remainder of Delta's production is from renewable energy sources such as mini-hydro generators and co-firing biomass. Currently this output is small but growing, as trials and new projects are completed.

Delta Electricity operates under the Energy Services Corporations Act (1995) and the State Owned Corporations Act (1989). The organisation was formed on 1 March 1996 as part of the NSW Government's restructure of the State's electricity industry. This restructure was in response to large-scale changes in generation, transmission and supply of electricity in eastern Australia following a program of competition reform.

Delta Electricity's principal functions are to:

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

Guiding Delta in carrying out these functions are the following principal objectives:

- to be a successful business and, to this end to:
 - operate at least as efficiently as any other comparable business;
 - maximise the net worth of the State's investment in Delta; and
 - exhibit a sense of social responsibility by having regard to the interests of the community in which it operates.
- 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;
- to exhibit a sense of responsibility towards regional development and decentralisation in the way in which it operates;
- to operate efficient, safe and reliable facilities for the generation of electricity;
- to be an efficient and responsible supplier of electricity; and
- to be a successful participant in the wholesale market for electricity.



our commitment to sustainability

Sustainability aims to balance the environmental, economic, social and corporate governance needs of the business with a view to understanding and protecting the potential needs of future generations.

In 2005, Delta Electricity became a signatory to the Energy Supply Association of Australia (esaa) Code of Sustainable Practice. In supporting the industry code, Delta has undertaken to adopt sustainability as a business philosophy and to develop policies and employ practices that ensure its power generation business is sustainable.

Delta Electricity has prepared a Sustainability Policy which was endorsed by the Board in September 2006. The Policy is a guide to ensuring Delta complies with its social, economic and environmental obligations under the State Owned Corporations Act (1989) and meets the obligations of the esaa Code of Sustainable Practice.

The Delta policy notes that a sustainable business would:

- be financially viable;
- minimise environmental, social and economic risks and impacts;
- optimise resource usage and minimise costs;
- take the interests of all stakeholders, including shareholders, employees and the community into account;
- implement practices that are equitable and that enhance community development;
- maintain a system of governance that ensures compliance with all legislation and regulations; and
- set a high standard of business ethics.

This Sustainability Report provides information on Delta's performance in 2005/2006 against the actions set out in its Sustainability Policy. While the data has not been audited, advice was sought from Energetics, an energy and environmental management consulting firm, to ensure the report was consistent with sustainability reporting best practice. This is one aspect of the transparency and accountability implicit in maintaining a high standard of business ethics and corporate governance.

working towards a sustainable future

sustainability policy

To promote overall **Business Sustainability**, Delta Electricity will:

- Identify legislation and regulations relevant to business operations and develop systems to ensure compliance
- Develop policies, codes of conduct and corporate governance procedures to ensure a high standard of business ethics and practice
- Maintain economic, environmental and social risk assessment and management systems
- Measure and publicly report economic, environmental and social performance to industry standards

To ensure **Economic Sustainability**, Delta Electricity will:

- Aim to achieve an industry competitive return on investment and equity whilst ensuring assets are responsibly maintained
- Continue to improve operational and resource use efficiency
- Participate in market reform to ensure electricity prices are fair and affordable, support business development and maintain security of energy supply
- Support research and development of industry capabilities
- Provide training and education programs that develop industry capabilities
- Develop new generating facilities, products or services that support wider economic development

To ensure **Environmental Sustainability**, Delta Electricity will:

- Regularly audit environmental performance and compliance with environmental legislation
- Implement and maintain an accredited Environmental Management System
- Develop and implement technologies and procedures to minimise environmental impacts
- Act with caution when scientific knowledge and research is inconclusive and there are risks of serious irreversible consequences

- Implement greenhouse gas reduction strategies, including the development of low emission energy technologies
- Efficiently use resources and recycle, reuse or safely dispose of wastes
- Ensure employees and contractors receive appropriate environmental training
- Rehabilitate unused sites and maintain buffer land in a manner which enhances biodiversity

To ensure **Social Sustainability**, Delta Electricity will:

- Consult with and consider the views of shareholders, employees and the community in major operational changes or developments
- Maintain procedures for sympathetic and prompt grievance and complaints handling
- Provide shareholders, employees, customers and community with timely, honest and accurate information
- Contribute to employee well-being by:
 - providing fair pay and work conditions for the work done;
 - implementing programs to improve employee health and safety;
 - providing systems of reward and recognition that value employees' contribution; and
 - establishing programs and opportunities for the ongoing development, training, education and career development of employees
- Support regional employment by:
 - devolving aspects of the business to regional locations where possible;
 - using local contractors and businesses;
 - providing equal employment opportunities and support for disadvantaged groups; and
 - supporting other sustainable development and employment opportunities in regional locations
- Contribute to regional emergency services and other cultural, environmental and social development programs.



sustainability governance

COMPLIANCE

Delta Electricity has obligations under several pieces of legislation, regulations and codes and has developed policies which articulate how it will comply with these obligations. The Compliance Policy is a key strategy designed to ensure that the organisation and its employees are not exposed to any liability for any breaches of legislation, regulations and codes. In this way the business can be satisfied that all applicable compliance obligations are fulfilled.

The organisation has adopted a management system which captures all external and internal compliance obligations. A Compliance Committee has been established to monitor the system and to ensure a culture of compliance is maintained within the organisation.

Delta has also developed a Corporate Governance and Legal Compliance Plan to ensure full compliance with obligations imposed on the organisation and its officers under legislation in the following areas:

- corporate governance;
- trade practices;
- environmental law;
- occupational health and safety; and
- equal employment opportunity.

CODE OF CONDUCT

Delta has an approved code of conduct based on its values (see page 4). The code is designed to help staff better understand the high standard of ethics and behaviour required of them. It also provides direction to staff should they encounter an ethical dilemma. Delta is committed to fostering a secure and open work environment in which all staff members are confident and comfortable in seeking advice about any questions they may have.

RISK MANAGEMENT

Delta promotes a proactive risk management culture with its employees to identify and report potential risks. Delta's risk management process is recorded in the organisation-wide software application 'KnowRisk'. This allows employees to identify, register and/or escalate risks to the appropriate levels in the organisation for review, comment and action.

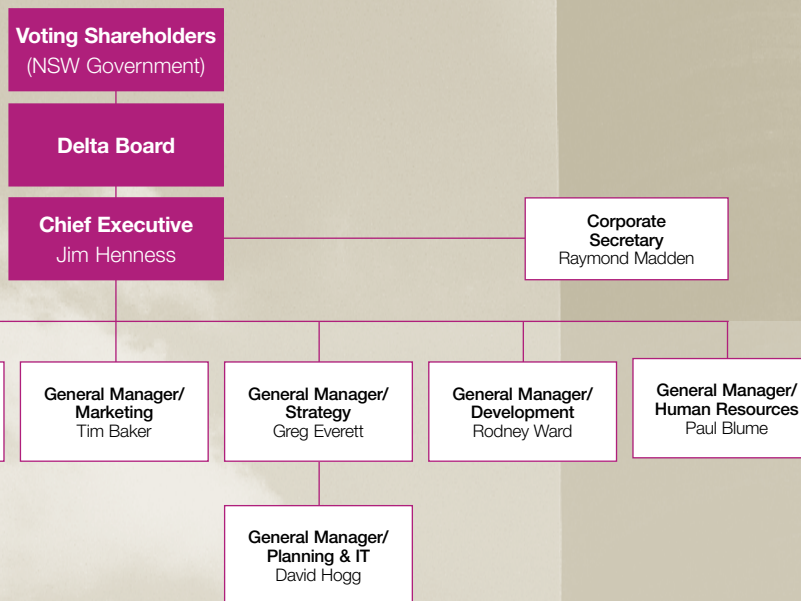
In addition to potential risks being identified and monitored on an ongoing basis, strategies are formulated through the following:

- annual planning conference and development of the annual Strategic Plan;
- annual planning process which forecasts a 10-year horizon; and
- annual asset management reviews.

A formalised, well structured and systematic approach to risk management is essential to ensure the ongoing development, sustainability and success of the process within Delta. The recommended process follows the guidelines set out in the Australian /New Zealand Standard on Risk Management AS/NZS 4360:2004.

Delta is also guided by a comprehensive suite of policies and procedures for the management of risks associated with the National Electricity Spot Market and electricity contracting.

Electricity Markets Risk Management policies and procedures are reviewed on a continuous basis to ensure they effectively manage the risks associated with operations in this area. Compliance with policies and procedures is tracked through a management system. Any non-compliance is recorded on a breach register and reported in accordance with established protocols.



FRAUD PREVENTION

A fraud prevention policy has been developed to ensure employees, contractors, suppliers and customers are aware of what constitutes fraudulent and corrupt conduct. The policy also ensures adequate controls are in place to reduce the possibility of fraudulent or corrupt conduct. Consequently, Delta's exposure to potential or real fraudulent actions of its employees, contractors, suppliers and customers is well controlled.

STANDARDS AND POLICIES

Delta's corporate plans, policies and standards which support its overall Business Sustainability are:

- Statement of Corporate Intent
- Compliance Policy
- Trade Practices Policy
- Fraud Prevention Policy
- National Electricity Code Compliance Policy
- Code of Conduct
- Business Development Project Management
- Standard Procedure for Risk Management
- Risk Management Plan
- Environmental planning and assessment (Environmental Impact Statements)
- Executive performance measures
- esaa benchmarking against competitors

The broader regulatory framework which supports Business Sustainability incorporates:

- National Electricity Code
- Energy Services Corporation Act 1995
- State Owned Corporations Act

Delta is committed to measuring and publicly reporting environmental, economic and social performance to industry standards. The Annual Report and this Sustainability Report are the primary tools for reporting on a yearly basis. Delta's website www.de.com.au also provides a channel of communication to Delta's stakeholders.



economic / PERFORMANCE

Financial data focus primarily on the profitability of an organisation for the purpose of informing its shareholders. Economic data can show how a business contributes to the local and regional society, and the wider economic development of the country.

ECONOMIC PERFORMANCE

The economic dimension of sustainability includes both financial and economic data. Financial data focus primarily on the profitability of an organisation for the purposes of informing its shareholders. This is made available in the Annual Report. The annual financial statements are audited by the Auditor General and are available in the printed Annual Report or on-line at www.de.com.au.

Economic data focuses on the direct and indirect economic interactions the organisation has with its stakeholders. Economic indicators can show how a business contributes to the local and regional society, and the wider economic development of the country.

In its Sustainability Policy, Delta Electricity states its commitment to ensuring economic sustainability by:

- aiming to achieve an industry competitive return on assets and equity whilst ensuring assets are responsibly maintained¹
- continuously improving operational and resource use efficiency
- participating in market reform to ensure electricity prices are fair and affordable, support business development and maintain security of energy supply
- supporting research and development of industry capabilities
- providing training and education programs that develop industry capabilities
- developing new generating facilities, products or services that support wider economic development.

Part of Delta's stated mission is to manage and grow the business in a safe, secure and environmentally responsible manner, with reliable plants, recognising the interests of the communities in which we operate. In order to develop strategies to achieve these outcomes, Delta conducts an annual strategic planning session. Plans are developed to achieve objectives in the following aspects of the business:

- **Portfolio and Business Development** – adopts a long term outlook, identifying competitive options for future new capacity across a range of technologies.
- **Marketing** – proposes initiatives that will influence Delta's positioning and profitability.
- **People** – addresses the critical areas of safety and security and also proposes initiatives to provide for Delta's future skills requirements.
- **Essential supplies** – focuses on near term considerations for coal and water that will have a long term effect on the business.
- **Reliability and cost** – identifies areas of marginal productivity gain that can be pursued, and that enhance and do not compromise plant reliability.

All strategies are developed in the context of Delta maintaining its license to operate with specific actions to ensure it develops an understanding of, and good relationships with, key stakeholders. Stakeholders include employees, residents in the local community, especially those in close proximity to our business operations, business and community leaders, special interest groups and media.

Delta Electricity's stated mission is to manage and grow the business in a safe, secure and environmentally responsible manner.

FIGURE ONE: FINANCIAL PERFORMANCE MEASURES

Financial statistics	Unit	'2005/2006	'2004/2005	'2003/2004	'2002/2003	'2001/2002
Net Profit Before Tax	\$m	234.7	180.5	111.0	102.0	142.4
Net Profit After Tax	\$m	164.5	123.5	74.2	61.4	95.0
Return on Assets	%	13.2	12.5	9.4	8.6	12.6
Return on Equity	%	22.5	15.4	9.3	7.7	24.1

1) Figures relate to Delta Electricity's consolidated result.

2) Includes impact of Australian Equivalents to International Financial Reporting Standards.



CONTRIBUTION TO ENERGY SERVICES MARKET

Australia’s National Electricity Market was established when Australia’s electricity supply industry was restructured during the 1990s.

In 2005/2006, the output from Delta’s portfolio of operations was 21,948 GWh which is about 12 % of the total generation in the National Electricity Market. Of this total, 12.8 GWh was from renewable generation facilities.

Total sales revenue for electricity output from all facilities was \$839.4 million. Additional revenue from renewable products included income from any green premium or market instrument.

RENEWABLE ENERGY SERVICES MARKET

There are two market based schemes – the NSW Greenhouse Abatement Certificate (NGAC) and Renewable Energy Certificates. Income in the year attributable to these Certificates totalled \$1.842M.

The Mandatory Renewable Energy Target (MRET) is designed to increase the amount of electricity in the NEM that is generated from eligible renewable energy sources. Renewable energy power stations increasing their output of electricity above 1997 levels can contribute towards the achievement of the MRET. This includes new power stations constructed since 1 January 1997 and pre-existing power stations increasing output or generating from renewables for the first time.

Power stations, if accredited by the Office of the Renewable Energy Regulator (ORER), are eligible to create renewable energy certificates (RECs) through an internet-based registry system, known as the REC-registry for their eligible generation output. Once the RECs are created and registered through a validation and audit process, the RECs can be traded – independently of the physical electricity – to third parties and provide a second revenue stream for eligible power stations.

- To become an accredited renewable energy power station, a power station must:
- use one or more of the eligible renewable energy sources to generate electricity;
 - have obtained, and comply with the provisions of, all relevant environmental and other approvals for the operation of a power station;

- be able to measure the amount of electricity being generated; and
- supply the generated electricity to directly meet demand for electrical energy.

Delta was accredited by the Office of the Renewable Energy Regulator (ORER), as eligible to create renewable energy certificates (RECs).

COMPETITION AND PRICING

In 1998 the National Electricity Market (NEM) began operating as a wholesale market for the dispatch of generation and the supply of electricity to market customers in the participating States of New South Wales, the Australian Capital Territory, Victoria and South Australia with Queensland joining the market shortly thereafter and Tasmania early this year. NEM operations are currently based in six regions with five regions interconnected. Tasmania will be connected when Basslink is completed.

The National Electricity Market Management Company Limited operates the electricity systems and market in accordance with the provisions of the National Electricity Law, Regulations and Rules. Sophisticated information technology systems underpin the operation of the NEM to balance supply with demand by dispatching generators such as Delta (based on their dispatch offer prices – commonly called bids), by maintaining reserve requirements, by determining the spot price for each NEM region, and by facilitating the financial settlement of the market.

Up to \$7 billion of electricity is traded annually in the NEM to meet the demand of the almost 8 million customers. The sale of electricity by generators to market customers is facilitated through a wholesale pool arrangement where the output from almost all generators is aggregated and scheduled to meet customer demand in each NEM region. The electricity wholesale pool is not a physical location; but rather it is a set of procedures for trading electricity on a meshed network where one unit of electricity is indistinguishable from all other units.

Customer requirements are accommodated by the physical flow of electricity through the system from the generators via transmission network service providers and distribution network service providers to the end user.

FIGURE TWO: RENEWABLE ENERGY CERTIFICATES GENERATED 2005/06

Biomass		Hydro	
Vales Pt	6,825	Chichester	234
Wallerawang	5,755	Dungog	116

FIGURE THREE: RENEWABLE ENERGY GENERATION 2005/2006

Biomass		Hydro	
Vales Pt	6.9 GW	Chichester	0.2 GWh
Wallerawang	5.6 GWh	Dungog	0.1 GWh
		Mt Piper	0.8 GWh
Delta total			13.6 GWh



RAW MATERIALS

Delta principally derives its coal supplies from mines located near its Central Coast and Western power stations. However, a small proportion has been sourced from other areas via the rail facility on the Central Coast. All of the mines delivering to Delta are privately owned with Centennial Coal being the single largest supplier. Approximately 95% of the coal delivered is produced from underground mines utilising either longwall or continuous miner technology.

The coal is delivered under commercial contracts. Contract durations are a mix of short, medium and long terms so that Delta can balance its requirements for cost competitiveness and security of supply.

Wood residues are purchased for co-firing at two power stations – Wallerawang and Vales Point. These materials include sawmill residue from plantation pine timber and construction and demolition material from landfill sites. All of these materials are accredited under legislation as materials suitable for the production of renewable energy.

The two main raw materials for electricity generation are coal and water, with some biomass purchased for co-firing.

COAL

Delta consumed approximately 9.3 million tonnes of coal in 2005/06.

On the Central Coast around 3.1 million tonnes were consumed while 6.2 million tonnes was used in the power stations in the Western Region.

BIOMASS

In 2005/2006 approximately 12,000 tonnes of wood waste was purchased.

OPERATIONS AND MAINTENANCE

Delta manages its large asset base to optimise performance while ensuring strong profitability, now and in the future. Sophisticated planning and control processes ensure optimal management of resources in meeting performance objectives.

Delta coordinates the production and maintenance at its four thermal power stations to ensure maximum generating power is available. Improved plant control systems also provide for the better management of assets and maintenance programs. Constant refinement of procedures drives continuous improvement, lifting productivity and ongoing financial success.

All capital expenditure being undertaken by Delta Electricity relates to its current business activities. The majority of capital expenditure is focused on existing power station assets with the aim of improving operational efficiency, lowering future maintenance costs and ensuring the power station assets operate effectively until the end of their assessed lives. However, recognising legislated 'renewable' energy targets and future business opportunities, Delta Electricity is engaged in feasibility analysis and development of new energy projects.

Major capital projects are subject to an initial technical appraisal and if successful require a full financial evaluation to support any proposed expenditure prior to commitment. All capital works will be financed from internally generated sources.

All Delta Electricity power stations performed at or better than the standard, which defines best practice for plant type, age and output factor.



OPERATIONAL AND RESOURCE USE EFFICIENCY

Delta Electricity is a participant in the Commonwealth Government’s Greenhouse Challenge Plus Program, incorporating the Generator Efficiency Standards (GES) and the former Greenhouse Challenge Program. The GES program ensures that electricity generating stations operate at the best available efficiency for the design and age of the station and the fuel used.

Under the Commonwealth Government Generator Efficiency Standard, businesses are encouraged to move towards best practice in fossil fuel generation performance and as a result reduce greenhouse gas emissions.

All Delta power stations performed at or better than the standard, which defines best practice for plant type, age and output factor – that is, average in service load compared to maximum possible.

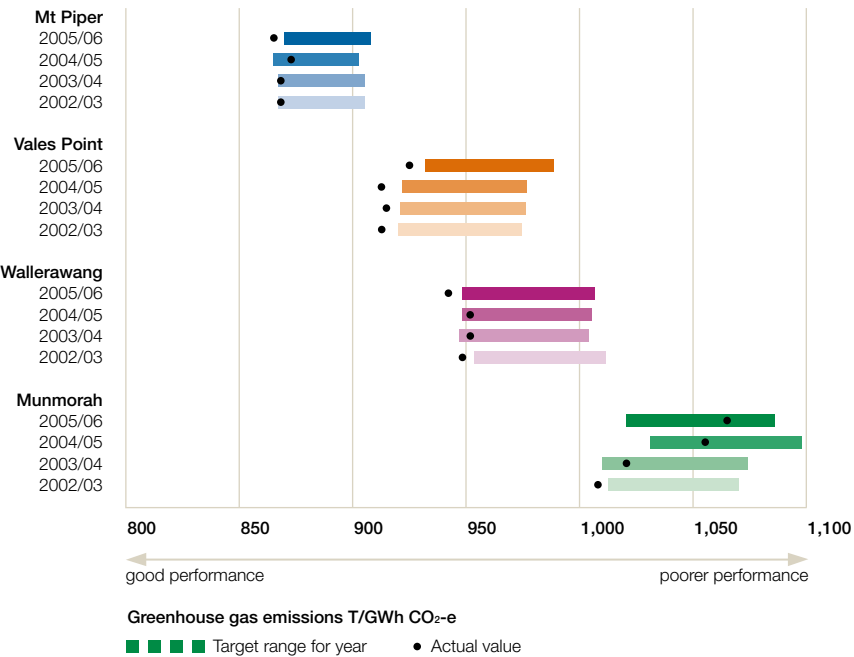
Delta’s performance under the Commonwealth Government Generator Efficiency Standard is shown in figure three (below).

NEW GENERATING FACILITIES DEVELOPMENT

The National Electricity Market is a growing energy market; in particular peak demand in NSW is growing faster than average demand. Delta has a suite of development projects which aim to help meet this growing demand and support wider economic development.

The two existing Mt Piper units, located near Lithgow, will be upgraded from 660 megawatts to 750 megawatts – a combined capacity increase of 180 megawatts.

FIGURE FOUR: GENERATOR EFFICIENCY STANDARD PERFORMANCE



In a joint venture, the NSW Sugar Milling Co-operative and Delta Electricity are building and will operate two 30-megawatt co-generation facilities within sugar mills at Condong and

Broadwater on the north coast of New South Wales. The first of the two plants is expected to begin operation in September 2007 with the second due the following year. When completed, these units will produce over 400,000 megawatt hours per year of renewable energy, or about 2% of Delta’s total generation. This is equivalent to the output of a 130-megawatt wind farm, making the project the largest new renewable generator in New South Wales.

Delta is also planning three new gas-fired power stations which offer the optimal response to peak demand requirements. Gas-fired turbines also have an environmental advantage as they produce significantly lower levels of greenhouse gas emissions than coal-fired power stations. Gas-fired power stations also use less water than coal-fired, an important consideration given the prolonged drought conditions currently in New South Wales.

Development consent was granted for a 4 x 150 megawatt gas-fired peaking plant at Munmorah. Although proposed as peaking plant, the units will be constructed so they can be converted to a combined cycle operation should the need arise. This facility would operate as a peaking plant to supply electricity at short notice during times of high demand. The plant is likely to be operational in 2009.

If approval is granted a 400-megawatt closed cycle gas fired turbine (CCGT) would be constructed at Bamarang near Nowra, to address the need for increased energy supply in New South Wales beyond 2010/11.

Delta also proposes to establish a CCGT facility near Marulan in NSW. Two potential sites for this facility are currently being considered.

Delta has policies in place to guide the critical path of development projects. It also has a project management framework to ensure the smooth transition of responsibility from Development to Production business units as projects are approved, implemented and commissioned for operation.



CONTACT DETAILS

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RESEARCH AND INDUSTRY DEVELOPMENT

Delta continues to support the COAL21 Research initiative. COAL21 brings together organisations from government, coal and electricity industries and the research community. Through research, it aims to develop “breakthrough technologies” for coal fired generation with minimal emissions. This program is targeted at long term improvements.

Delta is also a member of the following key industry groups:

- Ash Development Association – supporting research into coal ash utilisation
- Electric Power Research Institute (EPRI)
- Energy Supply Association of Australia (esaa)
- National Generators Forum (NGF)
- Coal Industry Advisory Board to the International Energy Agency (CIAB)

REGIONAL DEVELOPMENT

Delta Electricity power stations are located on the Central Coast and in the Western region of New South Wales. This has added to the economic development of these regions for many years by providing job opportunities for local residents and commercial opportunities for local service providers.

Delta maintains a good working relationship with Department of State and Regional Development helping new businesses enter the region where possible. For example, Delta supported the central west branch of Film Central which promotes regional areas as possible locations for films. As a result, Mt Piper was used as a location for the movie “Stealth” which provided substantial income for the local region.

LOCAL CONTRACTORS AND SUPPLIES

Delta uses local contractors and suppliers whenever possible with period orders in place for the supply of many consumable items and goods. Local contractors also supply services such as printing, plumbing, civil and electrical works. Other supplies sourced locally are stationery, electrical spare parts, some mechanical spare parts, welding services, plant hire services, crane hire services and mobile plant hire services.

APPRENTICESHIPS

On the Central Coast, Delta sponsors apprentices through Hunter Group Training, while in the Western region, Group Apprenticeship service providers are used. Women candidates are encouraged, and two positions are identified for indigenous applicants. Delta’s sponsorship of apprentices provides an opportunity for people to acquire valuable and much needed work skills. These arrangements are reviewed on a regular basis to ensure that they remain appropriate.

SCHOLARSHIPS

In the Western region, a tertiary education scholarship to Charles Sturt University is awarded annually while students on the Central Coast benefit from Delta scholarships to the University of Newcastle, Central Coast Campus. Several engineering students enrolled at Wollongong university are also offered support.

RELATIONSHIP WITH SUPPLIERS

Delta has a transparent supplier management process which focuses on identifying competent, ethical partners to establish mutually beneficial relationships. Key Performance Indicators specifically address supply management issues, such as ensuring suppliers are paid within 30 days.

Delta Electricity uses local contractors and suppliers whenever possible for goods and services such as plumbing, civil and electrical works, printing and plant hire services.



TAXES AND GOVERNMENT PAYMENTS

Delta’s distributions provide for sufficient cash for operations and capital investment needs, underpinning ongoing financial security. The current policy is to allow for a dividend distribution equal to 100% of after tax profit.

In managing annual funding requirements Delta reviews:

- Medium term fixed asset expenditure program
- Investment in new business opportunities
- Sustainable financial structure for Delta
- Working capital requirements

COST OF REPORTING

This year the Annual Report has been printed while the Sustainability Report has been produced on CD and published on the de.com.au website. The total cost for producing the two reports is \$59,006.00.

COST OF COMPLIANCE

Under the NSW Protection of the Environment Operations Act, many environmental protection licence holders are required to pay fees based on the nature and quantity of certain substances released to the environment. For coal-fired power stations these include coarse and fine particulates (dust), nitrogen dioxide, sulfur dioxide and fluoride. This process is called Load Based Licensing (LBL) and was developed by the Environment Protection Authority to provide financial penalties which could encourage companies to invest in pollution reduction. The total LBL fees paid in the year were \$5.30m.

FIGURE FIVE: FINANCIAL PERFORMANCE MEASURES

	Unit	*2005/2006	2004/2005	2003/2004	2002/2003	2001/2002
Tax expense	\$m	70.3	46.0	36.9	33.9	47.4
Dividend Payable	\$m	131.6	123.5	74.2	113.0	85.5
Return on Assets	%	13.2	12.5	9.4	8.7	12.6
Return on Equity	%	22.5	15.4	9.4	7.7	24.1

* Figures include impact of Australian Equivalents to International Financial Reporting Standards.





environmental

/ PERFORMANCE

As a major electricity generator in NSW, operating and maintaining four power stations, Delta Electricity has long recognised the importance of providing the government, employees, local communities, regulators and other interested stakeholders with a clear and accurate assessment of its environmental performance.

The governance of Delta's environmental management and performance is through monitoring, independent auditing and regular reporting to the Board. The structure and process of reporting ensures the escalation of significant environmental issues as well as the allocation of resources to implement audit recommendations.

COMMITMENT TO THE ENVIRONMENT

As a major electricity generator in NSW, operating and maintaining four power stations, Delta Electricity has long recognised the importance of providing the government, employees, local communities, regulators and other interested stakeholders with a clear and accurate assessment of its environmental performance.

A first Environment Report was produced in 1999, covering the years since the Corporation's formation in 1996 through to the middle of 1999. This was supplemented by annual Environment Reviews each year until 2001/02. In 2003 and 2004, Delta decided to incorporate detailed environmental information into its Annual Report, together with reports of social and economic, governance and financial performance. This year, this separate Sustainability Report has been prepared in light of Delta's newly approved Sustainability Policy (see page 5).

The governance of Delta's environmental management and performance is through monitoring, independent auditing and regular reporting to the Board. The structure and process of reporting ensures the escalation of significant environmental issues as well as the allocation of resources to implement audit recommendations.

Compliance with all approval and licensing conditions is a requirement in Delta's Sustainability Policy. All environmental incidents are entered into Delta's enterprise resource system. In this system, the remedial actions from environmental investigations are integrated with operations and maintenance procedures for each power station, reducing the risk of repeat incidents.

THE PRECAUTIONARY PRINCIPLE

Delta has undertaken and participated in many monitoring programs that demonstrate a precautionary approach to issues, such as:

- thermal impacts of cooling water;
- ambient air quality;
- source air quality;
- river health, geomorphic and surface water quality; and
- ground water quality.

In 2005/06, monitoring and operating practices included:

- a reduction in operational load at Vales Point to reduce potential thermal impact on Lake Macquarie (Central Coast);
- studies on seagrass in Lake Macquarie to ensure operations have no adverse impacts;
- modelling emissions to improve knowledge of ambient air quality concentrations;
- when possible, reducing the operating load at Vales Point in order to reduce particulate emissions;
- ongoing river health, geomorphic and surface water quality monitoring as required; under the Water Management Licence; and
- a continued groundwater quality monitoring program.



OUR MANAGEMENT APPROACH

ACCREDITATION – ISO 14001:2004

Delta Electricity was the first NSW generator to gain accreditation to the international standard ISO14001 Environmental Management System. Having retained certification for three years, in 2004/05 Delta undertook to upgrade its certification to the revised ISO14001:2004 which has strengthened some management aspects. As agreed following the 2005 audit, one environmental emergency response exercise was conducted at each of the four power stations in 2005/2006. These exercises are conducted to maintain a high level of awareness of the importance of environment protection and also help develop the practices and skills which can ensure that should an incident occur, damage to the environment is minimised.

Accreditation was renewed in June 2005 and this will remain in force for another three years, subject to ongoing surveillance audits.

This year, an ISO14001:2004 surveillance audit was conducted at Vales Point and Munmorah. The auditors made no adverse observations and found all aspects conformed to the standard.

The auditor commented that: “Personnel involved in the day to day communication and operation of the Environment Management System and those who have been required to implement it should be commended for their efforts and achievements.”

ENVIRONMENTAL TRAINING

Delta Electricity’s environmental training program was developed in conjunction with TAFE NSW and consists of eight modules as follows:

- 1 Environmental Policy and Standards
- 2 Emergency Response Procedures
- 3 Waste Minimisation
- 4 Environmental Legislation
- 5 Understanding the Environmental Management System
- 6 Power Station Environmental Aspects and Impacts
- 7 Pollution Control Equipment and Systems
- 8 Environmental Issue Investigation

All staff are required to complete basic environmental awareness training, comprising the first three modules. In addition, staff with identified and specific environmental responsibilities are required to undertake any of the additional modules appropriate to their role and position.

In 2005/06, the environmental awareness training program has continued, with 98% of all staff now having completed the first three modules. The environmental awareness training program is due for revision in 2006/07, when the three-year training cycle will begin again. It is planned that as part of this revision the training material will be adapted for a computer-based format.

ENVIRONMENTAL INCIDENT REPORTING

Another feature of Delta’s approach to environment management is the reporting and investigation of incidents that are not necessarily breaches of licence conditions or statutory regulations. The findings from these lesser incidents are used to fine-tune procedures and processes for better environmental outcomes.

Environmental incidents are classified into one of three categories as follows:

Category 1 issues involve a breach of licence conditions or other statutory regulation. These are considered the most serious and are reported to the Board.

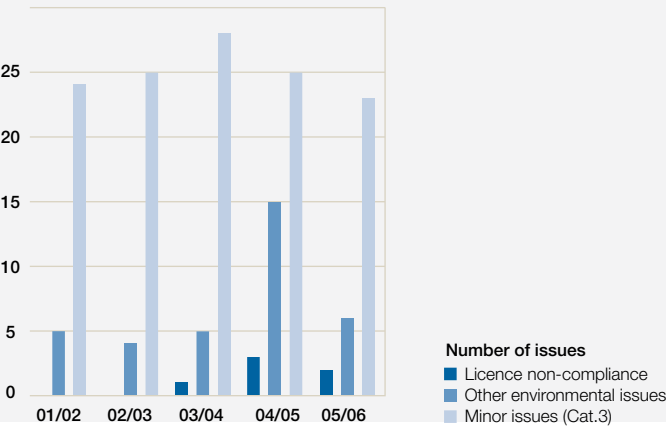
Category 2 issues are those involving a near miss or potential licence or other statutory regulation breach. For example, this could involve a spill that was contained by a last line of protection, or some indication of a possible or potential breach.

Category 3 issues are minor incidents contained locally. They are monitored to assist in identifying areas where improvement in procedures or systems may be required and can be made.

There were two environmental licence non-compliances in the year. One of these occurred when a contractor working for NSW State Forests inadvertently destroyed a passive NOx/SOx monitoring site in Newnes Forest. Delta replaced the site as soon as possible; however one month’s data was lost. The site was immediately reinstated and a thorough investigation resulted in processes being established which will minimise the risk of a similar incident in the future.

Delta Electricity was the first NSW electricity generator to gain accreditation to the international standard ISO 14001 Environmental Management System.

FIGURE SIX: TRENDS IN COMPLIANCE PERFORMANCE



A second non-compliance occurred when a coal settling pond at Wallerawang overflowed to the Cocks River during heavy rain. The concentration of suspended matter in the water exceeded the licence limit of 30mg/litre. Investigations are underway to determine how best to avoid a similar occurrence.

ENVIRONMENTAL AUDITS

Voluntary audits of facilities, processes and compliance with licence conditions are undertaken on a regular cycle. This ongoing program involves independent external auditors reviewing environmental controls and systems, management practices and performance records. Generally, each set of audit programs has used different auditing companies to gain the benefit of wider industrial experience. All recommendations arising from the audits undertaken in 2004/2005 were implemented by August 2006.

In addition to detailed inspection of all facilities, the auditors rigorously check compliance with all licences, statutory obligations and industry Codes of Practice. Findings, recommendations and agreed action plans are reported to the Executive Environment Committee for endorsement with a quarterly summary report to the Environment and OH&S committee of the Board of Directors.

The summary of audits to date demonstrates that Delta’s environment management is continually improving. Figure eight below shows the trend of a reducing number of citations for non-compliance in specific categories.

ENVIRONMENTAL COMPLIANCE

DEPARTMENT OF ENVIRONMENT AND CONSERVATION LICENCES

The most significant environmental legislation covering Delta’s existing operations is the Protection of the Environment Operations (POEO) Act and its associated regulations. The Act covers air and water emissions, waste disposal and sets permitted operating limits for licensed facilities.

The POEO Act is administered by the Department of Environment and Conservation. Delta Electricity holds three Environment Protection Licences issued by the Department of Environment and Conservation as follows:

- Licence Number 759 for Munmorah Power Station;
- Licence Number 761 for Vales Point Power Station; and
- Licence Number 766 covering both Mt Piper and Wallerawang Power stations.

Details of each of the Licence conditions can be found on the Department’s website at <http://www.environment.nsw.gov.au/prpoeo/searchregister.aspx>

DEPARTMENT OF NATURAL RESOURCES WATER MANAGEMENT LICENCE

Delta Electricity holds a Water Management Licence (No. WML000002) for its Mt Piper and Wallerawang (Western) Power Stations. The Water Management Licence was first issued on 1 July 2000 to Delta by the Department of Natural Resources (DNR) on behalf of the Water Administration Ministerial Corporation, under Part 9 of the Water Act 1912 (NSW).

The water management licence stipulates operating and monitoring requirements including dam flow releases (formerly known as environmental flow releases), river health, water quality and geomorphic monitoring of the Cocks River.

All requirements were met in compliance with water discharge licence conditions.

PLANNING APPROVALS

The Environmental Planning and Assessment Act (EP&A Act) and its associated regulations are most relevant for the planning and development of new generating facilities and for some significant additions or alterations to existing operations.

When planning new facilities, or when alterations to existing facilities may have significant environmental impacts, the EP&A Act defines a process for environmental assessment and approval. Approval can be granted by Delta itself for minor alterations to existing operations; local council for certain other developments; or by the Department of Planning or Minister for Planning for major new projects or scheduled development.

Regardless of how the approval proceeds, any approval conditions will subsequently appear on the corresponding Delta Environment Protection Licence (Department of Environment and Conservation) and these apply both during the construction and subsequent operation phases.



FIGURE SEVEN: ENVIRONMENTAL AUDIT PROGRAM 2000–2005

Recommendations	2004/05	2002/03	2000/01
Facilities & Process			
Physical protection systems and operating procedures	113	154	165
Legislative Compliance			
Compliance with legislation, licenses and other statutory requirements	19	24	63
Environmental Management			
The systems and procedures used to identify and manage environmental risks	13	no audit conducted	20

REDUCING ENVIRONMENTAL IMPACTS

Delta Electricity strives to continually improve its processes in order to reduce the environmental impact of all current operations, and when planning future developments. Consistent with its Sustainability Policy, Delta is protecting air quality, minimising the noise of its operations, carefully managing and rehabilitating the land within its facilities, reducing the impact of waste and capturing and recycling water where possible and reducing its wastage.

IMPROVED EMISSION MONITORING AND CONTROLS

A new ambient monitoring site was installed on the Central Coast to monitor emission levels, wind speed and direction, SO_x, NO_x and particulates (PM₁₀ and PM_{2.5}). This site adds to the existing network of four ambient sites around the Central Coast power stations and will enable better verification of emission modelling. Emission monitoring is important because it helps ensure that ambient air quality remains within National and State health standards.

A noise monitoring study was completed to assess levels of noise and impact on residential communities in the vicinity of the Vales Point rail unloader conveyor. This study provided data which assisted in reducing the impact of noise. As a result, Delta is installing sound absorbing materials along the conveyor where the study indicated they would be most effective.

A study conducted in all Delta power stations was completed in 2005/06 which helped determine gas flow dynamics in a number of flue ducts. This study showed that particulate emission sampling points at Vales Point, Munmorah and Mt Piper met the requirements of the Department of Environment and Conservation standard for "Approved Methods for Sampling and Analysis of Air". As a result of the tests, the sampling points at Wallerawang and one at Munmorah were relocated. Further computational flow modelling work has commenced to make sure sampling complies with the approved methods. This ensures accurate measurement of particulate emissions from power station stacks.

IMPROVED LAND MANAGEMENT PRACTICES

Work has commenced on the rehabilitation of Vales Point ash dam ponds. A land management plan is being developed in order to reduce weeds and protect threatened species at Vales Point. This includes the mapping of threatened species and critical habitat. A bushfire risk management plan which considers species and habitat has also been developed. There is now a land management plan for the Vales Point coal unloader mine portal project which requires Delta to protect and monitor the condition and distribution of threatened species in the region, and report findings to Lake Macquarie Council on an annual basis.

INNOVATIVE WASTE MANAGEMENT PRACTICES

Global Waste Management contract manages the various waste streams (excluding ash) generated by our four power stations.

Around two million tonnes of ash is produced each year. At this time, 13% of ash produced in the generation of electricity has been beneficially reused, primarily for the manufacture of cement. Some ash is now also used in agricultural applications and as road base. Delta is also capping ash dams with clean soil which is then sown with native grass seeds to stabilise the ash, reduce dust and re-establish habitat to attract native plants and fauna.

Delta Electricity strives to continually improve its processes in order to reduce the environmental impact of all current operations and future developments.



INNOVATIVE PROGRAMS FOR WATER RESOURCE CONSERVATION

Level three restrictions due to drought conditions on the Central Coast has seen the introduction of a comprehensive water saving program at Vales Point Power Station. The use of salt water instead of fresh water for plant cooling is expected to save 234 megalitres per year – a reduction of one third on the previous year's usage. All on-site showers have been fitted with AAA-rated showerheads and water efficient toilet facilities have been installed to also lower water usage. Further savings are anticipated with the installation of a new water recycling plant (see Efficient use of water, page 18)

Morgan Ash, the company providing ash services to Vales Point Power Station, has substituted salt water for fresh water in the wash down of its Vales Point ash collection plant. This has reduced fresh water use from 35 megalitres per year to a total of 3 megalitres per year.

Waste oil collected from garages is re-refined and blended for use as starting fuel at Delta power stations. This significantly reduces consumption of new fuel oil and beneficially re-uses the waste.

FIGURE EIGHT: NET WATER CONSUMPTION OR USE FROM ALL SOURCES AND ML/GWH ELECTRICITY SENT OUT

Source	Quantity	Unit
Surface water *	23,437	ML
Ground water	0	
Recycled Waste Water – Springvale Mine water	2,169	ML
Other	0	
Total	25,606	ML
Water consumed/electricity sent out	1.17	ML/GWh

* includes extraction from Fish River, Coxs River, salt water from Lake Macquarie and allocation from Gosford/Wyong water supply

FIGURE NINE: INFLUENCE ON WATER FLOWS

Source	Average Intake (ML/day)	Average Flow Rate (ML/Day)
Fish River	17.4	34
Average intake or outflow rate ML/day as a % average flow rate of water course	51%	
Cox's River	44.0	49.6
Average intake or outflow rate ML/day as a % average flow rate of water course	89%	

FIGURE TEN: NET WATER CONSUMPTION – DEGRADED

Site	Quantity	Unit
Wallerawang Power Station Cooling Tower blowdown	4,290	ML

EFFICIENT USE OF WATER

Drought throughout New South Wales has required the careful management of water resources at all Delta Electricity sites.

In the Western region, the most significant issue in the past year was the changing water quality, with higher levels of salinity. This required changes in distribution between sources and sites.

The year saw the completion of a scheme, constructed jointly with Centennial Coal, to transfer mine water from the Springvale and Angus Place Collieries to Wallerawang Power Station. This scheme reduces dependency on the Coxs River system. Investigations continue into the viability of sourcing additional mine water from the Clarence and Ivanhoe mines and agreement has been reached with the owners of Invincible mine to utilise its mine water.

Significantly, water levels have fallen in Lake Lyell near Lithgow. Built to supply the power station, the Lake has become a recreational amenity and various tourism businesses have come to depend upon it. Delta recognises the impacts on the community and has worked with Council to minimise disruption to local tourism operators. At this time, Delta has adequate supplies of water to continue production and will continue to monitor and blend water from its available sources.

A new water recycling plant is to be built at Vales Point Power Station on the Central Coast. The new recycling plant will take effluent from a nearby Sewerage Treatment Plant and treat it to a very high quality so the water is suitable for use in the Power Station. The use of recycled water in the demineralising plant will reduce usage of potable water by 230 million litres a year. This major initiative will allow water resources to be allocated to other Central Coast water users.



SAFE WASTE DISPOSAL AND RECYCLING

Delta has implemented and fully complies with the NSW Government's Waste Reduction and Purchasing Policy (WRAPP). The biennial report to the NSW Department of Environment and Conservation was submitted in August 2005. A commitment to continuously improve waste management practice has resulted in the development of Operation Standards and Regional Waste Management Plans. These plans detail the requirements for the management of waste and the purchase of materials at various sites and facilities. They apply to all employees and contractors employed at Delta Electricity.

Delta's Global Waste Management contract covers our four power stations and a single contractor is responsible for managing the various waste streams (excluding ash) generated by the power stations.

REHABILITATION AND ENHANCING BIODIVERSITY

Delta Electricity's ongoing land environmental management approach aims to improve and protect native habitats found within the power station buffer zones..

PROTECTING BATHURST COPPERWING BUTTERFLY HABITAT

Delta is working to ensure the habitat of the endangered Copperwing Butterfly on its Western properties remains intact and undisturbed. The butterflies' host plant species (their habitat) was discovered on Delta land which provides a buffer zone between the power stations and surrounding communities. Delta recognises the importance of preserving the ecological health of its natural surroundings for future generations. It continues to consult National Parks and Wildlife on its Copperwing Butterfly program and will assist where required.

REHABILITATION OF THOMPSONS CREEK DAM

Regeneration of native bushland around the buffer zone of Thomsons Creek Dam is almost complete. The planting of native species has brought many benefits to the area and Delta is currently discussing a similar program for other areas on Delta land. The program is part of Delta's commitment to raise awareness of the area's natural heritage and to continue to operate productively while managing the surrounding environment.

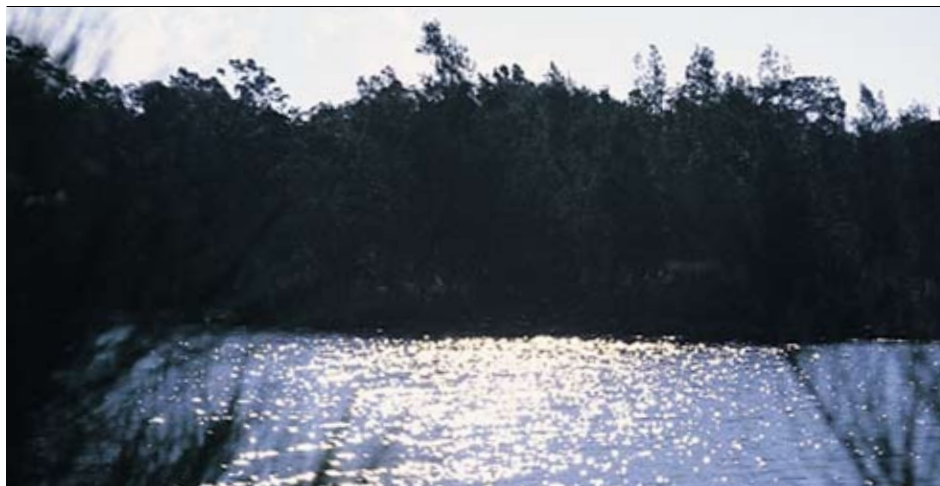


FIGURE ELEVEN: KEY THERMAL GENERATION PERFORMANCE INDICATORS

		Black Coal	Fuel oil
Energy consumption by fuel source	Mt Piper	89.0 PJ	0.1 PJ
	Wallerawang	60.5 PJ	0.1 PJ
	Vales Point	59.3 PJ	0.2 PJ
	Munmorah	16.8 PJ	0.1 PJ
	Delta total	225.6 PJ	0.4 PJ
Thermal efficiency	Mt Piper	37.3%	
	Wallerawang	33.1%	
	Vales Point	34.7%	
	Munmorah	30.3%	
	Delta total	35.1%	
Consumption of recycled fuels (waste oil, RDF, sawdust, C&D material) (% by energy)		0.11% of total fuel consumed	
Energy consumed in station (GWh, % of generated)	Mt Piper	507 GWh	5.2%
	Wallerawang	437 GWh	7.3%
	Vales Point	287 GWh	4.8%
	Munmorah	113 GWh	7.4%
	Delta total	1344 GWh	5.8%
Ash beneficially used (tonnes, % of total)	Mt Piper	174,000 t	20%
	Vales Point	97,600 t	18%
	Delta total	271,600 t	13%
Total waste by type	Non-hazardous waste to landfill		412 t
	Ash to landfill		1,815,125 t
			Fuel oil
Lubricating oil received (kilolitres)	Mt Piper		13.3 kL
	Wallerawang		38.7 kL
	Vales Point		19.6 kL
	Munmorah		2.3 kL
	Delta total		73.9 kL
Waste oil recycled		100% of collected wastes	

FIGURE TWELVE: KEY EMISSIONS PERFORMANCE INDICATORS – STATISTICAL SUMMARY

			GWh
Greenhouse gas emissions (tonnes, t/GWh sent out)	Mt Piper	7,985,899t	865t
	Wallerawang	5,235,384t	942t
	Vales Point	5,300,694t	924t
	Munmorah	1,513,755t	1066t
	Delta total	20,035,733t	913t
NOx emissions (tonnes, t/GWh sent out @ 7%O2)	Mt Piper	26,857t	2.91t
	Wallerawang	15,744t	2.83t
	Vales Point	11,801t	2.06t
	Munmorah	3,403t	2.40t
	Delta total	57,805t	2.63t
SOx emissions (tonnes, t/GWh sent out @ 7%O2)	Mt Piper	38,833t	4.21t
	Wallerawang	26,462t	4.76t
	Vales Point	17,672t	3.08t
	Munmorah	4,616t	3.25t
	Delta total	87,633t	3.99t





Delta Electricity is committed to providing all its employees with a safe working environment, fair systems of pay, reward and recognition which value the contribution of each employee, and ensure everyone has access to ongoing professional development and training opportunities.

COMMITMENT TO EMPLOYEES

Delta Electricity is committed to providing all its employees with a safe working environment, fair systems of pay, reward and recognition which value the contribution of each employee as well as ensuring that all employees have access to ongoing professional development and training opportunities.

FIGURE THIRTEEN: LABOUR STATISTICS

Staff type	Employed for					Total
	< 1 year	1–5 years	5–10 years	10–20 years	> 20 years	
Full Time	5	44	37	96	485	667
Part Time	0	1	1	3	2	7
Contract	1	3	6	2	27	39
Casual	0	3	0	3	0	6
Total						719

Age		Gender	
< 18 years	0	Male	664
18–30 years	26	Female	55
30–50 years	372		
50–65 years	319		
65 years plus	2		

New starters	7
Terminations (total)	17
Resignations	9
Redundancy	2
Retirements	4

STAFF WELLBEING, HEALTH AND SAFETY

Delta Electricity takes great pride in its continued efforts to minimise workplace risks and regularly evaluates its Occupational Health and Safety (OH&S) performance, policies and procedures. As a result of ongoing workplace consultation, a Standard Procedure was developed defining a health and safety management system. This is designed to assist Delta employees achieve and maintain a high standard of performance at all workplaces.

The OH&S Management System (OHSMS) has been introduced to ensure all Delta Electricity operations are managed with proper regard for the health and safety of all employees, contractors, visitors and that all statutory obligations are being met.

Delta has a number of policies that clearly articulate its commitment to health and safety. The policies are approved by the Chief Executive and are reviewed biennially by the Executive OH&S Committee.

Policies are approved as follows:

- Safety Policy
- Smoking Policy
- Fire Protection and Control
- Safety Rules Policy
- Eye Protection Policy
- Drugs and Alcohol Policy

Demonstrating the impact of an effective occupational health and safety management system, a number of significant milestones were achieved.

Mt. Piper Power Station exceeded 1,400 days with no lost time injury while Corporate exceeded 700 days.



Delta Electricity takes great pride in its continued efforts to minimise workplace risks and regularly evaluates its Occupational Health and Safety performance, relevant policies and work practices.

Despite the continual refinement of OH&S systems, 10 lost-time injuries were recorded in 2005/2006. In recognition of the fact that both hazards in the workplace and unsafe work practices can result in injury, a behavioural safety program, known as D-ZIP, has been implemented. D-ZIP is the platform on which the organisation is developing a constantly improving safety culture. Over 70% of staff and a number of contractors have been trained as observers and by June 2006, 200 hard barriers to safety had been identified and removed.

The organisation is also in the process of upgrading its safety system to meet the requirements of the new WorkCover self insurers safety model, in preparation for audit in 2007.

As at 30 June 2006, Delta Production (Western) maintained a five star safety rating and Delta Maintenance and Production (Central Coast) achieved a four star safety rating under the National Safety Council of Australia's safety award system.

As part of the Delta's commitment to exceed the standards required under Occupational Health and Safety regulations, risk assessment and consultation processes have been widely implemented and refined across each of the business units. A trial program promoting healthy eating, exercise and lifestyle change was extended to the Western Region power stations, with positive feedback received from participants.

To reduce their risk of becoming sick with influenza, free influenza vaccinations were made available for all staff, with 228 people taking up this offer. Seventy-five staff benefited from a scheme which offers staff a reimbursement for costs associated with improving cardiovascular fitness through exercise activity.

STAFF AWARDS AND PERFORMANCE-BASED REMUNERATION

Delta has a performance-based salary review process to ensure all Delta Electricity employees are fairly and equitably recognised for their performance and contribution. 39 staff are on executive contracts. The remainder are paid according to the Delta Electricity Employees Award. Details of Executive Remuneration are available in the 2005/06 Annual Report (www.de.com.au).

The Delta Electricity Employees Award is negotiated between Delta managers and union representatives and applies to all employees. All of these employees are covered by a collective bargaining pay scheme. The rates of pay under the Award exceed the minimum wage levels set for Australian workers.

Wage negotiations are held every few years towards the end of the term of the current award. The most recent agreement was effective from the first pay period on or after 11 March 2005. It will remain in force until 11 March 2008.

FIGURE FOURTEEN: EMPLOYEE STATISTICS

Employee statistics	2006	2005	2004	2003	2002
GWh/employee	30.8	29.9	29.0	27.1	27.6
Training (Days/employee)	6	4.7	5.8	5.9	7.1
Sick leave (Days/employee)	8	8.3	8	6.1	5.8
Safety (Frequency rate)	7	4.1	8.8	8.7	4.7



EQUAL OPPORTUNITY POLICY AND PRACTICE

As an organisation, Delta is guided by the principles of Equal Employment Opportunity (EEO). However, the electricity generation industry faces special challenges, such as relatively low rates of staff turnover, in meeting the targets set by the NSW Government.

Delta is cognisant of the differences between the current levels of representation of EEO groups and the benchmark set by the NSW Government and has implemented a range of initiatives to address them. For example, while over 90% of Delta employees are men, 20% of the staff nominated for Delta's accelerated development program are women.

Delta ensures that equal opportunities exist for people with a disability and has developed a Disability Plan 2004–2006 to assist in identifying and overcoming barriers to full participation. In the context of this plan, a major review of facilities was undertaken in 2005–2006 to assess the accessibility of our power stations and the provision of other facilities for people who are mobility impaired. Consequently, a number of actions to improve access were carried out immediately with the remaining issues implemented within the prescribed timetable.

Delta Electricity recognises the importance and benefits, to our organisation and to the community at large, of cultural diversity. The organisation's Ethnic Affairs Priority Statement and Implementation Plan includes objectives and targets relating to social justice, community harmony and cultural opportunities. Regular training is provided for key recruitment staff on the principles and obligations associated with EEO and on eliminating harassment and discrimination in the workplace. All selection committees must reflect the ethnic diversity of the Australian community. The implementation of the Ethnic Affairs Priority statement is monitored and reviewed on an annual basis.

Delta Electricity recognises the importance and benefits to our organisation and to the community at large, of cultural diversity.

FIGURE FIFTEEN: TRENDS IN THE REPRESENTATION OF EEO GROUPS¹ % of total staff²

EEO Group	Whole of Government Benchmark or Target	2006	2005	2004	2003	2002	2001
Women	50%	7%	7%	7%	7%	8%	7%
Aboriginal people or Torres Strait Islanders	2%	0.6%	0.6%	0.4%	0.7%	1%	0.8%
People whose first language was not English	20%	5%	5%	5%	6%	5%	5%
People with a disability	12%	8%	7%	6%	9%	9%	8%
People with a disability requiring a work related adjustment	7%	3.4%	3.3%	2.7%	4.1%	3.8%	3.3%

FIGURE SIXTEEN: TRENDS IN THE DISTRIBUTION OF EEO GROUPS¹ Distribution Index³

EEO Group	Whole of Government Benchmark or Target	2006	2005	2004	2003	2002	2001
Women	100	98	98	99	98	96	98
Aboriginal people or Torres Strait Islanders ⁴	100	n/a	n/a	n/a	n/a	n/a	n/a
People whose first language was not English	100	113	112	112	110	114	116
People with a disability	100	102	100	100	99	102	101
People with a disability requiring a work related adjustment	100	95	93	n/a	94	96	99

Explanatory Notes

- 1) Staff numbers are at 30 June 2006.
- 2) Excludes casual staff.
- 3) A Distribution Index of 100 indicates that the centre of the distribution of the EEO groups across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels. The Distribution Index is automatically calculated by the software provided by the Office of the Director of Equal Opportunity in Public Employment.
- 4) The Distribution Index is not calculated where EEO group or non-EEO group numbers are less than 20.

INDIGENOUS POLICY

Delta recognises the challenges facing Aboriginal communities, and indigenous youth in particular. To contribute to the full economic and social participation of indigenous people, Delta has dedicated two apprenticeship positions to a person from an indigenous background. This year, Delta was successful in recruiting three apprentices through the New Careers for Aboriginal People (NCAP) network, two working on the Central Coast and one in the Western region.

During the year, Delta also supported the indigenous community with a \$5,000 sponsorship of a NAIDOC (formerly the National Aborigines and Islanders Day Observance Committee) event on the Central Coast. As part of acknowledging and respecting days of significance for diverse religious and cultural groups, Delta's Personal Leave guidelines provide for one day of paid leave for employees of Aboriginal heritage who wish to commemorate National Aboriginal Day.

TRAINING AND PROFESSIONAL DEVELOPMENT

Delta recognises that the ability to build and maintain a sustainable competitive advantage is based upon the availability of appropriately trained and qualified staff. Accordingly a number of policies and programs have been established to ensure the effective ongoing skills and knowledge development of staff.

Key amongst these are:

- The Performance and Development Agreement which plays a central role in aligning the contribution and development of employees with Delta's objectives. Employees complete an individual or a team Performance and Development agreement at the beginning of each financial year.
- Standards for ensuring appropriate Occupational Health and Safety (OH&S) training is provided to employees and is applicable to their work activities and occupational environment. These also ensure that persons, who are not employees of Delta, are aware of, or receive training in any OHS aspect pertaining to their activities whilst on site.
- A three day Team Leader training program completed by all DeltaTeam Leaders.

Relevant human resource management, training and development corporate policies and standards are listed below.

The Delta Corporate Policy for Training and Development incorporates standard procedures for:

- training and development;
- performance and development agreement guidelines;
- study assistance;
- attendance at external conferences, seminars and development programs;
- succession management;
- performance-based salary review;
- induction; and
- occupational health and safety training.



Delta Electricity has a complaints management procedure which complies with the Australian Standard and ensures that complaints are handled fairly and consistently by all personnel.

STAKEHOLDER ENGAGEMENT

Community stakeholders in the areas where Delta has generation facilities expect the organisation to be a good neighbour and an active corporate citizen. Consulting with community stakeholders is also a mandatory part of the planning process for all new developments and modifications. Delta is committed to developing good relationships and open channels of communication with the relevant communities on new and established operations.

The two coal-fired power stations located on the Central Coast are located within a rapidly expanding residential community and are adjacent to major lakes which are extensively used for leisure activities.

The power stations located in the Western Region are a significant economic contributor to the Lithgow district, which includes many small villages and hamlets. Mining is a major source of employment in this region and there is a growing interest in tourism, including using the dams (initially established to provide water for the power stations) for fishing, boating and other leisure activities.

In both regions, Delta engages with the local community about core activities such as managing stack emissions, ash disposal and using water efficiently. Matters affecting local amenity such as noise, coal trucks or the spilling of coal on roads must also be responsibly managed.

On the Central Coast, the Community and Regional Environment Forum (CARE Forum) meets quarterly to discuss a range of issues and jointly develop solutions. Members include residents in the settlements surrounding the power station, including those active in LandCare groups, Progress Associations and Tidy Towns volunteers.

In the Western Region, meetings are held with groups of stakeholders concerned about specific issues, such as residents concerned about noise or ash disposal and small business and tourism operators concerned about the impacts of the drought on lakes and rivers in the region.

COMMUNITY CONSULTATION ON NEW DEVELOPMENTS

Throughout 2005/06 ongoing consultation was conducted with communities interested in following projects:

- gas turbine facilities proposed for Munmorah, Bamarang and Marulan.
- installation of fabric filter air emission control plant at Vales Point Power Station.

A range of methods are used in order to communicate with and hear the views of community and businesses with an interest in proposed development including:

- planning focus meetings coordinated by the Department of Planning;
- public information displays and question and answer sessions with senior Delta staff;
- media releases and advertisements providing contact details;
- community newsletters distributed to those living in areas neighbouring new or proposed infrastructure;
- establishment of free call 1800 numbers for those seeking more information; and
- dedicated pages on each project on the Delta website – www.de.com.au.

MONITORING COMMUNITY CONCERNS

Since 1996, Delta has monitored community concerns. In 2005/06, there was an increase in the volume of concerns about Delta's operations expressed directly to the organisation or to the Department of Environment and Conservation.

The main issues of concern were:

- noise from the Vales Point rail unloading conveyor – Delta completed a noise monitoring survey and installed sound absorbing materials along the conveyor where the study indicated they would be most effective.
- noise and vehicle movement issues associated with operation of the Wallerawang dry ash storage site – Delta monitored issues and put in place measures to reduce impacts.
- stack emissions from Vales Point – Delta is installing fabric filters which will reduce the impact of these.
- declining water levels and water quality in Lake Lyell – Delta has commissioned a study to determine if the lake is safe at low levels for leisure activities such as boating and swimming.



COMPLAINTS AND GRIEVANCE HANDLING

Delta Electricity has a procedure detailing how complaints that affect Delta Electricity are received and managed. This Complaints Management procedure complies with AS4269 Complaints Handling Procedure and covers all Delta personnel and sites. It is applicable to the following types of complaints:

- complaints about Delta Electricity personnel or services; and
- complaints about Delta Electricity clients.

The procedure may be used by Delta Electricity customers, employees or agents to lodge a complaint about other Delta employees, agents or internal services. The procedure should also be utilised when a complaint is received by a member of the public.

FIGURE SEVENTEEN: TRENDS IN COMPLAINTS AND ENQUIRIES

Concerns/Enquiries	2005/06	2004/05	2003/04	2002/03	2001/02
Stack Emissions	10	38	20	13	14
Other air emissions	3	7	2	3	2
Noise	17	8	6	10	12
Discharge to waters	0	0	0	1	0
Vehicle movement	7	0	7	0	1
Land and water management	6	6	9	3	4
Odour	0	1	1	2	1
Other	11	3	1	2	5

SPONSORSHIP AND DONATIONS

Through a grants program tailored to the needs of the regions where our operations are based, Delta contributes to the many activities that help build sustainable communities. Grants are provided to assist in building safe children’s playgrounds, to improve popular recreational areas and to organise community celebrations. Volunteer groups such as the NSW Rural Fire Service, the Country Women’s Association, LandCare groups, Surf Life Saving members and Tidy Town committees are supported. In addition, local business associations, youth initiatives and are also sponsored.

In the Western Region, a unique education program, Delta e-schools has been piloted. The program offers specially prepared information materials and workshops to assist teachers. Over 20 schools participated in the pilot and have taken action to build environmental awareness and improve their schools’ amenity.

On the Central Coast, a community development project provided local youth and others with skills development such as landscaping and engaged them in the building of Gravity Park which will be an enduring facility for the local community.



This report has been prepared taking account of actions identified in Delta Electricity's Sustainability Policy and using indicators of performance developed by the Energy Supply Association of Australia (esaa).

The esaa is the peak association representative of the Australian electricity and downstream gas industry.

The association developed a Code of Sustainable Practice and a comprehensive set of indicators to guide the Australian electricity industry in reporting how each business is meeting its economic, environmental and social performance objectives.

These indicators are consistent with the Global Reporting Initiative (GRI) which is internationally recognised as the framework for corporate sustainability reporting.

This is a handy guide to cross check Delta's current performance against the the esaa indicators.

Glossary

CARE	Community Access Regional Environment forum	Mt	Megatonne (million tonnes)
CH ₄	Methane	MWh	Megawatt hour: Million watt hours – unit of power
CO ₂	Carbon dioxide	NEM	National Electricity Market
CO _{2-e}	Carbon dioxide equivalents	NEMMCO	National Electricity Market Management Company
EC	European Community		
EPA	Environment Protection Authority	NOx	Nitrogen oxides, primarily nitric oxide (NO) and nitrogen dioxide (NO ₂)
GRI	Global Reporting Initiative	NPI	National Pollutant Inventory
GWh	Gigawatt hour; 109 watt hours – unit of power	PCB	Polychlorinated biphenyls
kL	Kilolitre = 1,000 litres	PJ	Peta Joule; 1015 Joules – a measure of energy content of fuel
kt	Kilotonne = 1,000 tonnes	ppb	Parts per billion
kWh	Kilowatt hour = 1,000 watt hours – unit of power	ppm	Parts per million
mg/L	Milligrams per litre	SOx	Sulfur oxides, primarily sulfur dioxide (SO ₂) and sulfur trioxide
ML	Megalitre (million litres)		

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Vales Point Power Station

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<http://www.de.com.au>

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