

EnergyCo Annual Report

2022-2023

November 2023



Acknowledgment of Country

We acknowledge that Aboriginal and Torres Strait Islander peoples are the First Peoples and Traditional Custodians of Australia, and the oldest continuing culture in human history.

We pay respect to Elders past and present and commit to respecting the lands we walk on, and the communities we walk with.

We celebrate the deep and enduring connection of Aboriginal and Torres Strait Islander peoples to Country and acknowledge their continuing custodianship of the land, seas and sky.

We acknowledge the ongoing stewardship of Aboriginal and Torres Strait Islander peoples, and the important contribution they make to our communities and economies.

We reflect on the continuing impact of government policies and practices, and recognise our responsibility to work together with and for Aboriginal and Torres Strait Islander peoples, families and communities, towards improved economic, social and cultural outcomes.

Artwork: *Regeneration* by Josie Rose



Letter to the Minister

The Hon. (Penny) Penelope Gail Sharpe MLC

Minister for Climate Change, Minister for Energy, Minister for Environment and Minister for Heritage

52 Martin Place
SYDNEY NSW 2000

Dear Minister,

SUBMISSION OF ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

I have the pleasure of submitting the Energy Corporation of New South Wales (EnergyCo) inaugural Annual Report for the financial year ended 30 June 2023, in accordance with the *Government Sector Finance Act 2018*.

This document reports on the operations and performance of EnergyCo, together with the consolidated financial statements for the period 1 July 2022 to 30 June 2023.

A copy of this report is provided to you for presentation to the New South Wales Parliament.

Once tabled in Parliament, the report will be made available for public access on our website <https://www.energyco.nsw.gov.au/> and at the NSW Government's OpenGov NSW website: <http://www.opengov.nsw.gov.au/>.

Yours sincerely,

Michael Coutts-Trotter

NSW Treasury Secretary

Date:

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Secretary's Foreword

Moree Solar Farm.



Michael Coutts-Trotter
Secretary, NSW Treasury

On behalf of EnergyCo, I am pleased to present the EnergyCo 2022-23 Annual Report.

It describes EnergyCo's key activities and achievements for the year and the benefits delivered for New South Wales.

EnergyCo plays a key role in helping deliver the Electricity Infrastructure Roadmap which is the NSW Government's plan to transform our electricity system into one that is cheap, clean and reliable.

Enabled by the *Electricity Infrastructure Investment Act 2020* (EII Act), the Roadmap aims to deliver 12 gigawatts (GW) of renewable energy generation and 2 GW of long-duration storage by 2030.

This will help maintain energy reliability and affordability in NSW, meet our net zero targets and drive an estimated \$32 billion investment into NSW.

The challenge ahead is immense. EnergyCo continues to work closely with other key Roadmap entities to deliver the objectives of the EII Act.

This year EnergyCo made significant progress in its role as Infrastructure Planner with the declaration of all five NSW Renewable Energy Zones (REZs) as well as the Priority Transmission Infrastructure Projects: the Waratah Super Battery project and Hunter Transmission Project and declaration of the first access scheme for the Central West Orana REZ.

As part of its work as Infrastructure Planner EnergyCo delivered the inaugural NSW Network Infrastructure Strategy in May 2023.

The Strategy provides the most comprehensive plan yet for the network infrastructure of NSW, outlining the required modernisation projects and their anticipated timeline.

It is significant step in a coordinated planning process for our energy system that involves both NSW and the larger National Electricity Market.

EnergyCo has also undertaken important work consulting with local communities, landowners and regional stakeholders on its community benefits plan for regional communities to see lasting and tangible benefits from the energy transformation.

EnergyCo is building on its core team of highly experienced and skilled people to ensure it has the right capability and capacity to play its part under the Roadmap.

In the next financial year, EnergyCo will continue working with communities, consumers, the industry and market bodies to modernise NSW's energy system.

Signature

Michael Coutts-Trotter

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About EnergyCo

Bodangora Wind Farm near Wellington, NSW.



1 About EnergyCo

1.1 Aims and objectives

EnergyCo is Infrastructure Planner for NSW's five Renewable Energy Zones (REZs) and for two Priority Transmission Infrastructure Projects (PTIPs) – the Waratah Super Battery Project and the Hunter Transmission Project).

These roles pursue the twin goals of the Electricity Infrastructure Investment Act (EII Act): clean, reliable and affordable electricity for NSW consumers as well as economic and social benefits for local and First Nations communities.

As Infrastructure Planner, EnergyCo acts in three ways for the practical coordination of transmission with generation and firming infrastructure:

- plan and procure major network infrastructure projects to unlock additional network capacity across the State
- design and manage network access schemes to ensure new generation can get connected and stay connected
- coordinate local community engagement to support joined-up delivery of major infrastructure and benefits.

Since 2021, EnergyCo has also supported emerging technologies, such as pumped hydro and long-duration storage, through grants programs. In 2024, this function will return to the wider Energy Climate Change and Sustainability division of the Office of Energy and Climate Change.

EnergyCo works in close collaboration with the Australian Energy Market Operator (AEMO), AEMO Services as the Consumer Trustee, Transgrid as the jurisdictional planning body, the Australian Energy Regulator, and the NSW distribution network service providers. We are also working increasingly closely with consumer representatives.

This work can only be successful if there is effective engagement with, and between, relevant stakeholders. EnergyCo leads community and industry engagement to support the delivery of REZs and PTIPs, to deliver tangible benefits for local communities and First Nations Peoples, and to promote local development opportunities.

1.2 Our vision

Enabling a transformed electricity system that provides affordable, reliable and clean energy for all NSW households and businesses, and enduring benefits for host communities and the economy.

1.3 Our values

Our values serve as our foundation for decision-making and reflect our commitment to ethical and responsible behaviour.

- **Grounded.** Our work is informed by evidence and the issues ‘on the ground.’ We are authentic, open and accessible to all stakeholders.
- **Networked.** We are better together, with many partnerships and collaborations to deliver high-value outcomes for the people of NSW.
- **Bold.** We are willing to try new and better ideas, rather than do things the way they have always been done.
- **Efficient.** Everything we do is designed to deliver least-cost electricity in the long-term financial interests of NSW electricity consumers. We are nimble, flexible and learn from our experiences.
- **Accountable.** We have clear frameworks, business rules and risk management approaches to be accountable to stakeholders and serve specific regional needs.
- **Credible.** We are known for our expertise, capable of operating in a complex environment with the ability to make decisions that deliver on our objectives.

1.4 Our charter as a Roadmap entity

The Energy Corporation of New South Wales (EnergyCo) is a statutory authority constituted under the *Energy and Utilities Administration Act 1987*.

EnergyCo is one of the Roadmap entities under the Energy Infrastructure Investment Act (EII Act), each with distinct roles to plan for, authorise and approve, the delivery of electricity in NSW. The other entities are the Consumer Trustee (AEMO Services), the Scheme Financial Vehicle (administered by the Financial Trustee), and the Regulator.

The EII Act sets out a robust yet complex authorising environment within which to deliver network infrastructure projects. Timely completion of REZ and PTIP projects are critical to ensuring the successful delivery of the Roadmap and its Infrastructure Investment Objectives Report (IIO) prepared by the Consumer Trustee.

Under the EII Act, projects are developed by EnergyCo as Infrastructure Planner. The Infrastructure Planner assesses and make recommendations about:

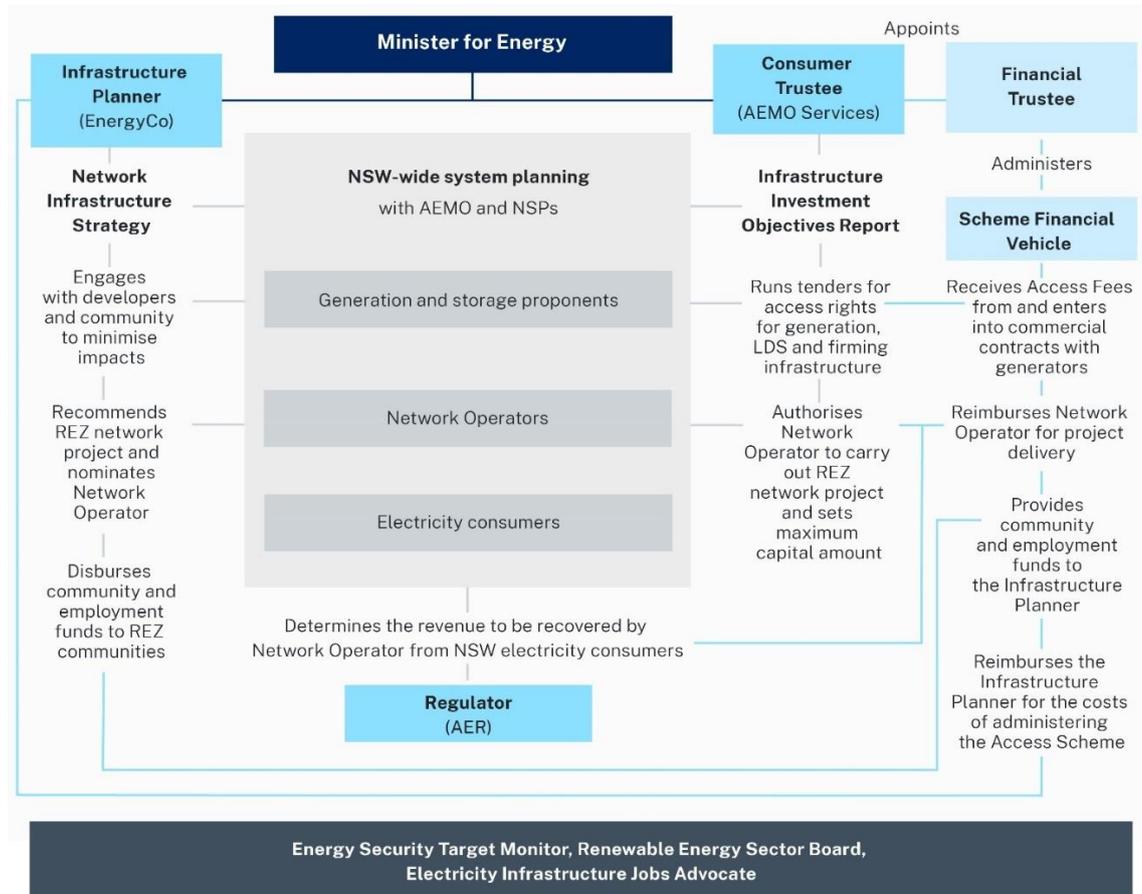
- the different options to provide the intended network capacity;
- staging and sequencing of those options;
- funding, procurement and cost recovery for the recommended option; and
- any other matters as prescribed by the regulations.

EnergyCo makes recommendations to the Consumer Trustee (for REZ projects) who authorises a network operator to carry out the network infrastructure project, or to the Minister (for PTIPs). A project also receives a regulatory determination from the AER as Regulator before it can reach financial close.

Once a project reaches financial close the network operator receives a regulated service payment and repays the development costs. Regulated service payments are recovered from NSW electricity consumers via the Scheme Financial Vehicle, consistent with the regulatory determination made by the AER. As with all major projects, there are risks associated with project development and delivery and these are assessed prior to the project proceeding to financial close.

The entities and their roles are set out in Figure 1.

Figure 1: Roadmap entities in the NSW legislative framework



EnergyCo is the Infrastructure Planner under EII Act s 63 for NSW’s five Renewable Energy Zones and two Priority Transmission Infrastructure Projects.

Section 63 sets out the following functions for the Infrastructure Planner:

- to make and enter into contracts or other agreements in connection with the exercise of its functions under the Act,
- to investigate, plan, co-ordinate and carry out planning and design of generation infrastructure,
- to investigate, plan, co-ordinate and carry out planning, design, construction and operation of storage and network infrastructure,
- other functions prescribed by the regulations,
- other functions conferred or imposed on the infrastructure planner by or under the EII Act or another Act or law.

1.5 Management and structure

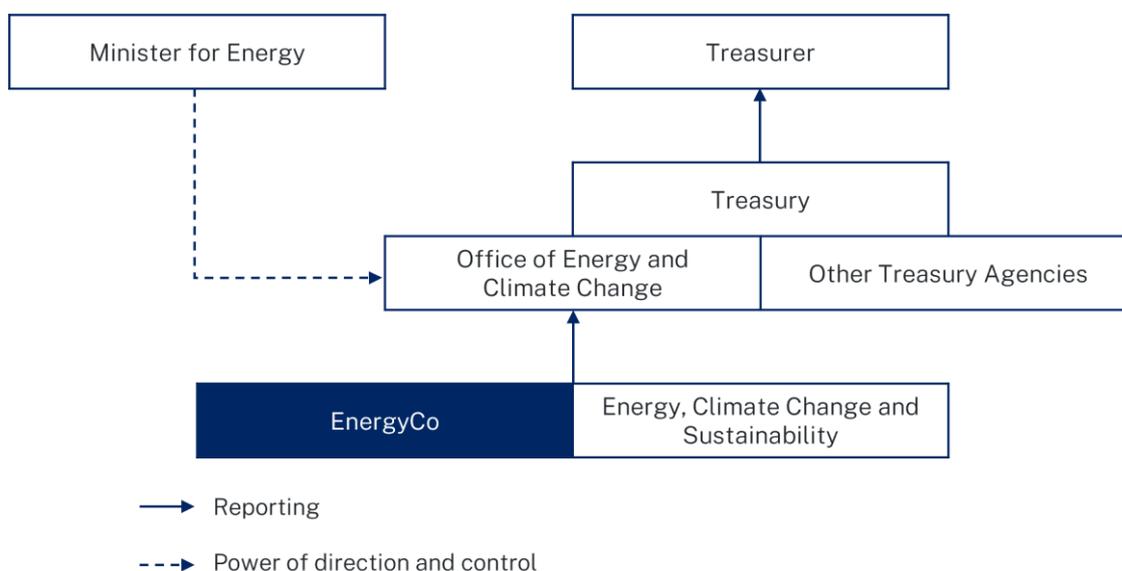
1.5.1 Our organisational structure

EnergyCo is a statutory authority within the NSW Treasury Cluster and part of the Office of Energy and Climate Change (OECC), which was established in April 2022. It is subject to the control and direction of the NSW Minister for Energy, Hon. Penny Sharpe.

EnergyCo's Chief Executive, James Hay, reports to the NSW Treasury Secretary. Key corporate services are provided by the NSW Department of Planning and Environment (DPE) under a Service Partnership Agreement between Treasury and the DPE.

EnergyCo drew on Treasury's shared audit and risk functions and its Audit and Risk Committee (ARC) through the financial year. EnergyCo is in the process of establishing its own ARC to focus on EnergyCo's unique risks, major projects development and specific regulatory and commercial operating environment.

Figure 2: A high-level governance structure map of EnergyCo's reporting responsibilities within the Treasury Cluster



1.5.2 Executive Leadership Team

Table 1: EnergyCo Leadership team as of 30 June 2023

Executive	
James Hay Chief Executive	James Hay is responsible for overseeing the organisation and leading the executive team. He has had a successful career in public and private sector network and infrastructure development, delivery and operation.

Executive

James brings extensive knowledge and expertise across infrastructure development, delivery and funding, industry policy and regulation, stakeholder relationships and commercial and public sector governance.

James values the importance of selecting, motivating and empowering teams and enjoys mentoring and coaching. He sets and models high ethical and professional standards at all times.

Alexandra Finley
Chief Finance &
Operations Officer

Alexandra is responsible for negotiation and management of REZ development services and agreements, project financial structuring, commercial negotiations and due diligence, product development, finance, people and operations, legal and risk.

Alexandra brings extensive knowledge and expertise across the commercial, risk and legal aspects of electricity infrastructure, and outstanding knowledge of industry operations, governance and commercial models.

Mike Young
Executive Director
Planning &
Communities

Mike is responsible for whole-of-REZ strategic planning and policy frameworks, planning approvals for network solutions, regional and community engagement, community benefit sharing and land and property management.

Mike brings extensive experience in the environmental field and is a leader in NSW energy and resource planning and assessments. He has broad experience working on major energy infrastructure projects across NSW and has a deep knowledge of the mining sector, enabling EnergyCo to maximise economic and community opportunities from the energy transformation.

Chloe Hicks
Executive Director
Strategy & Policy

Chloe is responsible for driving EnergyCo's corporate and business strategy, strategic policy and advice and regulatory processes.

Chloe has extensive experience and expertise in energy and government processes. She has been instrumental in delivering energy, water and climate change policies in the State, including the NSW Electricity Infrastructure Roadmap and its enabling legislation.

Andrew Kingsmill
Executive Director
Network Planning,
Technical & Safety

Andrew is responsible for the NSW Network Strategy, REZ network solutions, REZ optimisation, access scheme technical design and timely and effective connection processes.

Andrew brings wide experience in electricity infrastructure planning, operations regulation and asset management. He provides technical leadership, ensuring successful and optimal integration of REZ infrastructure as part of an integrated and coordinated NSW Network Strategy, working closely with the Consumer Trustee, AEMO, Transgrid and the Distribution Network Service Providers.

Executive

Mark Westbrook Chief Project Officer	<p>Mark is Chief Project Officer and is responsible for the development and delivery of EnergyCo's program of projects.</p> <p>Mark joined EnergyCo in 2023 and has been delivering projects for 30years. His prior roles include 16 years at John Laing Group, based largely in London, where he held senior roles managing and delivering major greenfield infrastructure projects. He was Chief Risk Officer for the Group and served on their Group Investment Committee, Executive Committee and Risk Committee. Previously, Mark worked for international contractors in the design, construction, financing and maintenance of projects including spending 10years at ALSTOM and 3years at UGL.</p>
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1.5.3 Committees of independent experts

EnergyCo draws on the extensive experience of independent experts through two specific purpose committees: an Advisory Committee and the Transmission Acceleration Facility Investment Committee.

EnergyCo Advisory Committee

The EAC is an advisory committee under EUA Act section 10. It advises EnergyCo in the exercise of its functions under the EUA and EII Acts. The Secretary has requested the EAC act as EnergyCo's primary governance body to advise the Chief Executive, Secretary and Minister as required on all key decisions and on the conduct and operation of EnergyCo.

Table 2: EnergyCo Advisory Committee for 2022-23

Members

Mike Mrdak AO (Chair)	Former Commonwealth Secretary (Communications and Art, Infrastructure and Regional Development). 30 years public sector infrastructure delivery experience.
Claire Booth	Farmer and solicitor based in Dubbo with extensive experience in agriculture, agribusiness and regional energy and infrastructure outcomes.
Robert Rust	Former Chief Executive of Health Infrastructure and COO of WestConnex Delivery Authority. Extensive infrastructure delivery experience.
Donna Rygate	Farmer, grazier and independent chair/director based in Canowindra. Former CEO of Communities and of Local Government NSW with extensive planning and environment, audit and risk, public policy, communications and governance experience

Members

Professor Roberta Ryan	Farmer, grazier and independent chair/director based in Canowindra. Former CEO of Communities and of Local Government NSW with extensive planning and environment, audit and risk, public policy, communications and governance experience.
Dr Keith Turner	Chair of Transpower New Zealand, former CEO of Meridian Energy and COO of the Electricity Corporation of NZ. 40 years' experience in the electricity industry.
Dr Alex Wonhas	Former Executive General Manager of System Design at AEMO overseeing development of the Integrated System Plan. Extensive experience in energy and resources.

Transmission Acceleration Facility Investment Committee

The Transmission Acceleration Facility (TAF) is a NSW Government-funded financing facility managed by EnergyCo. Its purpose is to accelerate the construction of critical transmission infrastructure and other enabling projects, and the delivery of community benefits. These are required to meet the EII Act and Roadmap objectives for affordable and reliable supply of energy and to earn and maintain community support for those projects.

The TAF Investment Committee (TAF IC) is appointed by the Secretary under the EUA Act. It operates independently of the Project Directors and the teams who are responsible for delivering the relevant project. The TAF IC also ensures EnergyCo and EAC have expert financial and risk management advice for TAF funding approvals.

Table 3: Transmission Acceleration Facility - Investment Committee for 2022-23

Members

John O'Neil (Chair)	Independent non-executive advisor to the CEFC and member of the Investment Committee. 30 years of banking experience.
Anne Anderson	Former Managing Director at UBS Asset Management. 35 years' experience in energy and global financial services sectors.
Alexandra Finley (EnergyCo – ex officio)	Chief Finance and Operations Officer at EnergyCo. Experience in governance, legal, risk and financial services across a range of sectors.
Matthew Irwin	Former Chief Financial Officer at Transgrid. 30 years' experience as an advisor, lender and asset owner in energy and infrastructure.
Swati Johri (Treasury – ex officio)	Acting on behalf of the Head of Infrastructure and Structured Finance Unit at NSW Treasury. Experience in the infrastructure and project finance sector.

A large white number '2' is overlaid on a landscape of rolling hills, a river, and power lines. The landscape is a mix of brown and green, with a river winding through the middle ground. Power lines and towers are visible in the background and middle ground. The sky is overcast with grey clouds.

2

Strategy

Transmission lines near Armidale.

2 Strategy

EnergyCo's operations are intended to deliver on four levels of strategic intent:

- the State economic, fiscal and governance outcomes that are the priority of the NSW Treasury;
- the generation, firming and network objectives of the Roadmap; and
- as Infrastructure Planner the strategic coordination of REZs to deliver clean, reliable and affordable energy in a timely and cost-effective manner acting in the long-term commercial interests of NSW electricity consumers.

Taken together, these strategic objectives drive EnergyCo's work in the practical coordination of transmission with generation and firming infrastructure in the REZs and the timely and effective delivery of the Priority Transmission Infrastructure Investment Projects.

2.1 NSW State outcomes: Treasury Cluster

The Treasury Cluster leads NSW energy regulation and market reforms, including electricity infrastructure planning and development. Its broader role is to assist the NSW Government to achieve a sustainable economic and financial position and support the transition to net zero and a clean energy future.

The State outcomes to be delivered by the Treasury Cluster include:

- a strong, resilient and diverse economy;
- a sustainable fiscal environment enabling delivery of outcomes;
- stewardship of the public sector performance and financial system; and
- from this financial year 'A sustainable transition to a net zero economy'.

2.2 Roadmap strategic objectives

The Roadmap is the Government's plan to modernise the power system and deliver reliable and affordable energy. It underpins the NSW Net Zero Plan 2020 to halve emissions by 2030 and achieve net zero emissions by 2050.

The three main strategic objectives of the Roadmap are:

- **New generation** to replace retiring coal-fired power stations.
- **New network infrastructure** to deliver energy to consumers; and
- **New storage and firming** to better respond to our electricity needs and improve reliability of the grid.

The EII Act provides the legislative requirements for that modernisation, with energy security targets for firm capacity including a minimum 12 GW of generation and 2 GW of long-duration storage to be constructed by 2030.

These roles pursue the twin goals of the Electricity Infrastructure Investment Act (EII Act): clean, reliable and affordable electricity for NSW consumers and economic and social benefits for local and First Nations communities.

2.3 EnergyCo's strategic objectives

As Infrastructure Planner, EnergyCo acts in three ways for the practical coordination of transmission with generation and firming infrastructure:

1. plan and procure major network infrastructure projects to unlock additional network capacity in the REZs and through PTIPs consistent with AEMO's Integrated System Plan;
2. design and manage network access schemes to ensure new REZ generation can get connected and stay connected; and
3. coordinate local community engagement to support joined-up delivery of REZ and PTIP infrastructure and benefits.

EnergyCo has commenced developing its Business Plan for the next decade through to 2033, for expected release in 2024.

2.4 Strategic role of Renewable Energy Zones in NSW

EnergyCo's primary role is as Infrastructure Planner for NSW's Renewable Energy Zones.

Renewable Energy Zones are a new feature of electricity system planning in NSW (and other states) and are the most cost-effective approach to deliver clean, reliable and affordable energy to NSW household and businesses.

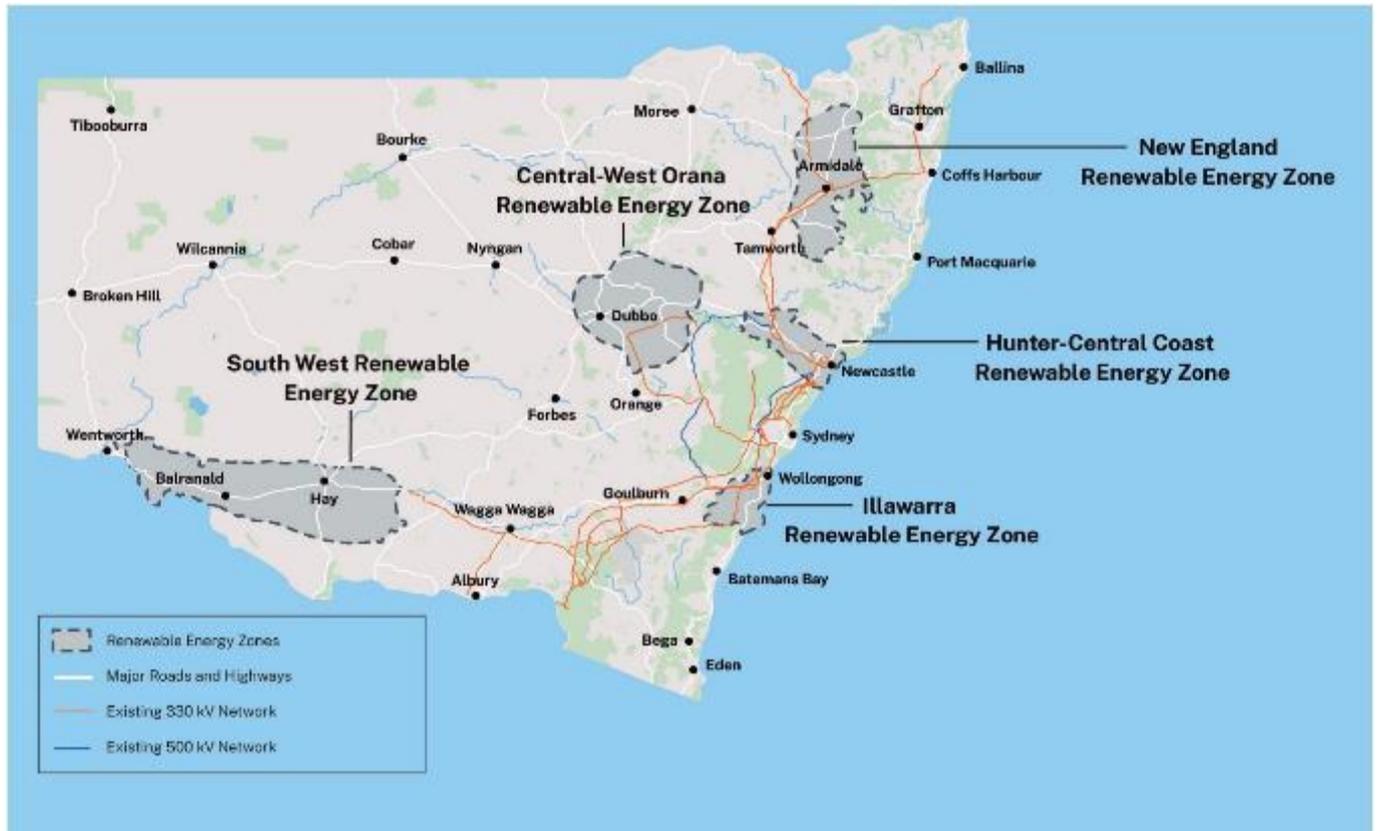
Locating infrastructure in large yet defined areas takes advantage of economies of scale to access the most reliable and low-cost renewable energy resources, while minimising overall impacts on communities.

The REZs will help deliver lower wholesale electricity costs and place downward pressure on customer bills through increased competition, while also supporting new local jobs and business opportunities during construction and operation. The REZs will also reduce carbon emissions by delivering a greater mix of renewable energy to the National Electricity Market (NEM), supporting NSW's and Australia's net-zero ambitions.

At the same time, REZs must respect host communities, existing land uses, biodiversity conservation and cultural heritage.

In NSW, five REZs have been declared so far to maintain a reliable and affordable supply of electricity as coal-fired power stations retire over the next decade. The zones are Central-West Orana REZ, New England REZ, South West REZ, Hunter-Central Coast REZ, and Illawarra REZ: see 3.

Figure 3: EnergyCo's Renewable Energy Zones



3

Operations and performance



3 Operations and performance

EnergyCo tracks and reports on performance across several levels:

- progress against EnergyCo's own strategic objectives
- performance at project operations and then portfolio/enterprise level
- performance against relevant Ministerial direction, including progress on Central-West Orana REZ and New England REZ as outlined in October 2021 Ministerial direction, and
- awards and nominations presented to EnergyCo.

Regularly measuring progress at these levels supports more effective and coordinated implementation of EnergyCo's goal to enable a transformed electricity system for NSW.

3.1 Performance

3.1.1 Performance against strategic objectives

EnergyCo has made significant progress on each of its strategic objectives.

Plan and procure major network infrastructure projects

Over the past financial year, we have continued to deliver the five REZs and the Waratah Super Battery Project and Hunter Transmission Project as Infrastructure Planner.

Work on funding solutions for these projects includes the Transmission Acceleration Facility, the Long Duration Storage Recoverable Grants program, community benefits sharing, and the Strategic Benefit Payments Scheme for private landowners hosting transmission infrastructure.

Planning work to guide infrastructure projects includes publishing the inaugural NSW Network Infrastructure Strategy, supporting the design of the Commonwealth's Rewiring the Nation policy, supporting the Roadmap Implementation Board, and developing a Memorandum of Understanding (MoU) with the Department of Planning and Environment to improve planning regimes.

Design and manage network access schemes

We have continued to progress the design and management of access schemes to enable efficient investment in generation, storage and transmission infrastructure.

Over the past financial year, EnergyCo supported the Consumer Trustee towards its competitive tenders for Long-Term Energy Service Agreements (LTESAs) to project developers. We have also published a Central-West Orana REZ Access Rights and Scheme Design Positions Paper in advance of the Central-West Orana REZ Access Scheme Declaration, published Guidelines for Access Scheme Declarations, commenced development of the New England REZ Access Scheme and assisted the Office of Energy and Climate Change (OECC) to develop a draft South West REZ Access Scheme for consultation.

Coordinate local community engagement

EnergyCo continued to engage local communities to support joined-up delivery of REZ and PTIP infrastructure and benefits.

In the past financial year, we have undertaken studies on workforce accommodation, telecommunications, training and skills, waste and roads and transport across the Central-West Orana REZ. We have conducted community engagement across the five REZs and two PTIPs with a total of 56 property access agreements, and 449 separate engagement events between January 2022 and July 2023.

We also commenced engagement with First Nations peoples, following delivery of the First Nations Consultation Guidelines, including establishing a Project Steering Committee with representatives from eight relevant NSW representative or policy agencies, and implementing an Aboriginal Procurement Policy.

3.1.2 Measuring and reporting on performance

EnergyCo reviews performance at the project and then at the portfolio or enterprise level with a regular cadence of reporting and governance meetings.

Project management

Project operations are reviewed through:

- Project Control Group, Project Support Group and Chief Product Officer (CPO) update meetings, the frequency of which is tailored for each project;
- weekly steering committee, attended by the delegation for the CPO and Executive Directors, to review a weekly project dashboard. These meetings consider key decisions and approvals over a 3-month horizon, identifying milestones, actions, issues and risks and mitigation actions;
- monthly review by the Program Coordination and Oversight Committee with status updates provided to the EnergyCo Advisory Committee (EAC) and Transmission Acceleration Facility Investment Committee (TAF IC); and
- monthly reports to the NSW Cabinet as part of Infrastructure NSW (INSW)-led program assurance health checks.

Enterprise and portfolio management

A higher-level review is presented with the same cadence at the portfolio or enterprise level, attended by the delegation for the Chief Executive.

In addition, EnergyCo is establishing a Program Management Office with embedded Program Controls capability, a Program Coordination and Oversight Committee (PCOC) and Senior Management Committee (SMC) forums.

3.1.3 Performance against Ministerial direction

On 1 October 2021, the then Minister, Hon Matt Kean MP, issued a ministerial direction to EnergyCo's Chief Executive under section 8(5) of the *Energy and Utilities Administration Act 1987* (EUA Act): see Appendix A.

The Chief Executive was directed to work with the Department and Treasury to investigate options to bring forward previously allocated funding and expedite development of a New Policy Proposal for further funding through the 2022/23 State Budget or other funding processes, including proposals to use the Transmission Development Scheme.

EnergyCo reported its progress to the Minister’s office on 23 January 2023. A summary of EnergyCo’s progress on key measures, as then reported, is provided below.

Table 4: Progress on measures outlined in October 2021 ministerial direction

Measure	Response
<p>Central-West Orana REZ</p>	<p>The Central-West Orana REZ was formally declared on 5 November 2021 with an intended network capacity of 3GW. It is the first REZ declared in Australia. In December 2021, EnergyCo determined a contestable model would be used to deliver this project to help mitigate delivery and performance risks, to ensure value for money, and to focus Transgrid on improving its delivery of Project Energy Connect and Humelink while it transitioned its management and sought to expand project development and delivery capability.</p> <p>As Infrastructure Planner, EnergyCo is leading the development of the REZ, including community and stakeholder consultation, property negotiations and planning approvals, early route design, and undertaking a competitive tender process to appoint a Network Operator to design, build, finance, operate and maintain the REZ network infrastructure.</p> <p>Extensive community and stakeholder consultation and environmental studies were undertaken as the project progresses to refine the transmission route. EnergyCo held several community information sessions over the year, in addition to ongoing on-the-ground engagement with landowners, local councils and other regional stakeholders in the REZ.</p> <p>EnergyCo continues to refine the scope and location of the REZ transmission infrastructure to consider community feedback and maximise opportunities to expand the REZ beyond the initially planned 3 GW of intended capacity, as requested in the October 2021 ministerial direction.</p> <p>Summary of progress:</p> <ul style="list-style-type: none"> • In December 2021, the Network Operator tender process began. Bids were received from three shortlisted tenderers in November 2022 and a first ranked tenderer was selected in mid-2023, with reach of financial close expected by mid to late-2024 after obtaining regulatory and planning approvals. Based on this schedule, construction would commence from late 2024 with targeted first power (subject to current tender negotiations) in 2027/28. • As part of the procurement process, EnergyCo has worked closely with the AER to ensure the procurement is conducted in accordance with the regulations for a competitive assessment process and to enable the AER to make a contestable revenue determination.

	<ul style="list-style-type: none"> • In parallel to the tender process, EnergyCo is working closely with the Consumer Trustee to progress the recommendation and authorisation process for the REZ network infrastructure. EnergyCo is targeting late 2023 to make its recommendation to the Consumer Trustee. • In February 2022 EnergyCo announced a revised study corridor, from the original Transgrid study corridor, which moved away from the Merriwa Plateau and maximised the use of disturbed mining land to address community feedback and minimise impacts on prime agricultural land. • In September 2022, a Scoping Report for the REZ network infrastructure was submitted to the Department of Planning and Environment. • On 19 December 2022, the Minister made the Central-West Orana REZ Access Scheme Declaration under section 24(1) of the Electricity Infrastructure Investment Act 2020 (EII Act) and published it in the NSW Government Gazette on 23 December 2022. EnergyCo as the <i>Infrastructure Planner</i> is appointed to administer the <i>Central-West Orana REZ Access Scheme</i>. This provides the basis for EnergyCo’s role in supporting Consumer Trustee’s Q4 2023 which will include access rights for the Central-West Orana REZ. • In September 2023, an Environmental Impact Statement (EIS) was lodged. • In 2023 EnergyCo confirmed adoption of an existing Transgrid network to 'project gate' model for the network configurations being considered and to maximise the delivery of a coordinated and efficient network solution that minimises impacts on communities, consistent with the objectives of the EII Act. This model would deliver the benefits of: <ul style="list-style-type: none"> a) single integrated planning approval for all new network assets led by EnergyCo under the Critical State Significant Infrastructure (CSSI) process; b) an integrated and optimised construction approach to better manage construction impacts, supply chains, landowner negotiations and the many factors that go into such a significant and nature-leading project; and c) cost minimisation and improved risk management. • EnergyCo has also developed a draft biodiversity offsets strategy for the REZ network infrastructure project. The strategy involves strategic land-based offset sites and other measures to mitigate and offset the project’s biodiversity impacts, and to improve conservation outcomes in the region. EnergyCo is also working closely with the NSW government’s Biodiversity Credit Supply Taskforce and National Parks and Wildlife Service to identify and secure strategic biodiversity offsets for the project in a timely and cost-efficient manner. The model being developed with the Taskforce has the potential to be leveraged in the future for other REZs and transmission, generation and storage projects.
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	<ul style="list-style-type: none"> EnergyCo has continued to investigate telecommunications upgrades in the REZ, including through ongoing constructive consultation with the NSW Telco Authority and Regional NSW which have identified tangible opportunities to enhance connectivity in REZ regions.
New England REZ	<p>The New England REZ was formally declared on 17 December 2021 with an intended network capacity of 8 GW. EnergyCo undertook an Expression of Interest (EOI) for credible generation and storage projects to engage with EnergyCo to support the early design and development phases of the REZ. This is consistent with the Candidate Foundation Generators (CFGs) model implemented for Central-West Orana REZ and will support EnergyCo’s work to design an efficient REZ network infrastructure that minimises community and environmental impacts.</p> <p>EnergyCo has prepared preliminary options for the REZ network infrastructure project and expects to identify a preferred study corridor in 2023, followed by a detailed program of engagement with landowners, communities and other key stakeholders.</p> <p>EnergyCo intends to implement a contestable model for the New England REZ network infrastructure project, drawing on the detailed work and experience of the Central-West Orana REZ.</p>

3.1.4 Awards won

The awards and nominations presented to EnergyCo during the financial year include:

- **Clean Energy Council Collaboration Award 2022.** EnergyCo, Transgrid and the Australian Energy Market Operator (AEMO) won the Award for the NSW REZ Access Standards Development project, collaborating with the clean energy industry to finalise and publish new Access Standards within four months. This project demonstrated effective collaboration between a range of stakeholders to deliver a streamlined grid connection process for the REZs; and
- **Finalist for the Clean Energy Council Collaboration Award 2023.** EnergyCo was recognised as a group that has worked to build consensus and to progress a reform that has benefited the Australian clean energy industry.

In addition, the EnergyCo Legal team (known as OECC Legal at the time of nominations), earned:

- **Clayton Utz Australian In-House Team of the Year at the Australasian Law Awards 2023** for displaying high performing team qualities, venturing into unfamiliar territory in the clean energy space; and
- **Finalist for the Government Team of the Year at the Lawyers Weekly Corporate Counsel Awards 2023.**

3.2 Operations

To fulfill its strategic objectives, EnergyCo operates across project planning, project procurement, strategic coordination, community engagement and benefits, land access and planning approvals, technical advisory and network planning, supported by its corporate office functions including through shared services under the Treasury SPA with DPE, including particular provisions for EnergyCo.

This section sets out details of:

- the operations that underpin EnergyCo's performance;
- the Network Infrastructure Strategy published in May 2023; and
- progress on the five REZ projects, the two Priority Transmission Infrastructure Projects and the long-duration storage projects.

3.2.1 Summary of operations

EnergyCo has made significant progress in collaboration with other Roadmap entities to implement the Roadmap. Below is a list of our priority work and achievements through the financial year – aligned with our strategic objectives – with the major operations detailed in the sections that follow.

Plan and procure major network infrastructure projects

Over the past financial year, we have:

- Published the inaugural **NSW Network Infrastructure Strategy** in May 2023, detailing a 20-year strategy to ensure integrated delivery of the REZs and PTIPs as part of the NSW electricity network and wider NEM
- Continued to **deliver the five REZs**:
 - received Declarations for all five REZs, formalising the REZs under the EII Act;
 - been appointed Infrastructure Planner under the EII Act for each of the five REZs and for two Priority Transmission Infrastructure Projects (PTIPs);
 - received the Central-West Orana Access Scheme Declaration under the EII Act;
 - prepared a Draft Access Scheme Declaration for South West REZ;
 - identified and announced a first-ranked proponent for the Central-West Orana REZ; and
 - identified the preliminary transmission corridor for the New England REZ;
- continued to deliver **the Waratah Super Battery Project** and **Hunter Transmission Project** as Infrastructure Planner including the appointment of Akaysha through a contestable process and commencement of construction of the Waratah Super Battery at Munmorah;
- supported the approval of the **Transmission Acceleration Facility (TAF)** in June 2022 and established the TAF Investment Committee to exercise oversight of TAF-provided funds to support the accelerated development of eligible projects;
- continued to deliver the **Long Duration Storage Recoverable Grants program**, working closely with WaterNSW and the Department of Planning and Environment for the delivery of long-duration storage post-2030. We also awarded \$51.85 million worth of grants under the Long Duration Storage Recoverable Grants program to six projects, with a combined capacity of almost 2.56 GW;
- designed and announced the **Strategic Benefit Payments Scheme** for private landowners hosting transmission infrastructure, the first of its kind in Australia. Under the Scheme, private

landowners in NSW will receive annual payments for hosting certain infrastructure associated with new major high-voltage transmission projects that are critical to the energy transformation and the future of the energy grid on their land for a period of 20 years;

- prepared the **Community Benefits Sharing** program with \$60 million being allocated from the TAF for community benefits to be delivered under the CWO REZ Access Scheme;
- supported the design of the Commonwealth's **Rewiring the Nation** policy, which will enable \$4.7 billion Commonwealth funds to join with \$1.2 billion NSW Transmission Acceleration Facility to help NSW realise its Electricity Infrastructure Roadmap;
- supported the **Roadmap Implementation Board**, which replaced the Roadmap Board Taskforce. The Roadmap Implementation Board has been critical to the collaboration and partnership between Roadmap entities and partners. EnergyCo looks forward to continuing its active involvement in this important forum; and
- developed a **Memorandum of Understanding (MoU)** with the Department of Planning and Environment to improve planning assessment timeframes and reduce development application fees for REZ projects.

Design and manage network access schemes

Access schemes are essential to coordinate and encourage renewable energy and storage investment in REZs. They are intended to enable efficient investment in generation, storage and transmission infrastructure in the long-term interest of consumers, while delivering positive outcomes for local and First Nations communities.

Generation and storage projects that wish to connect to network infrastructure, which is subject to an access scheme, apply for an access right through a competitive tender. Access right holders will be charged access fees that include components to fund community benefit and employment programs.

REZ access schemes:

- govern the volume of projects that may be granted access rights to connect to REZ network infrastructure and define the terms and conditions of the access rights;
- enable investment in new, low-cost generation and storage projects by providing increased certainty of curtailment risks for access right holders while maintaining an efficient level of utilisation of the REZ scheme infrastructure;
- create a streamlined connection process for projects that will improve connection timeframes, provide greater certainty and reduce re-work and costs compared to the open-access connection process;
- utilise the network efficiently, promoting energy affordability through coordinated and optimised delivery of network and generation infrastructure; and
- foster community support and regional economic benefits through access fee distribution, mitigation of cumulative impacts and strategically managing land use considerations.

Over the past financial year, we have:

- supported the Consumer Trustee towards its competitive tenders for **Long-Term Energy Service Agreements (LTESAs)** to project developers. LTESAs will provide revenue certainty for private investment in new renewable energy generation and firming and long-duration storage which will help secure finance for project construction. They will provide generators with the option to sell their electricity at an agreed minimum fixed price to a Scheme Financial Vehicle appointed

by the NSW Government. LTESAs will also be entered into with owners of firming and long-duration storage projects;

- published a **Central-West Orana REZ Access Rights and Scheme Design Positions Paper** and received the **Central-West Orana REZ Access Scheme Declaration**. This followed the CWO REZ Access Scheme Issues Paper in March 2021, and the Discussion Paper in December 2021, which together attracted over 90 written submissions and 600 attendees to public webinars. This Access Scheme is the first of its kind in the National Electricity Market (NEM) and is a critical step in the national energy transition;
- published **Guidelines for Access Scheme Declarations**, building upon feedback received on the Central-West Orana access scheme design;
- commenced development of the **New England REZ Access Scheme**; and
- assisted the Office of Energy and Climate Change (OECC) to develop a **draft South West REZ Access Scheme** for consultation.

Coordinate local community engagement

Electricity system investment must balance energy market efficiency, consumer costs and environmental and community impacts. Achieving a reasonable balance calls for appropriate respect for local communities and the issues they face, clear principles to guide engagement, that are informed by studies and strategies to minimise impacts on communities, and a holistic package of programs to share the benefits of the energy transformation.

EnergyCo continues to work with communities on each of these elements. Over the past financial year, we have:

- undertaken several studies on **workforce accommodation, telecommunications, training and skills, waste and roads and transport across the Central-West Orana REZ**. The aim is to understand potential constraints and opportunities for enabling infrastructure and services critical to REZ delivery and to minimise cumulative impacts on regional communities.
- Engaged with host communities to understand local priorities, inform whole-of-REZ planning and deliver collaborative solutions to address issues and concerns. This engagement has led to a total of **56 property access agreements**, with a total of 449 separate stakeholder interactions between January 2022 and July 2023, including **92 meetings with local councils**, **306 meetings** with landowners, **29 community information** sessions, an online session on access schemes with 153 attendees, **19 pop-up engagement events**, and **57,200 mailbox drops** with project updates; and
- established a rigorous approach to engagement with First Nations peoples, with **First Nations Consultation Guidelines** providing a foundation for increasing employment and income opportunities, a **Project Steering Committee** with representatives from eight relevant NSW representative or policy agencies, and an **Aboriginal Procurement Policy** to increase skills and economic participation within the state's First Nations communities.

3.2.2 Network Infrastructure Strategy

EnergyCo published the inaugural Network Infrastructure Strategy ('NIS' or the 'Strategy') in May 2023 as the statement of its REZ and network infrastructure objectives through the energy transition.

EnergyCo collaborated with AEMO Services Ltd, in its role as the Consumer Trustee, on detailed modelling to forecast NSW's future network needs. EnergyCo also engaged with communities and industry to set the guiding principles needed to balance commercial and community concerns.

The NIS sets out:

- A 20-year strategy for the coordinated development of network infrastructure to deliver REZs and other supporting infrastructure to meet the objectives of the EII Act;
- Network Infrastructure Options with a total capacity of 14 GW to be delivered as soon as practicable over the next decade (by 2033), and further options to be considered for delivery beyond that;
- Network capacity to be added in each REZ, in the three categories of *Deliver Now*, *Secure Now* and *Plan for the Future*; and
- Downstream projects to support the NSW network.

Future editions of the NIS will be prepared every two years and will explore emerging technologies and market developments in more detail.

Process to determine the NIS

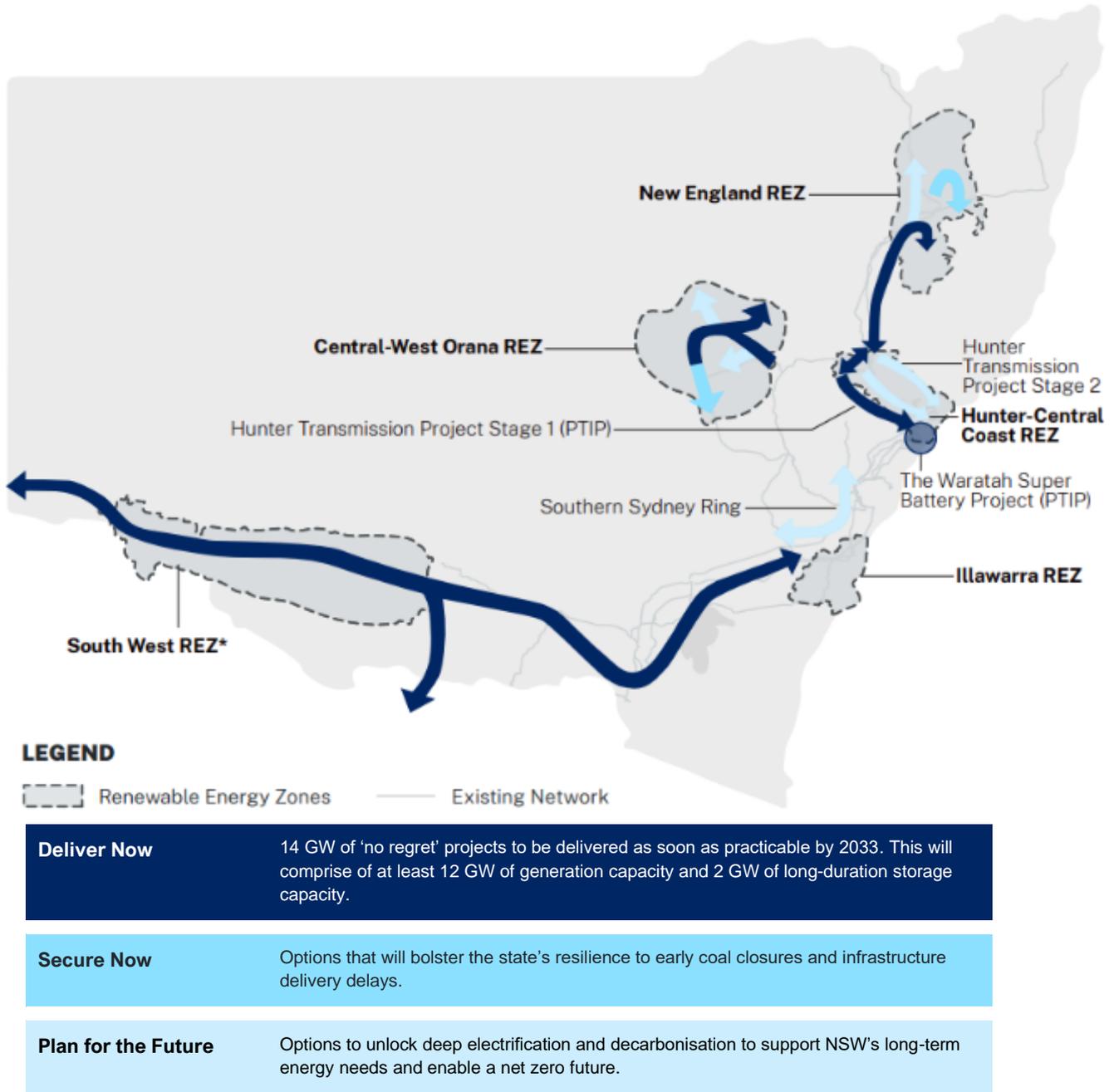
The process for the NIS was to:

1. Identify network options that may deliver access to REZ generation and storage and provide future optionality.
2. Estimate the construction cost and delivery schedule for each option.
3. Draw on economic analysis by the Consumer Trustee to optimise the timing of network infrastructure build with generation and storage build, under three scenarios:
 - a. *Central* where the power system develops in line with the inputs and assumptions for AEMO's Step Change scenario in the 2022 Integrated Systems Plan.
 - b. *Transmission Delay* where large projects (with capital cost above \$1 billion) are delayed, for example, due to global supply chain disruptions.
 - c. *Coal Exit by 2030 and Strong Electrification*, a single scenario in which all coal-fired power stations in NSW close by 2030, earlier than currently anticipated, with transport, industry and households switching to electricity, and new hydrogen electrolyzers adding to demand.
4. Apply principles agreed with stakeholders (affordability, reliability, flexibility, innovation, local community support and timeliness) to propose the NIS.

Key investments under the NIS

The REZ, PITP, major storage and network projects identified in the NIS are shown in figure 4 below.

Figure 4: Reference map of NSW network infrastructure and REZs



*Network infrastructure delivered through Transgrid's ISP projects EnergyConnect, HumeLink and VNI West.

3.2.3 REZ development

In 2018, REZ locations were selected by the NSW Government following a detailed geospatial mapping exercise that identified optimal locations for renewable energy generation. EnergyCo has since refined the geographical areas via public consultation and collaboration with a range of NSW Government entities and other parties.

The formal consultation processes in project development include public consultation as part of development applications by EnergyCo for planning approval for network projects under the *Environmental Planning and Assessment Act 1979* (EP&A Act). All major network projects are subject to the NSW planning assessment process, which includes consultation during two further stages:

- environmental impact statements, which evaluate the social, environmental and economic impacts of network infrastructure; and
- development consents and management plans, which sets the conditions to be met during project construction and operation.

As Infrastructure Planner, EnergyCo will further develop the design of each REZ option, through detailed stakeholder engagement, before recommending a network solution to the Consumer Trustee for authorisation. All major network projects are subject to the NSW planning and environmental assessment process.

Table 5: Summary of project delivery through FY 2022-23

Project / Actions	Summary
REZ projects	
Central-West Orana	<ul style="list-style-type: none"> • First-ranked proponent for the project announced. • Developed an implementation plan outlining initiatives to coordinate impacts and benefits to communities in the REZ. • Access Scheme Declaration made • Planning approvals currently in progress with the Environmental Impact Statement which will be placed on public exhibition later this year (once final alignment for the REZ transmission project is confirmed).
New England	<ul style="list-style-type: none"> • Identified the preliminary transmission corridor to host essential electricity transmission infrastructure in New England and the Upper Hunter to connect the New England REZ into the rest of NSW electricity network. • REZ Declaration completed.
Hunter-Central Coast	<ul style="list-style-type: none"> • REZ Declaration completed.
South West	<ul style="list-style-type: none"> • Draft Access Scheme Declaration made and Access Scheme Declaration in progress. • First towers erected on Project EnergyConnect. While not an EII Act project, Project EnergyConnect will be the REZ network infrastructure for South West REZ and is being constructed by Transgrid.
Illawarra	<ul style="list-style-type: none"> • REZ Declaration completed.
Priority Transmission Infrastructure Projects	
Waratah Super Battery	<ul style="list-style-type: none"> • PTIP Determination completed. • Planning approval granted. • Construction commenced and completion expected before August 2025.
Hunter Transmission Project	<ul style="list-style-type: none"> • PTIP Determination completed • Began engagement with stakeholders and will recommend a direction or authorisation of a Network Operator in the following financial year.

Progress on REZ projects

These sections include the proposed Network Infrastructure Options for four of NSW's five declared REZs. The options are designed to:

- deliver the REZs' intended network capacities;
- form the basis for the Infrastructure Planner's recommendation of a network project for authorisation by the Consumer Trustee; and
- guide investors on the expansion of the NSW grid, reflecting current REZ project thinking and their potential development under modelled scenarios.

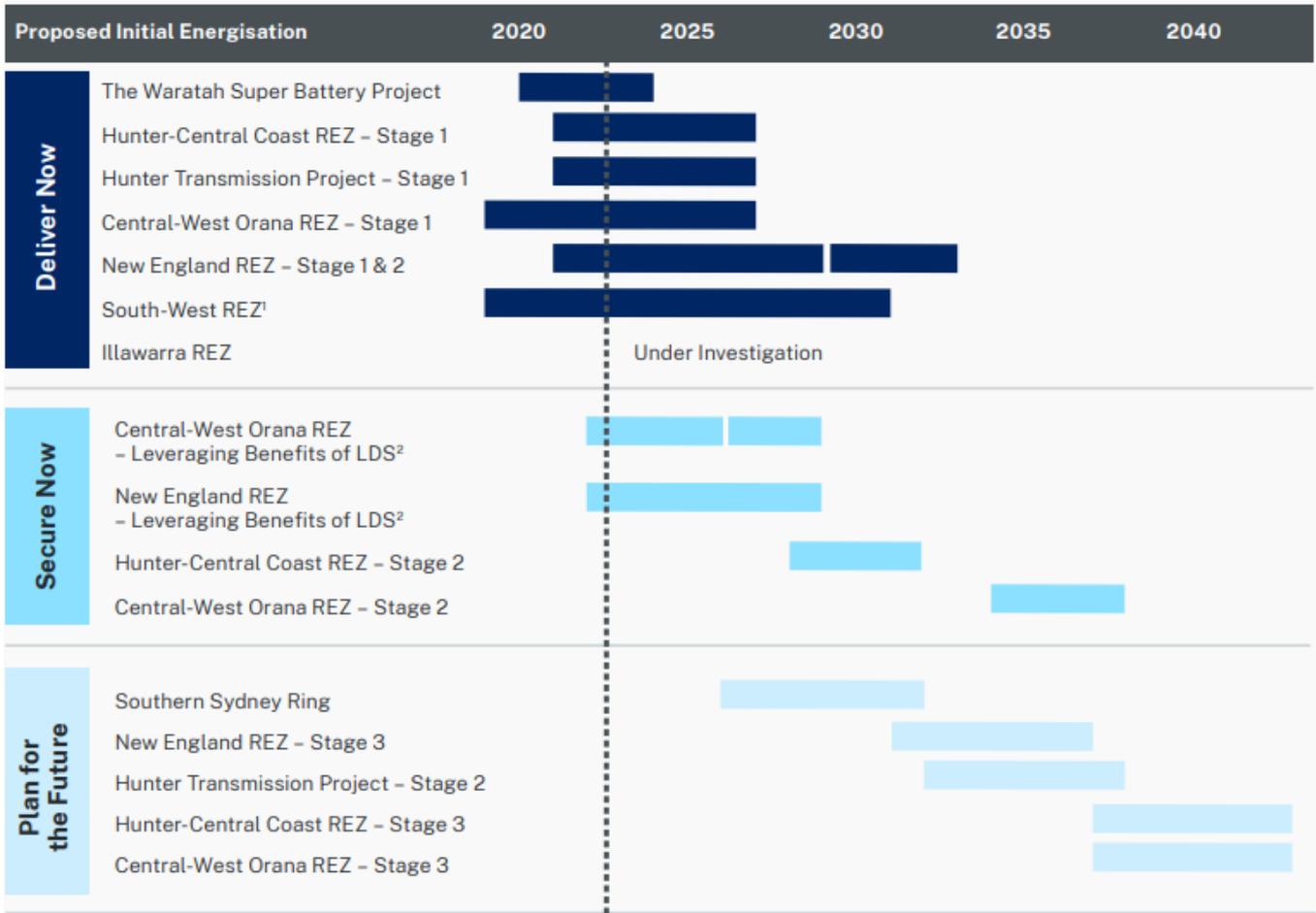
The proposed REZ network capacity increases to be delivered, secured and planned as set out in the NIS are outlined in the Table 6 and Figure 5 below.

Table 6: REZ network capacity increases to be delivered by Network Infrastructure Options

	Deliver Now for secure and affordable energy	Secure Now for resilience against early coal closures	Plan for the Future to enable strong future electrification
Total REZ network capacity added	14 GW	3.6 GW	6.4 GW
Central-West Orana	4.5 GW	2.3 GW	3.5 GW
New England	6 GW	0.8 GW	1.5 GW
South West ^a	2.5 GW	-	-
Hunter-Central Coast	1 GW	0.5 GW	1.5 GW
Illawarra	Not modelled ^b		
Construction cost preliminary estimates^c	\$7.8 billion	\$1.5 billion	\$3.0 billion

a) South West REZ transfer capacity is delivered through AEMO Integrated System Plan (ISP) projects. The cost has not been included here as this capacity will be delivered through Project EnergyConnect, HumeLink and the Wagga Wagga to Dinawan section of Victoria to New South Wales Interconnector West (VNI West). b) Not modelled due to early-stage development of Illawarra REZ at the time of modelling for the Strategy. The Illawarra REZ has an intended network capacity of 1 GW and Network Infrastructure Options will be considered in due course. c) Estimates are Class 5b accuracy (i.e., +/- 50%) and for development and construction costs only (excluding finance, generator connection and system strength costs). This provides a comparable basis with estimates for projects under the National Electricity Rules. The total cost for a REZ also includes finance, generator connection and system strength costs at typically an additional 70% to 110% of development and construction costs. Generator and storage proponents that hold access rights will contribute connection and system strength costs. All values are in real 2021 Australian dollars.

Figure 5: Timeline for the proposed Network Infrastructure Options



¹ Network augmentations creating this capacity are being delivered under the National Electricity Rules framework, in line with the timing outlined

² Long-duration storage

Central-West Orana REZ

Figure 6: Reference map for Central-West Orana REZ



The State's first REZ in the Central-West Orana region is in the development phase. It is approximately 20,000 km², centred by Dubbo and Dunedoo, on the land of the Wiradjuri, Wailwan and Kamilaroi people. The REZ will be serviced by new network infrastructure, including high-capacity transmission lines and energy hubs, that will transfer power generated by solar and wind farms to electricity consumers.

Central-West Orana is one of two REZs with large generation potential and good access to quality renewable resources and to the existing electricity network. It will unlock at least 3 GW of new network capacity by the mid-2020s — enough to power 1.4 million homes. It is expected to bring \$10 billion in private investment to the region by 2030 and at its peak, the REZ is expected to support up to 5,000 construction jobs.

EnergyCo is leading the development of Central-West Orana REZ as the Infrastructure Planner. This role includes community and stakeholder consultation, property negotiations, planning approvals, and early route design.

EnergyCo has undertaken a detailed and thorough procurement process to identify ACE Energy as the first ranked proponent, to be recommended as the Network Operator, to design, build, finance and operate the REZ network infrastructure. Construction is planned for late 2024 with targeted first power in 2027.

While the Central-West Orana REZ has an intended network capacity of 3 GW, the Consumer Trustee's modelling for this Strategy suggests that significantly more network capacity will be needed than intended in that original REZ declaration.

To accommodate the declared, modelled and potential long-term needs of the Central-West Orana REZ, the NIS proposes:

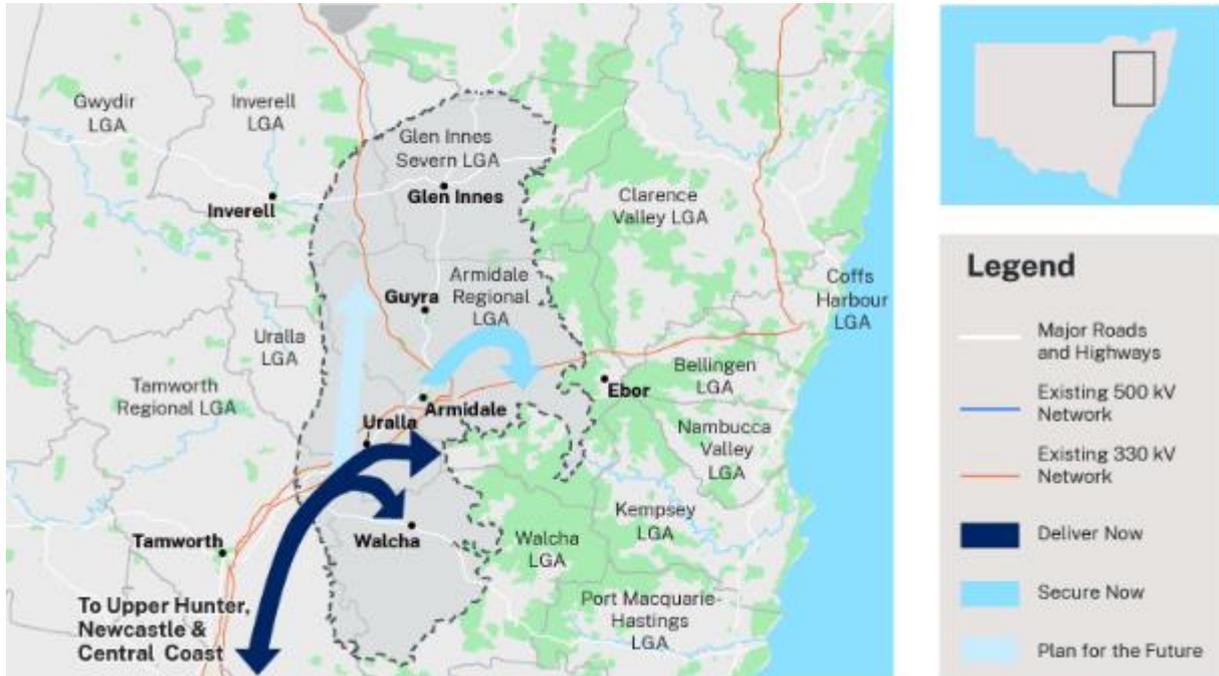
- **Deliver Now:** adding 4.5 GW of network capacity (an increase from the 3 GW in the REZ Declaration), with new lines to connect five new substations to the existing network; and
- **Secure Now:** adding 2.3 GW of network capacity by upgrading the Merotherie–Elong Elong lines, adding a new line to Burrendong via Uungula, and upgrading the existing network near Bathurst to leverage the full benefits and ancillary services of long-duration storage (LDS).

Achievements within this Financial Year

- Delivered the final **Central-West Orana REZ Access Scheme** in early 2023 to support the Consumer Trustee’s tender including access rights for the Central-West Orana REZ.
- Submitted a **Scoping Report** for the REZ network infrastructure to the NSW Department of Planning and Environment in September 2022. EnergyCo expects to lodge an Environmental Impact Statement (EIS) in late 2023.
- **Secured potential funding** availability for the strategic biodiversity offsets strategy for REZs and transmission projects through the TAF. EnergyCo is working closely with the newly-established Biodiversity Credits Taskforce responsible for operating the Biodiversity Credits Supply Fund to fast-track the supply of biodiversity credits.
- **Identified demand scenarios** for the Central-West Orana REZ are being reviewed by the Taskforce. A specialist advisor has been engaged by EnergyCo to lead consultation with the Taskforce, National Parks and Wildlife Services and other key government stakeholders to develop a delivery strategy for strategic biodiversity offsets.
- Prepared a **Draft Regional Energy Strategy**. Further consultation with key internal stakeholders and targeted consultation will develop a refined strategy that prioritises opportunities to improve REZ communities’ access to reliable, affordable and clean energy.
- Established a **community reference group** to provide an open forum for discussion between EnergyCo, the community and key stakeholders regarding the REZ project and broader REZ issues.
- Continued to **investigate telecommunications upgrades** in the REZ, including through ongoing constructive consultation with the NSW Telco Authority and Regional NSW. This identified tangible opportunities to enhance connectivity in REZ regions.
- **Developed requirements** for the provision of co-located telecommunications infrastructure in the tender for the Central-West Orana REZ network infrastructure.
- **Developing an implementation plan** outlining initiatives to coordinate impacts and benefits to communities in the REZ. Next financial year, the final alignment for the REZ transmission project will be presented in the EIS for public exhibition.

New England REZ

Figure 7: Reference map for New England REZ



EnergyCo is planning a REZ in the New England Region, centred around Armidale on the lands of the Biripi, Dainggatti, Nganyaywana, Ngarabal, and Gumbainggir people.

New England is one of two REZs with large generation potential and with good access to quality renewable resources and the existing electricity network.

The New England REZ is intended to have a network capacity of 8 GW with potential to deliver a further 2 GW. The REZ is expected to deliver up to \$10.7 billion in private sector investment and to support around 830 operational jobs and 1,250 construction jobs.

EnergyCo is in the early stages of assessing what new network infrastructure is needed to unlock and service the New England REZ.

All modelled scenarios indicate that at least 6 GW more network capacity will be required by 2034.

To accommodate the declared, modelled and potential long-term needs of the New England REZ, the NIS proposes:

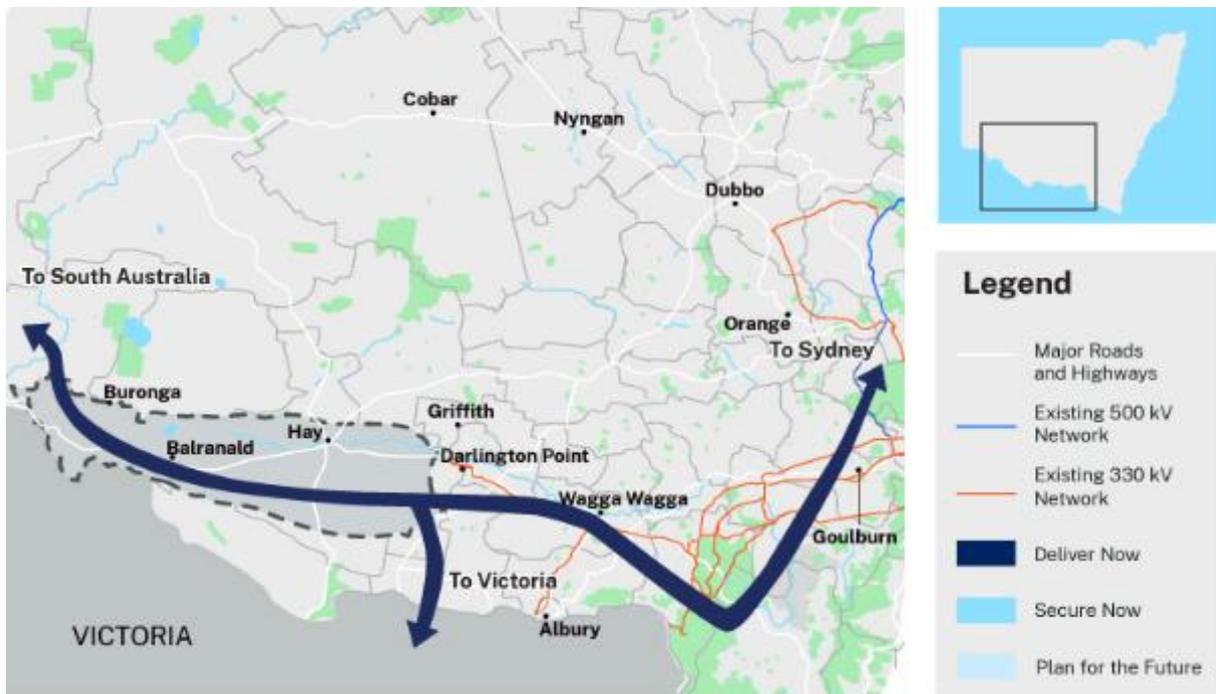
- **Deliver Now:** add 6 GW of network capacity, with new lines connecting four new substation hubs to the existing network between Bayswater and the Tamworth–Armidale line. This is proposed in two stages of 2.4 GW and 3.6 GW.
- **Secure Now:** add 0.8 GW of network capacity by 2029 by upgrading an existing line between Armidale and Carrai to leverage the full benefits and ancillary services of LDS.
- **Plan for the Future:** Add 1.5 GW of network capacity with a new line to the north-west and further reinforcement of Deliver Now infrastructure.

Achievements within this Financial Year

- Published an **Options Evaluation Report** and **preliminary options** to identify a preferred study corridor and a detailed engagement program.
- Commenced preliminary works on the **Deliver Now options**, based off engagement with local communities and stakeholders.
- Conducted **seven community information sessions** to gain feedback from the community and stakeholders.
- Began market consultation on the **Network Operator competitive procurement process** with further consultation next financial year to refine the study corridor to the final reference design.

South West REZ

Figure 8: Reference map for South West REZ



EnergyCo is planning a REZ in the South West region of NSW around Hay on the lands of the Wiradjuri, Yorta Yorta, Baraba Baraba, Wemba Wemba, Wadi Wadi, Madi Madi, Nari Nari, Dadi Dadi, Kureinji and Yitha Yitha people.

The South West REZ has high-quality renewable energy resources with compatible land uses. It was formally declared on 4 November 2022, with an intended network capacity of 2.5 GW. This is planned for delivery by three Integrated System Plan Projects (ISP Projects): Project EnergyConnect, HumeLink and VNI West.

The ISP Projects are being delivered by TransGrid who is responsible for delivering major transmission projects across NSW that are identified as actionable under the ISP. Project EnergyConnect adds a new 900km transmission line to connect the network infrastructure of South Australia, Victoria and NSW, traversing the South West REZ. Construction began in 2022. HumeLink is a new 500kV transmission line to connect Wagga Wagga, Bannaby and Maragle.

It is anticipated that Project EnergyConnect and HumeLink will unlock around 2.5 GW of transmission capacity to support the South West REZ. The South West REZ is expected to receive up to \$2.8 billion in private investment by 2030 and is expected to support over 2,000 construction jobs.

Achievements within this Financial Year

- **First transmission towers** were erected by Transgrid for Project EnergyConnect.
- Prepared and published a **Draft Access Scheme Declaration**, with the Office of Energy and Climate Change (OECC).
- Closed an expression of interest for industry stakeholders and developers to participate in a **South West REZ Developer Reference Group** to help inform the design and development of the REZ and Access Scheme.

Hunter-Central Coast REZ

Figure 9: Reference map for the Hunter-Central Coast REZ



EnergyCo is in the early stages of planning a REZ in the Hunter and Central Coast regions on the lands of the Awabakal, Bahtabah, Biraban, Darkinjung, Mindaribba, Wanaruah and Worimi people.

The REZ is expected to host smaller generation and storage projects as nearby coal-fired power stations retire, to support future offshore wind development, and become a hub for expanded low-emission industrial development in the region. It would leverage its existing electricity, port and transport infrastructure and a large skilled workforce.

The capacity of the REZ is likely to increase over time with the retirement of coal-fired power generation, repurposing of mining land and growth of the offshore wind industry in the region. The intended capacity of the REZ does not include the Hunter Transmission Project which would deliver up to 8 GW of additional capacity from inland REZs.

If the forecast growth in demand occurs, modelling suggests the REZ would need just under 3 GW more network capacity by 2043.

To meet the declared, modelled and potential long-term needs of the Hunter-Central Coast REZ, the NIS proposes:

- **Deliver Now:** Add 1 GW of network capacity, with two new and one upgraded line to connect new substation hubs to the existing network in the Upper Hunter;
- **Secure Now:** Add 0.5 GW of network capacity with a new switching station. The exact timing of these options, including their potential addition to Deliver Now, would be assessed by EnergyCo as Infrastructure Planner prior to recommending any project to the Consumer Trustee for authorisation; and
- **Plan for the Future:** Add 1.5 GW of network capacity by meshing the Muswellbrook substation with the Tamworth–Liddell line and upgrading the Liddell–Tomago line.

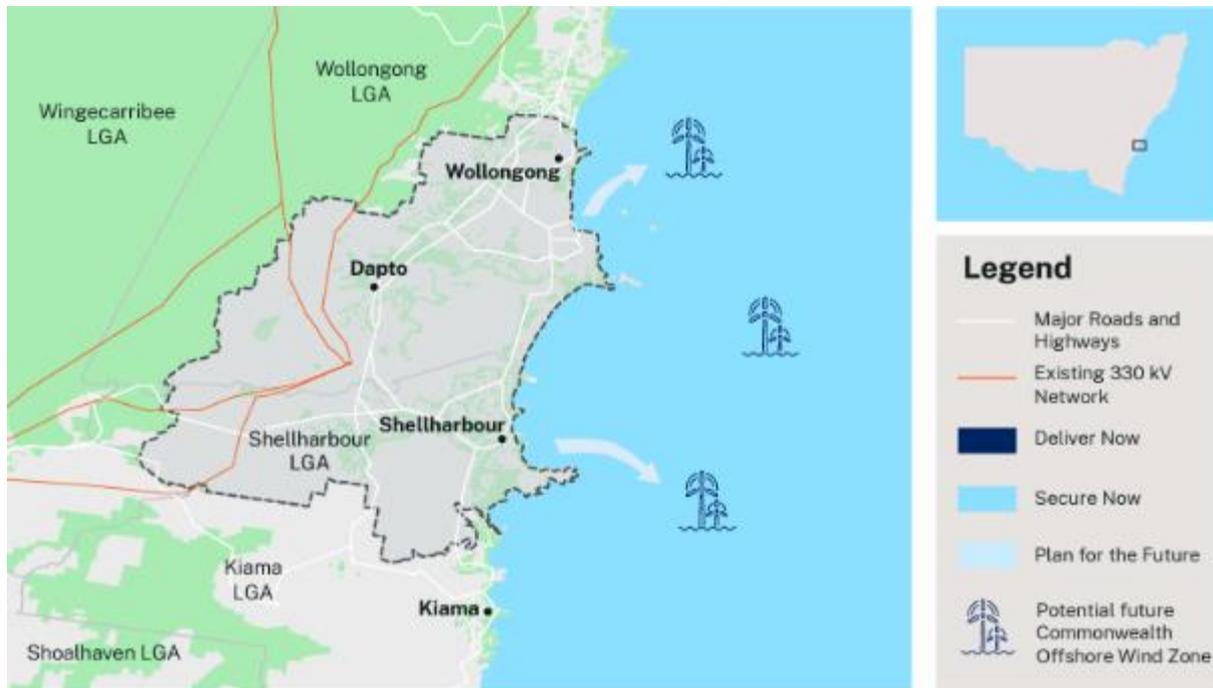
The Waratah Super Battery Project and Hunter Transmission Project will also be critical to the strategic delivery of the Hunter-Central Coast REZ and to potentially support the commissioning of other REZs, such as Central-West Orana and New England.

Achievements within this Financial Year

- Identified **preferred Network Infrastructure Options**.
- Commenced consultation with **prospective generation and storage proponents**, with the expectation the Network Operator delivery pathway will be approved and in place next financial year.
- Continued **engagement with Regional NSW**, including through participation as a member in Steering Committees and working groups with other key government agencies in the Hunter-Central Coast region.
- Commenced **joint planning with local network service providers** TransGrid and Ausgrid to inform project options and scope for the REZ, which may include minor augmentations to the existing network to relieve current constraints.
- Continued to **work with government agencies** and industry in the region to maximise regional economic benefits from the energy transition.

Illawarra REZ

Figure 10: Reference map for Illawarra REZ



EnergyCo is in the early stages of planning a REZ in the Illawarra region of NSW. It is located on the land of the Dharawal people.

The REZ was formally declared on 27 February 2023, with an intended network capacity of 1 GW. It is expected to host smaller generation and storage projects and to support future offshore wind development.

The region has strong potential for investment in new green hydrogen and steel industries that would leverage its existing workforce, robust supply chain and established manufacturing plant.

The capacity of the REZ may increase over time with the growth of emerging industries such as green hydrogen, offshore wind and green steel manufacturing.

The Illawarra REZ was not modelled in the NIS due to its early-stage development at the time of modelling for the Strategy.

Achievements within this Financial Year

- REZ Declaration for the project, which is the first step in formalising a REZ under the EII Act.

3.2.4 Priority Transmission Infrastructure Projects

There are currently two PTIPs for which EnergyCo was appointed as the Infrastructure Planner – the Hunter Transmission Project and the Waratah Super Battery Project.

Both PTIPs form part of the ‘Sydney Ring’ project. This was an actionable ISP project in the Draft 2022 ISP before the Hunter Transmission Project and the Waratah Super Battery Project were transferred to the NSW regulatory framework.

The table provides an overview of total downstream network capacity to be added and planned for the future. The following sections provide more detail on progress made on the Hunter Transmission Project and the Waratah Super Battery Project.

Table 7: Key downstream network augmentations to meet Energy Security Target and to support REZ development

	Deliver Now for secure and affordable energy	Secure Now for resilience against early coal closures	Plan for the Future to enable strong future electrification
Total downstream network capacity added	5.9 GW	-	10.5 GW
Hunter Transmission Project (PTIP)	5 GW	-	6 GW ^a
The Waratah Super Battery Project (PTIP)	0.9 GW ^c	-	-
Southern Sydney Ring ^d (TBC)	-	-	4.5 GW ^e
Construction cost preliminary estimates^b	\$1.9 billion	-	\$4 billion

a) This is an indicative capacity that has been derived from early power system analysis studies. More detailed investigation is required to determine scope and timing. b) Estimates are Class 5b accuracy (i.e., +/- 50%) and for development and construction costs only (excluding finance, generator connection and system strength costs). This provides a comparable basis with estimates for projects under the National Electricity Rules. The total cost for a REZ also includes finance, generator connection and system strength costs at typically an additional 70% to 110% of development and construction costs. Generator and storage proponents that hold access rights will contribute connection and system strength costs. All values are in real 2021 Australian dollars. c) The Waratah Super Battery project refers to the BESS component (0.85 GW/1.68 GWh), a 700 MW SIPS scheme and minor upgrades to Transgrid’s existing network. d) The Southern Sydney Ring may be delivered under the National Electricity Rules or under the EII Act. e) Cost estimates taken from AEMO ISP 2022 – Appendix A5 – A5.4.3 for the Southern Sydney Ring.

Waratah Super Battery

Figure 11: Artist's rendering of Waratah Super Battery at Lake Munmorah site



To ensure NSW continues to have a reliable energy supply following the anticipated early closure of the Eraring Power Station in 2025, the NSW Government is delivering the Waratah Super Battery (WSB) Project on Awabakal and Darkinjung country.

The WSB Project is the first PTIP scheduled to be delivered under the EII Act and will have an energy output of 0.9 GW. The WSB Project will be delivered and operational by 2025 with an estimated construction cost of \$900 million (for the battery and existing minor network upgrades).

The project is expected to stimulate up to \$1 billion in private investment into new energy storage and associated network augmentations. It will support over 100 jobs during construction and generate capital investment in the Hunter and Central Coast regions.

The WSB Project offers a virtual transmission solution that will unlock latent capacity in the existing transmission system, allowing consumers in Sydney, Newcastle and Wollongong demand centres to access more energy from existing generators.

To accommodate the WSB Project, the NIS proposes adding 0.9 GW of network capacity from a 700 MW system integrity protection scheme (SIPS) provided by a standby battery at the site of the former Munmorah coal-fired power station, and minor upgrades to Transgrid's existing network.

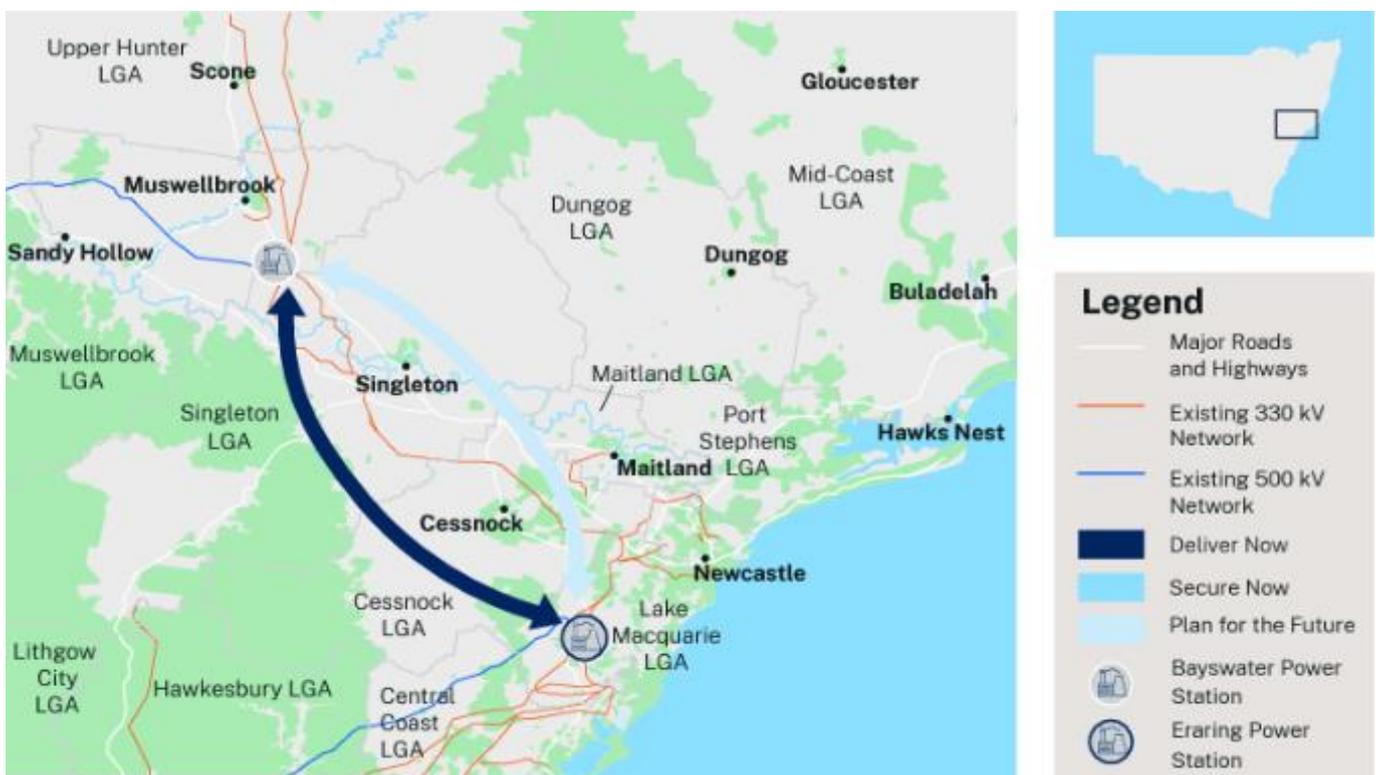
Achievements within this Financial Year

- On 2 September 2022, the **NSW Minister for Planning declared** the potential development of the WBS Project on the Munmorah site as Critical State Significant Infrastructure (CSSI).
- **The Minister for Energy appointed Transgrid as Network Operator** to carry out the WSB Project on 14 October 2022.

- EnergyCo appointed Akaysha Energy as the System Integrity Protection Scheme Service Provider.
- The WSB handover occurred and **construction on the project commenced**, with completion expected before August 2025.
- **The EIS was publicly exhibited** between 11 November and 8 December 2022.
- **The AER made a contestable revenue determination** in December 2022.
- In February 2023, **Planning Approval was granted** for the construction and operation of the project.
- **Handover to Akaysha Energy and commencement of construction on the WSB on 31 May 2023.**

Hunter Transmission Project

Figure 12: HTP Stage 1 and Stage 2 indicative network arrangements



The Hunter Transmission Project (HTP) will be the most significant upgrade to NSW’s core electricity infrastructure in over 40 years. It will facilitate the transfer of electricity generated in the New England, Central-West Orana, and Hunter-Central Coast REZs into the Hunter-Sydney-Illawarra regions. This is where 80% of the state’s electricity is consumed.

In August 2022, EnergyCo was appointed as Infrastructure Planner for this PTIP. The Project will provide critical transfer capacity for Roadmap infrastructure and form the backbone of the NSW electricity network for generations to come. The Commonwealth and State governments recognise

the strategic importance of the HTP, identifying the project as critical for ensuring ongoing energy security in NSW.

The HTP adds 5 GW of network capacity, with potential for more. Without the HTP Stage 1, the network would only have enough downstream capacity to support 3 GW of generation output combined from these three REZs. With HTP Stage 1 in place, at a cost of \$1 billion, this could be increased to as much as 8 GW of generation capacity.

Similarly, without HTP Stage 2, the Central-West Orana and New England REZs would be limited to a total of 8 GW of concurrent generation capacity, in addition to system security constraints. The cost of HTP Stage 2 is anticipated to be \$1.8 billion.

In July 2022, the HTP was declared as Critical State Significant Infrastructure by the NSW Minister for Planning. This declaration reflected the HTP's importance in enabling the delivery of the Roadmap and its identification by the NSW Energy Security Target Monitor as essential infrastructure to ensure potential breaches of the EST are avoided following the proposed early closure of the Eraring Power Station (AEMO's May 2022 update to the EST Monitor Report December 2021).

To accommodate the HTP, the NIS proposes:

- **Deliver Stage 1 Now:** adding 5 GW of network capacity with a 500 kV double circuit line between Bayswater and Eraring power stations, providing capacity for the Central-West Orana, New England and Hunter-Central Coast REZs. This is needed to alleviate downstream network constraints when the total power transmitted from Central-West Orana, New England and Hunter-Central Coast REZs exceeds 3 GW; and
- **Plan Stage 2 for the Future:** adding 6 GW of network capacity to link Central NSW with Sydney, Newcastle and Wollongong flow path and enable the Central-West Orana and New England REZs to operate at intended capacities.

Achievements within this Financial Year

- Commenced **community engagement** and prepared to recommend a direction or authorisation of a Network Operator next financial year.

3.2.5 Long-Duration Energy Storage

Long-duration storage (LDS) in the form of pumped hydro can use excess supply to pump water to a storage dam, then release it through a turbine to generate electricity when needed. LDS complements direct renewable energy in times of very high demand or 'dark and still' weather conditions, also providing ancillary services to support system strength.

The EII Act requires 2 GW of additional long-duration storage (LDS) capacity to be constructed in NSW by 2030. EnergyCo assessed six potential pumped hydro projects with a combined capacity of 2.5 GW, and associated network options: see Figure 13. EnergyCo has awarded a total of \$51.84 million to support pre-investment activities for the six projects: see Table 8.

EnergyCo and Transgrid are jointly investigating the scope, feasibility and appropriate regulatory pathways for these projects — four of which were proposed as Network Infrastructure Options in the Strategy. Hunter-Central Coast Option 1 would leverage benefits of 0.25 GW of LDS capacity; Central-West Orana Option 5A would leverage benefits of up to 0.5 GW; New England Option 5A

would leverage benefits of up to 0.9 GW; and the Bathurst Pumped Hydro option would leverage benefits of up to 0.3 GW, as well as increase system strength for the nearby CWO REZ.

Figure 13: Potential pumped hydro projects for Long-Duration Energy Storage

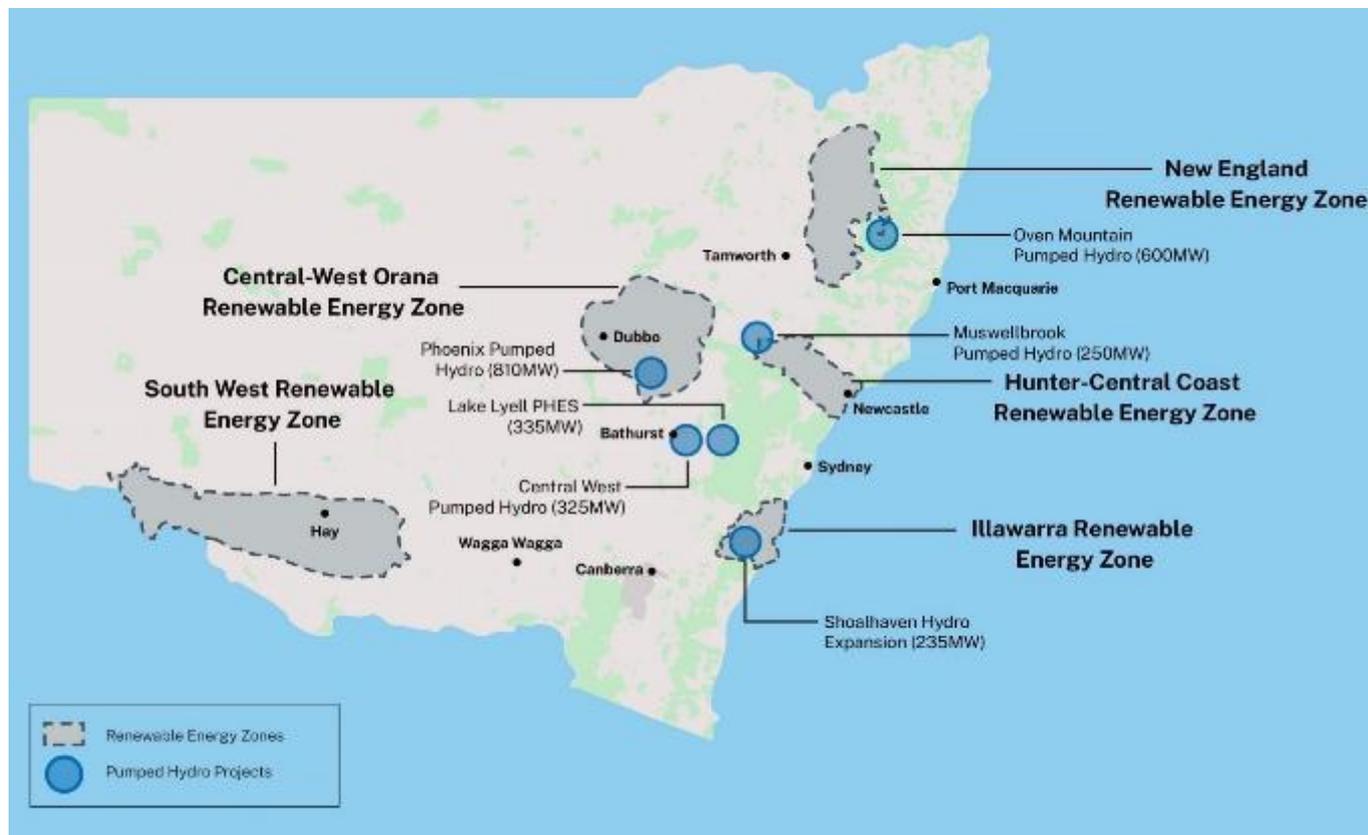


Table 8: Potential pumped hydro projects that have received funding to support pre-investment activity

Project name	Applicant	Stage of development	Capacity (MW)	Duration (hours)
Lake Lyell PHES	EnergyAustralia Development	Feasibility	335	8
Oven Mountain PHES	OMPS Pty Ltd	Feasibility	600	12
Shoalhaven Hydro Expansion	Origin Energy	Procurement	235	24
Central West Pumped Hydro	ATCO Australia Pumped Hydro	Feasibility	325	8
Phoenix Pumped Hydro	ACEN	Concept	810	12
Muswellbrook Pumped Hydro	Muswellbrook Pumped Hydro (AGL and Idemitsu joint venture)	Feasibility	250	8

3.2.6 Community and stakeholder engagement

Electricity system investment must balance energy market efficiency, consumer costs and environmental and community impacts. Achieving a reasonable balance calls for:

- appropriate respect for host, regional and First Nations communities and the issues they face;
- clear principles to guide engagement, informed by studies and strategies to minimise impacts on communities; and
- a holistic package of programs to share the benefits of the energy transformation across all stakeholders not just energy consumers.

EnergyCo continues to work with communities on each of these elements. New transmission infrastructure must be delivered in a way that minimises the impacts on, and maximises the benefits for, the communities and landowners who will host it. This is core to EnergyCo's approach to network planning and project development and fostering local community support is a clear objective of the Roadmap and EII Act.

EnergyCo recognises that the primary community concerns include:

- securing tangible benefits for local communities hosting infrastructure, including lower cost and more reliable local electricity, more reliable local telecommunications and more local infrastructure and services;
- managing demand on local services and infrastructure such as workforce accommodation, skilled workforces, roads and traffic management, telecommunications and waste management; and
- maintaining a strong community voice throughout the planning and development process.

EnergyCo continues to engage with host communities to understand local priorities, inform whole-of-REZ planning and deliver collaborative solutions to address issues and concerns. A snapshot of our engagement activity through the REZs is shown in Table 9 below.

Community and Employment Benefits Program

EnergyCo is looking to establish a formal Community and Employment Benefits Program (Program) for EnergyCo to administer, manage and pay money for community and employment purposes, and intends to publish a guideline next financial year. The Program is intended to be funded from the TAF until such time as access fees are collected from access right holders.

The Program is a key part of EnergyCo's work to foster community support for the renewable energy transition and to support skills, training and employment opportunities, including for First Nations people. It would pursue the objects of Section 3(1) of the EII Act, in particular:

- to foster local community support for investment in new generation, storage, network and related infrastructure;
- to create employment, including employment for Aboriginal and Torres Strait Islander people; and
- to invest in education and training.

Table 9: Engagement activity: Renewable Energy Zones

	Central-West Orana REZ	New England REZ	South West REZ	Hunter-Central Coast REZ	Illawarra REZ	Waratah Super Battery
Exhibition of draft declaration			2 March to 15 May 2023, receiving 26 submissions.	28 September to 26 October 2022.	23 December 2022 to 6 February 2023	
Local councils	92 meetings including Dubbo Shire, Mid-Western Regional, Warrumbungle Shire and Upper-Hunter Shire		South West REZ Regional Reference Group with representatives from Aboriginal Land Councils, local councils and regional NSW government agencies			
First Nations stakeholders	84 interactions, hosting quarterly First Nations working group	5 meetings with representatives				
Landowners	243 meetings, 56 property access agreements	63 meetings, 192 letters delivered				
Project developers			Formed the Access Scheme Developer Reference Group			
Community information sessions	15 community information sessions, 19 pop-up engagement events	14 community information sessions with over 400 attendees,	With OECC, online briefing about Access Scheme with 153 registrations			
Mailbox drops with updates	5,500	49,000				2,700
Feedback/enquiries	3,440 stakeholder interactions* between January 2022 and July 2023	134 calls on project hotline, 100 email enquiries, 146 feedback forms				

*Includes any point of contact with a stakeholder such as a phone call, meeting, email, information session or other activity.

3.2.7 First Nations engagement

EnergyCo strives to enable and empower First Nations peoples to play a pivotal role in the State's energy transition. Along with addressing any matters of interest and concern, we work closely with First Nations peoples and communities to identify and help secure economic, community and environmental opportunities that the Roadmap will bring to these communities.

EnergyCo has established a rigorous approach to engagement with First Nations peoples, including First Nations Consultation Guidelines, a Project Steering Committee with representatives from eight relevant NSW representative or policy agencies, and an Aboriginal Procurement Policy.

Table 10: First Nations peoples on whose land the REZs and PTIPs are located

Project	
Central-West Orana REZ	Wiradjuri, Wailwan and Kamilaroi people
New England REZ	Biripi, Dainggatti, Nganyaywana, Ngarabal and Gumbainggir people
South West REZ	Wiradjuri, Yorta Yorta, Baraba Baraba, Wemba Wemba, Wadi Wadi, Madi Madi, Nari Nari, Dadi Dadi, Kureinji and Yitha Yitha people
Hunter-Central Coast REZ	Awabakal, Bahtabah, Biraban, Darkinjung, Mindaribba, Wanaruah and Worimi people
Illawarra REZ	Dharawal people
Waratah Super Battery	Awabakal and Darkinjung people
Hunter Transmission Project	Gadigal people and the peoples listed above for Waratah Super Battery and the Hunter Central Coast REZ

The First Nations Consultation Guidelines, required by the EII Act, provide a foundation for increasing employment and income opportunities for First Nations peoples. The Guidelines were developed based on best practice engagement and with input from First Nations peoples and communities, and they outline factors that decision-makers should consider in exercising their functions under the Act. The Guidelines also outline expectations about best practice consultation and negotiation for increasing employment and income opportunities with local First Nations communities for projects delivered under the Roadmap. The Guidelines will be reviewed at least every two years.

The Project Steering Committee included representatives from the NSW Aboriginal Land Council, the National Indigenous Australians Agency, the Aboriginal Employment Strategy, the Department of Regional NSW, the Native Title Service Corporation, NSW Aboriginal Affairs, the NSW Coalition of Aboriginal Regional Alliances, and the Department of Planning and Environment.

Separate working groups consisting of representatives of the local First Nations communities have been created to co-design the region-specific guidelines for Central-West Orana and New England.

Aboriginal Procurement Policy

In addition to the Community and Employment Benefits Program noted above, the Aboriginal Procurement Policy aims to contribute to the NSW's Government's strategic economic policy of Growing NSW's First Economy. This policy presents an opportunity to increase skills and economic participation within the state's First Nations communities. We adhere to the Aboriginal Procurement Policy through our First Nations Consultation Guidelines.

3.3 Research and development

Innovative and long-term thinking, research and development underpin EnergyCo's projects and we continue to collaborate with the Consumer Trustee, AEMO, Transgrid and Network Service Providers to deliver an efficient renewable energy system with tangible benefits for local communities and First Nations peoples.

Following the release of the NSW Hydrogen Strategy in 2021, we continue to work with ECCS on its work on hydrogen opportunities, particularly green hydrogen in relation to the Illawarra and Hunter-Central Coast REZs and their respective Hydrogen Hubs. These new technologies offer potential to future-proof NSW's energy system.

In 2022, EnergyCo initiated a listening program to research and capture community insights to ensure we balance the needs of people and their varying perspectives. Designed alongside experts from the NSW Department of Planning and Environment's Social Research team, the program gathers insights around what the NSW community understands about REZs, the infrastructure required to power them, and the long-term benefits they will provide to host communities and people in NSW. Our first community survey was open from 19 September to 16 October 2022.

In 2023, development of the NIS drew on significant research and development, analysis and engagement with stakeholders.

4

New England Highway near Glen Innes, NSW.

4 Management and accountability

EnergyCo follows Treasury Cluster policies and processes for management and accountability through the organisation. This section sets out:

- a summary of the allocation of resources, including workforce and financial
- an overview of our leadership and organisation structure
- mandatory disclosure of expenditure on consultants, promotion/overseas travel and other governance items.

This information supports EnergyCo's accountability to its stakeholders.

4.1 Financial resources

EnergyCo's labour cost and operating expenditure is funded from the budget for the financial year. In future, EnergyCo expects to allocate a proportion of its overhead costs to projects with the balance to be recovered through the budget.

Project development costs are funded upfront via the TAF. These funds are recovered at financial close from the network operator via the regulatory framework under the EII Act.

The TAF IC provides timely and expert financial investment and recoverability risk advice for EnergyCo's Chief Executive to exercise functions under the EUA Act and the EII Act and to approve TAF funding. TAF IC's advice is considered with the advice of EAC in relation to TAF funding decisions. TAF IC, in conjunction with EAC and Infrastructure NSW, also provides project assurance that TAF funding and cost recovery risks are being responsibly managed.

Resources are allocated through the TAF IC and EAC to implement and deliver our strategic objectives. In terms of monetary resources, each of EnergyCo's REZ projects and PTIPs are expected to draw on resources available under the TAF to support the acceleration and delivery of those projects.

4.2 Workforce resources

4.2.1 Our leadership

EnergyCo's senior executive number and remuneration are identified in Table 11, with their band rank as determined by the NSW Public Service Senior Executive Remuneration Management Framework, and their respective gender split across the bands. The bands are consistent with the structure adopted by the *Government Sector Employment Act 2013* (GSE Act).

Table 11: Senior executives headcount and remuneration

Senior executives	GSE Act Level	Headcount			Average remuneration
		Female	Male	Total	
Executive Band 3	Deputy Secretary	0	2	2	\$450,323
Executive Band 2	Executive Director	2	2	4	\$352,329
Executive Band 1	Director	2	10	12	\$242,943
Total		4	14	18	

4.2.2 Our people

EnergyCo has 19 executive employees and 66 non-executive employees across NSW, with offices located in Sydney and Dubbo, and an additional office planned for Armidale.

Table 12: EnergyCo non-executive employees

	Female	Male	Non-identified	Total
As of 30 June 2023	36	28	2	66

EnergyCo's workforce consists of people employed by NSW Treasury in NSW public service under the GSE Act, labour hire and people contracted on a temporary basis to fill existing roles, or people engaged as part of a project team to support our program of delivery.

EnergyCo is focused on building a high-performing, inclusive, collaborative and agile organisation that attracts and retains a talented and diverse workforce. The objective is to ensure EnergyCo is adequately resourced to effectively and efficiently deliver its mandate under the respective legislation and to ensure staff can access the best available expertise to support program delivery. With the energy sector facing significant workforce shortages and a competitive job market, EnergyCo remains focused on attracting and retaining the best industry talent.

4.3 Consultant expenditure

EnergyCo adheres to the NSW Procurement Policy Framework on procuring the services of external consultants. Below is a list of the consultant firms engaged by EnergyCo, with total spend over the financial year of over \$50,000 (Table 13) and less than \$50,000 (Table 14).

Table 13: Engagements of \$50,000 and over, 2022-23

Name of Consultant	Purpose	Cost
Adapt Management Group P/L	NE REZ Environment and Communication Advisory	\$94,080
Aecom Australia P/L	CWO REZ Technical Advisory	\$4,322,732
Alchemy Environmental Planning	HTP Strategic Planning & Advice	\$220,233
Alexandra Venice Consulting	CWO REZ WH&S Advisory	\$445,498
Alexandra Venice Consulting	CWO REZ Technical Advisory	\$6,306,743
Alexandra Venice Consulting	HTP Technical Managment Services	\$169,068
Arche Energy Pty Ltd	NE REZ Evaluation of projects	\$127,608
Aurecon Australasia P/L	NE REZ Tech Advisor	\$2,745,548
Aurecon Australasia P/L	NE REZ Technical Advisor	\$1,740,107
Axcentium Pty Ltd	TNSP and Operations Advisory	\$516,250
Baringa Partners	Network Infrastructure Strategy (NIS)	\$598,204
Baringa Partners	Energy Market Modelling CWO	\$169,999
Beca Pty Ltd	Technical Advisory Service	\$355,802
Beca Pty Ltd	Technical Advisory Services	\$391,815
BID Energy Partners	WaterNSW Project Advice	\$144,594
Deloitte Touche Tohmatsu	CWO REZ Accounting and Taxation Advisory	\$2,068,646
Deloitte Touche Tohmatsu	Land and property strategy	\$119,231
Deloitte Touche Tohmatsu	Regulatory advice and support for WSB	\$70,000
Deloitte Touche Tohmatsu	Services for land evaluation	\$74,919
Digsilent Pacific Pty Ltd	CWO REZ Evaluation Support	\$145,871
Digsilent Pacific Pty Ltd	NE REZ Stage 2 PSA	\$390,281
E3 Advisory P/L	CWO REZ Procurement Services	\$143,843
EME Advisory Pty Ltd	CWO REZ Planning Advisory	\$692,234
EMM Consulting Pty Ltd	HTP Planning Advice & Approvals	\$245,481
EMM Consulting Pty Ltd	Bayswater-Eraring TL Options	\$201,283
Engevity Advisory Pty Ltd	REZ Regulatory Frameworks	\$201,288
Environmental Infrastructure Services	Environmental Services	\$225,675
Ernst & Young	Support and advice operating model dev	\$459,523
Flynn Advisory Solutions Pty Ltd	Capability Advice NE REZ	\$216,243
Flynn Advisory Solutions Pty Ltd	Capability Advice NE REZ	\$108,989
Future Energy Partners Pty Ltd	Battery Subject Matter Expert	\$114,750
Future Energy Partners Pty Ltd	Subject Matter Expert - WSB	\$148,325
GHD Pty Ltd	TA Services	\$1,210,826
GHD Pty Ltd	Supply Chain Logistics Advisory	\$59,342
GHD Pty Ltd	WSB Technical Advisor	\$64,624
Golder Associates P/L	CWO REZ Geotechnical	\$1,273,495
ICA Partners Pty Ltd	Commercial Advisory	\$160,975
ICA Partners Pty Ltd	HTP Strategic Commercial Adviry	\$765,788
ICA Partners Pty Ltd	HTP Strategic Commercial Adviry	\$250,000
ICA Partners Pty Ltd	Stategic Commercial Advice	\$3,887,594
KPMG	PHRG 2.0 advice and support	\$372,217
KPMG	Professional commercial and technical	\$337,634
KPMG	WaterNSW Renewable Energy & Storage Program	\$123,658
MCC Energy Pty Ltd	CWO REZ BPHES Pumped Hydro SME	\$93,575
Metropolis Advisory P/L	Risk advisory services for NE REZ	\$152,578
O'Connor Marsden & Associates	NE REZ Probity Advisory Services	\$69,905
O'Connor Marsden & Associates	Probity advice for CWO REZ	\$94,556
O'Connor Marsden & Associates	Probity Advisory Services	\$51,150
Opteon Property Group P/L	CWO REZ Land Access Consultancy	\$696,844
PJEP Environmental	Environmental Planning Service	\$301,283
Pricewaterhousecoopers	CWO PDDR	\$808,134
Pricewaterhousecoopers	CWO REZ Discount Rate Advisory	\$62,500
Pricewaterhousecoopers	CWO REZ PDDR Advisor	\$341,259
Pricewaterhousecoopers	PDDR advisor for NE REZ	\$870,872
Pricewaterhousecoopers	CWO REZ Accounting and Tax Advice	\$252,000

Name of Consultant	Purpose	Cost
Pricewaterhousecoopers	CWO Risks and Governance	\$250,361
Rider Levett Bucknall NSW	CWO REZ Cost Estimator	\$707,380
Rider Levett Bucknall NSW	HTP - Cost estimation	\$78,240
Rider Levett Bucknall NSW	Cost advisor for NE REZ	\$96,550
RPS AAP Consulting	NE REZ Communications Support	\$118,961
Tactix Group P/L	Acquisition Mgr & Place Mgr	\$1,061,090
TBH	NE Program and Scheduling Advice	\$93,781
TTF NSW Electricity Networks Operations	CWO REZ PSA	\$101,860
Umwelt (Australia) Pty Ltd	NZ REZ Environment and Planning	\$571,443
Umwelt (Australia) Pty Ltd	TP Heritage Risk Assessment	\$69,868
Umwelt (Australia) Pty Ltd	Biodiversity Advisory and Delivery Services	\$92,940
Values Connection	NSW Electricity Roadmap Development Support	\$234,626
Woolpert Australia P/L	CWO REZ Topographic Survey	\$1,887,499
WSP Australia P/L	CWO REZ Environmental Assessment	\$135,797
WSP Australia P/L	CWO REZ WSP Novation Deed	\$5,643,579
WSP Australia P/L	HTP Biodiversity Assessment	\$64,941
Zenoe Consultancy Pty Ltd	Risk Advisory	\$110,803
Total		\$47,595,391

Table 14 Engagements / contracts less than \$50,000, 2022-23

Total Number of Engagements	Cost
35	\$702,321

4.3.1 Requirements arising from employment arrangements

Employees at EnergyCo are employed by the NSW Treasury, which also provides personnel services including salaries, wages, leave entitlements, superannuation, workers' compensation insurance premiums, payroll tax, fringe benefits tax and redundancies. The Department of Planning and Environment provides payroll processing and related transactional services under an SPA.

4.4 Promotion

The following department employees travelled overseas in the financial year ending 30 June 2023:

- EnergyCo Chief Executive James Hay travelled to New Zealand from 28-29 March 2023 to present at and attend the 2023 Downstream Conference.

4.5 Disclosures

4.5.1 Principal legislation and legal change

Relevant new and amending Acts and Regulations (2022-23 financial year)

Electricity Infrastructure Investment Amendment (Miscellaneous) Regulation 2022 No 366

Electricity Infrastructure Investment Amendment (Revenue Determinations) Regulation 2022 No 382

Electricity Infrastructure Investment Amendment (Governance and Fees) Regulation 2022 No 465

Electricity Infrastructure Investment Amendment (Non-Contestable Revenue Determinations) Regulation 2022 No 686

Electricity Infrastructure Investment Amendment (Access Schemes) Regulation 2022 No 751

Electricity Infrastructure Investment Amendment (Contractual Arrangements) Regulation 2022 No 785

Electricity Infrastructure Investment Amendment (Cost Recovery) Regulation 2022 No 786

Electricity Infrastructure Investment Amendment (Infrastructure Planner) Regulation 2023 No 348

Treasury and Energy Legislation Amendment Act 2022 No 63

- Amendments to section 35 of the *Energy and Utilities Administration Act 1987 No 103*
 - Amendments to section 10 of the *Subordinate Legislation Act 1989 No 146*
-

Significant judicial decisions affecting agency or users of its services

N/A

Principal legislation administered within the agency

N/A

4.5.2 Protecting privacy and personal information

EnergyCo respects the privacy of our workforce and of members of the public who use our services. As a NSW Government agency, EnergyCo must comply with the requirements of the Privacy and Personal Information Protection Act 1998 (PPIP Act).

Division 7.3 of the Government Sector Finance Act 2018 and relevant annual reporting policies issued by Treasury require an agency to provide a statement of its actions to comply with the requirements of the *Privacy and Personal Information Protection Act 1998* (PPIP Act). It must also provide statistical details of any reviews conducted by, or on behalf of, the agency under Part 5 of the PPIP Act.

Under a Service Partnership Level Agreement between Treasury and the Department of Planning and Environment (DPE), Energy Co complies with the Privacy Management Plan for the DPE Department of Planning and Environment. The Plan outlines how the department and its associated agencies comply with the principles of the PPIP Act and the *Health Records and Information Privacy Act 2002*. Officers in the DPE department's Information Access & Privacy unit also provide specialist privacy advice and training to staff.

In 2022-23, EnergyCo received no applications for review under Part 5 of the PPIP Act.

Further information regarding the NSW DPE Privacy Management Plan is available at:

https://www.dpie.nsw.gov.au/___data/assets/pdf_file/0003/348501/DPE-Privacy-Management-Plan.pdf

No Internal Privacy Reviews were conducted for the financial year 2022-23.

Questions about the application of the Privacy Policy may be directed to DPE's Information Access & Privacy unit at privacy@dpie.nsw.gov.au

4.5.3 Government Information (Public Access)

The *Government Information (Public Access) Act 2009* (the GIPA Act) provides members of the public with the right to access Government information.

EnergyCo is committed to ensuring that the public's right to information meets the requirements of the GIPA Act and that responses to requests for information are handled effectively.

EnergyCo actively publishes project updates, consultation updates, regulation and policy updates, media and resources to the 'Latest updates' page of its website.

Information regarding the Access Schemes may be sought through the Office of Energy and Climate Change (OECC) at electricity.roadmap@dpie.nsw.gov.au.

In the 2022-23 reporting period, EnergyCo proactively released information and tools to the public including:

- Network Infrastructure Strategy
- Strategic Benefit Payments Scheme
- Pumped Hydro Recoverable Grants
- Information regarding the Access Scheme for the Central-West Orana, South West and New England REZs
- Consultation information on the REZ Access Schemes, including recordings of briefings
- End of Year Briefings.

Number of access applications received

During the reporting period, EnergyCo received three formal access applications under the GIPA Act, including withdrawn applications.

Number of access applications granted or refused

During the reporting period, EnergyCo granted access in part to two formal access applications. EnergyCo refused to deal with one formal access application.

Statistical information about access applications

The following tables are displayed according to Schedule 2 of the *Government Information (Public Access) Regulation 2018*.

Table 15: Number of applications by type of applicant and outcome

Type of applicant	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Media	0	0	0	0	0	0	0	0
Members of Parliament	0	0	0	0	0	0	0	0
Private sector business	0	0	0	0	0	0	0	0
Not-for-profit organisations or community groups	0	1	0	0	0	0	0	0
Members of the public (application by legal representative)	0	0	0	0	0	0	0	0
Members of the public (other)	0	1	0	0	0	1	0	0
Media	0	0	0	0	0	0	0	0
Total	0	2	0	0	0	1	0	0

More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. This also applies to Table 16.

Table B: Number of applications by type of application and outcome

Type of applicant	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications*	0	0	0	0	0	0	0	0
Access applications (other than personal information applications)	0	2	0	0	0	1	0	0
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0
Total	0	2	0	0	0	1	0	0

A personal information application is an access application for personal information (as define in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

Table C: Invalid applications

Reason for invalidity	No. of applications
Application does not comply with formal requirements (section 41 of the Act)	0
Application is for excluded information of the agency (section 43 of the Act)	0
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	0
Invalid applications that subsequently became valid applications	0

Table D: Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 of the Act

Type of consideration	Number of times consideration used*
Overriding secrecy laws	0
Cabinet information	0
Executive Council information	0
Contempt	0
Legal professional privilege	0
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0
Information about complaints to Judicial Commission	0
Information about authorised transactions under Electricity Network Asses (Authorised Transactions) Act 2015	0
Information about authorised transactions under Land and Property Information NSW (Authorised Transaction) Act 2016	0

More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table 19.

Table E: Other public interest considerations against disclosure: matters listed in table to section 14 of the GIPA Act

Matters listed in table to Section 14 of the Act	Number of occasions when applications not successful
Responsible and effective government	2
Law enforcement and security	0

Matters listed in table to Section 14 of the Act	Number of occasions when applications not successful
Individual rights, judicial processes and natural justice	2
Business interests of agencies and other persons	2
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

Table F: Timelines

Matters listed in table to Section 14 of the Act	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	4
Decided after 35 days (by agreement with applicant)	0
Not decided within time (deemed refusal)	0
Total	4

Table G: Number of applications reviewed under Part 5 of the Act (by type of review and outcome)

Type of review	Decision varied	Decision upheld	Total
Internal review	1	0	1
Review by Information Commissioner	0	0	0
Internal review following recommendation under Section 93 of the Act	0	0	0
Review by NCAT (formerly ADT)	0	0	0
Total	1	0	1

Table H: Applications for review under Part 5 of the Act (by type of applicant)

Type of application	Number of applications for review
Application by access applicants	1
Applications by persons to whom information the subject of access application relates (see Section 54 of the Act)	0

Table I: Applications transferred to other agencies under Division 2 of Part 4 of the Act (by type of transfer)

Type of transfer	Number of applications transferred
Agency-initiation transfers	0
Agency-initiated transfers	0

4.5.4 Public Interest Disclosures

The *Public Interest Disclosures Act 1994* (PID Act) is aimed at encouraging and facilitating the disclosure, in the public interest, of wrongdoing in the public sector. The reporting of suspected wrongdoing is essential to the integrity of the public sector and its ability to provide the services that the NSW public deserves. EnergyCo is committed to protecting staff who make public interest disclosures.

EnergyCo has ensured staff are aware of their responsibilities under the PID Act by:

- publishing and endorsing Treasury's internal reporting policy and commitment to the objectives of the PID Act;
- providing PID related training to staff as part of EnergyCo's wide probity training and onboarding sessions; and
- providing links to online training sessions offered by the NSW Ombudsman.

From 1 July 2022 until 30 June 2023, 1 public interest disclosure (PID) was made relating to EnergyCo. In accordance with the Service Partnership Agreement (SPA) between NSW Treasury and the Department of Planning and Environment (DPE), the PID was managed by the DPE's Ethics Branch. PIDs are currently classified into 3 categories:

- PIDs made by a public official performing their day-to-day function (for example, a public official who conducts an audit and identifies concerns of potential wrongdoing);
- PIDs made under a statutory or other legal obligation; and
- All other PIDs (for example, a voluntary PID by a public official who raises concerns about potential wrongdoing).

In addition to the one PID mentioned above, one additional PID was made in the previous financial year 2021/2022.

The concerns raised relate to alleged corrupt conduct and maladministration.

As per Section 11 of the *Independent Commission Against Corruption Act 1998*, a referral was made by DPE on behalf of the Secretary to the ICAC Commissioner. The NSW Treasury Secretary was made aware of this referral.

Both matters have been reviewed and one remains open.

Effective 1 October 2023, the new *Public Interest Disclosures Act 2022* will be enforceable. This will cause significant changes to policy and procedures in terms of reporting PIDs, managing reports of serious wrongdoing, and provides stronger protections against reprisal action for those who make reports.

A project to implement these significant changes is being managed by the Ethics Branch of DPE, which will be the subject of detailed communication, training and awareness.

4.5.5 Land disposal

No land has been sold in the financial year.

4.5.6 Implementation of price determination

EnergyCo is not subject to determination or recommendation of the NSW Civil and Administrative Tribunal.

4.5.7 Economic or other factors affecting achievement of operational objectives

None identified for the financial year.

4.5.8 Exemptions

No exemptions have been sought or granted.

4.5.9 Events after the reporting period

- NSW Electricity Supply and Reliability Check Up report and NSW Government response
- MOG Machinery of Government change with EnergyCo (as part of OECC) moving to a newly established Department of Climate Change, Energy, Environment and Water with effect from 1 January 2024
- INSW review of EnergyCo.

4.5.10 Total external costs

The total external costs incurred in the production of this report is \$141,000.

4.5.11 Access to this report

The annual report is available in electronic format only on the EnergyCo website at <https://www.energyco.nsw.gov.au/>.

4.5.12 Audit and risk management

Risk management framework and implementation

Risk management underpins our strategic objectives. Successful risk management is vital to providing certainty and confidence for our employees, deepening and strengthening our stakeholder engagements, and fostering relationships with our customers, partnering agencies and the NSW community. Additionally, as part of the Treasury Cluster, we comply with the NSW Treasury Risk Management Framework.

For the financial year 2022/2023, EnergyCo relied on the risk management processes and procedures of NSW Treasury reporting to the NSW Treasury Cluster Audit and Risk Committee. The

Risk Management Policy and Risk Management Framework, based upon *Australian Standard AS ISO 31000:2018 Risk Management Framework* and the *Internal Audit and Risk Management Policy for the General Government Sector TPP20-08*, fosters a consistent approach to applying risk management principles and metrics for risk assessments. Decision making is based on appropriate assessment of risk to deal with uncertainty and to capitalise upon opportunities. It ensures better decisions can be made in the future.

As EnergyCo moves to a new level of organisational maturity we will establish its own Audit and Risk Committee. Our Risk Management Framework will provide a set of procedures to effectively mitigate, manage and control strategic and operational risks. The framework will be tailored to our specific needs, aligning with AS NZS 31000 standards, while considering any legal and regulatory requirements applicable to EnergyCo.

Monitoring and review

Regular risk reviews will be undertaken to assess the effectiveness of the risk treatments and the overall risk management process. EnergyCo will hold an annual risk workshop and schedule regular reviews to identify further risks and to respond to internal and external changes.

Treasury have provided a Treasury Policy Paper (TPP20-08) relating to risk management in the NSW public sector. On a periodic basis, and at least once every five years, Treasury undertake a detailed review of the operation of the TPP to assess the efficiency and effectiveness of the arrangements. EnergyCo may undertake an assessment against the sector's compliance with the core requirements outlined in the applicable TPP. Updates to the TPP between formal reviews may be made as version updates and with agencies notified by Treasury accordingly.

The Assurance function at Infrastructure NSW works with NSW Government delivery agencies to ensure infrastructure projects are being developed and delivered on time, on budget and in accordance with the NSW Government's objectives through the implementation of the Infrastructure Investor Assurance Framework (IIAF).¹ Independent expert reviews are a key feature of infrastructure project assurance. Subsequently, Infrastructure NSW, through the IIAF, reviewed the New England REZ Transmission Development Funding and the Transmission Acceleration Program in the 2022-23 financial year.

4.5.13 Internal audit and risk management statement, 2022-23

Internal audit and risk management statement for the 2022-2023 financial year for the Energy Corporation of NSW (Over page)

Internal Audit and Risk Management Attestation Statement for the 2022-2023 Financial Year for EnergyCo

I, Michael Coutts-Trotter, am of the opinion that the EnergyCo has internal audit and risk management processes in operation that are, excluding the exemptions or transitional arrangements described below, compliant with the seven (7) Core Requirements set out in the *Internal Audit and Risk Management Policy for the General Government Sector*, specifically:

Core Requirements	For each requirement, please specify whether compliant, non-compliant, or in transition ⁵²
Risk Management Framework	
1.1 The Accountable Authority shall accept ultimate responsibility and accountability for risk management in the agency.	Compliant
1.2 The Accountable Authority shall establish and maintain a risk management framework that is appropriate for the agency. The Accountable Authority shall ensure the framework is consistent with AS ISO 31000:2018.	Compliant
Internal Audit Function	
2.1 The Accountable Authority shall establish and maintain an internal audit function that is appropriate for the agency and fit for purpose.	Non-compliant
2.2 The Accountable Authority shall ensure the internal audit function operates consistent with the International Standards for Professional Practice for Internal Auditing.	Non-compliant
2.3 The Accountable Authority shall ensure the agency has an Internal Audit Charter that is consistent with the content of the 'model charter.'	Compliant
Audit and Risk Committee	
3.1 The Accountable Authority shall establish and maintain efficient and effective arrangements for independent Audit and Risk Committee oversight to provide advice and guidance to the Accountable Authority on the agency's governance processes, risk management and control frameworks, and its external accountability obligations.	Compliant
3.2 The Accountable Authority shall ensure the Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter.'	Compliant
Membership	
The independent chair and members of the Audit and Risk Committee are ⁵³ :	
<ul style="list-style-type: none"> • Independent Chair, Julie Elliott, appointed April 2022, first term expires April 2025 • Independent Member 1, Jeremy Chandler, appointed July 2021, first term expires July 2024 • Independent Member 2, Karen Orvad, appointed April 2022, first term expires April 2025 • Independent Member 3, David Black, appointed May 2023, first term expires May 2026. 	

⁵² Where an agency notes that it has been 'non-compliant' or 'in transition', the Accountable Authority shall complete the 'Departure from Core Requirements' section below.

⁵³ This should include all Independent Chairs and Members that were on the Audit and Risk Committee for the reporting period and their term. All members of the Audit and Risk Committee shall be independent.

Shared Arrangements

I, Michael Coutts-Trotter advise that EnergyCo has entered into an approved shared arrangement with the following Department:

- NSW Treasury

The resources shared include the Audit and Risk Committee, the Chief Audit Executive and/or the internal audit functions. The shared Audit and Risk Committee is a NSW Treasury Shared Audit and Risk Committee.

Departures from Core Requirements

I, Michael Coutts-Trotter advise that the internal audit and risk management processes for Energy Corporation depart from the following Core Requirements set out in the *Internal Audit and Risk Management Policy for the General Government Sector*:

1. The departure from the Core Requirements is due to the agency implementing measures to achieve compliance with new policy requirements consistent with the permitted transitional arrangements

Departure	Reason for departure and description of practicable alternative measures implemented/being implemented
Non-Compliance	
▪ Internal Audit Function 2.1 and 2.2	EnergyCo have not yet implemented an internal audit function or program during the period – this is in progress. EnergyCo is seeking critical recruitment with the Treasury Secretary, which includes Senior Executive roles. The intended recruitment will enable governance, and statutory compliance which includes establishing an Internal Audit Function.

These processes, including the practicable alternative measures being implemented, demonstrate that EnergyCo has established and maintained frameworks, including systems, processes and procedures for appropriately managing audit and risk within EnergyCo.



Michael Coutts-Trotter
Secretary
Date: 8.11.23



Sean Darragh
A/Director of Governance, Risk and
Compliance
Date: 1/11/2023

4.5.14 NSW Cyber Security Policy attestation statement

Cyber Security Annual Attestation Statement for the 2022-2023 Financial Year for the Energy Corporation of NSW (Over page)

Attestation Statement

NSW Energy Corporation Cyber Security Annual Attestation Statement for the 2022-2023 Financial Year

I, Michael Coutts-Trotter, am of the opinion that NSW Energy Corporation (EnergyCo) has managed cyber security risks in a manner consistent with the Mandatory Requirements set out in the NSW Government Cyber Security Policy:

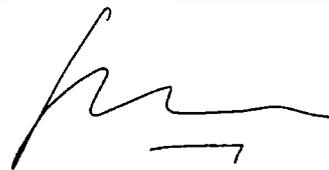
- Governance is in place to manage cyber security maturity and initiatives.
- Risks to information and systems have been assessed and are managed.
- There is a cyber incident response plan which has been tested during the reporting period.
- There is an information security management system.
- There is an approved and funded cyber security uplift program to increase maturity and address known gaps.

This attestation covers systems managed by EnergyCo's Service Performance Partnership service providers, namely the Technology Teams of the NSW Department of Planning and Environment and NSW Treasury. Representatives of the Technology Teams, along with key personnel within EnergyCo, agree and attest to the report results and justification of the performed service function. The reports and briefing I have received support this attestation statement.



Michael Coutts-Trotter
Secretary

Date: 15 November 2023



James Hay
Chief Executive

Date: 15th November 2023

4.5.15 Insurance

A range of insurances are held by NSW Treasury (as a principal department of the cluster) through the Treasury Managed Fund. During the year ended 30 June 2023, this coverage extended to the operations of the Corporation. Insurance cover is reviewed annually to ensure its adequacy.

A large, white, stylized number '5' is positioned on the left side of the image, partially overlapping the background. The background shows a coastal town built on a hillside, with numerous houses and buildings. In the foreground, there is a paved walkway with a white railing, and several people are walking. A dog is also visible on the walkway. The sky is clear and blue.

5

Sustainability

The Great North Walk with Merewether in the background.

5 Sustainability

Sustainability is a pivotal element of EnergyCo's planning and operations and a priority across the organisation. Through the financial year, we have implemented a raft of measures that:

- promote workforce diversity, gender equality and employment of First Nations people;
- foster disability employment, supporting the NSW Treasury Disability Inclusion Action Plan (2022-2025);
- foster a strong work health and safety culture; and
- support the eradication of modern slavery, both through the NSW Procurement Policy Framework and own modern slavery statement.

These and other sustainability initiatives will be advanced in the next financial year.

5.1 Workforce diversity

Table 15: Representation of workforce diversity groups, 2022-23

Workforce diversity group	Benchmark (by 2025)	2022-23
Women	50.0%	49.3%
Women in leadership	40.0%	20%
Aboriginal and Torres Strait Islander People	3.30%	3.03%
People whose First Language Spoken as a Child was not English	23.20%	20.6%
People with Disability	5.6%	3.4%
People with Disability Requiring Work-Related Adjustment	NA	NA

5.2 Disability Inclusion Action Plans

The *Disability Inclusion Act (2014)* (the Act) requires all government departments to develop disability inclusion plans, with the NSW Government aiming for 10,000 more people with disability to be working by 2025 (5.6% of its workforce).

EnergyCo is aligned with the NSW Treasury Disability Inclusion Action Plan (2022-2025), which outlines practical measures to meet the objectives and principles of the Act. The four pillars of that Plan are:

- **Attitudes and Behaviours**, which aims to create a psychologically safe culture through increased disability awareness and education

- **Accessible and Inclusive Systems and Processes**, which aims to remove barriers that would prevent people with disability and their leaders and teams from accessing services and opportunities
- **Inclusive Employment**, which aims to have 5.6 per cent of roles within EnergyCo held by people with disability by 2025, with EnergyCo recognised as an employer of choice for people with disability
- **Creating Liveable Communities and Services**, which aims to ensure that EnergyCo’s services to the public are accessible and inclusive.

NSW Treasury is an accredited Disability Confident Recruiter to assist achieving these aims. EnergyCo is aligned with Treasury’s commitment to remove barriers in the recruitment and selection process to make it accessible and inclusive for people with disability.

5.3 Work Health and Safety

The *Work Health and Safety Act (2011)* (WHS Act) is a framework that protects the health, safety and welfare of all workers. EnergyCo fosters a strong health and safety culture and partners, operators and the broader industry are encouraged to positively influence health and safety performance.

One incident was reported in this financial year: see Table 25 below.

Through the financial year, EnergyCo has:

- participated in Treasury-wide Respectful Workplace Behaviours training
- joined bi-monthly Treasury WHS Committee meetings to discuss and facilitate WHS consultation and communication throughout the organisation.
- held its own WHS Committee to discuss and implement recommendations of the Treasury WHS Committee.
- participated in a pulse survey, run by Treasury, to complement the People Matter Employee Survey results and to monitor staff engagement and wellbeing, and
- participated in the SafeWork interdepartmental working group and WHS audit peer review, enabling a mentally healthy workplace environment and identifying areas of concern regarding musculoskeletal risks.

Table 16: Summary of health and safety performance for EnergyCo, 2022-23

Measure	2021-22	2022-2023
Number of incidents reported (EnergyCo Head Office)	0	1
Number of events reported to the Dubbo Office	0	0
Number of events reported to the Newcastle Office	0	0
Number of Lost Time Injuries due to workplace-related injury or illness	0	0
Prosecutions reported	0	0

5.4 Modern Slavery Act 2018 (NSW)

The *NSW Modern Slavery Act 2018* came into effect on 1 January 2022. The Act details that a good or service is a product of modern slavery if it is produced, in whole or in part, through modern slavery.

The NSW Government and EnergyCo are committed to the eradication of modern slavery and we adhere to the NSW Procurement Policy Framework. This is the overarching policy document for NSW government agencies that provides a comprehensive guide to government procurement objectives and the Board's requirements for each step of the procurement process.

The framework has the status of a 'policy' under the *Public Works and Procurement Act 1912*, which means we are obliged to comply with its mandatory requirements. Additionally, our internal policies and controls must align with the framework. The framework is updated regularly to ensure new or amended requirements are incorporated.

During our first reporting period of FY2022/23, EnergyCo's own modern slavery statement has been in the policy development and planning stages, with a view to implementing processes, templates and guidance in the second and subsequent reporting periods. The statement will be continually revised and improved.

6

Financial reporting

Existing solar project near Wellington.

Energy Corporation of New South Wales

Financial Statements

For the year ended 30 June 2023

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Energy Corporation of New South Wales
Statement by the Accountable Authority
For the year ended 30 June 2023

Pursuant to section 7.6(4) of the *Government Sector Finance Act 2018* (GSF Act), I state on behalf of Energy Corporation of New South Wales (the Corporation) that these financial statements:

- have been prepared in accordance with the Australian Accounting Standards and the applicable requirements of the GSF Act, the *Government Sector Finance Regulation 2018* and the Treasurer's directions, and
- present fairly the Corporation's financial position, financial performance and cash flows.

Signed.....



Michael Coutts-Trotter
Secretary
NSW Treasury

Date: 30.10.23

Energy Corporation of NSW
Statement of comprehensive income for the year ended 30 June 2023

	Notes	Actual 2023 \$000	Actual 2022* \$000
Operating expenses excluding losses			
Personnel services expenses	2(a)	8,822	4,475
Operating expenses	2(b)	82,559	8,331
Depreciation and amortisation	2(c)	945	78
Grants and subsidies	2(d)	22,158	6,387
Finance costs	2(e)	103	2
Total expenses excluding losses		114,587	19,273
Revenue			
Sale of goods and services from contracts with customers	3(a)	18,116	-
Grants and contributions	3(b)	117,158	40,026
Acceptance by the Crown of personnel services and other liabilities	3(c)	218	153
Total revenue		135,492	40,179
Operating result		20,905	20,906
Other gains / (losses)	4	-	10
Net result		20,905	20,916
Total comprehensive income		20,905	20,916

*2022 comparatives represent the period from 5 November 2021 to 30 June 2022.

The accompanying notes form part of these financial statements.

Energy Corporation of NSW
Statement of financial position for the year ended 30 June 2023

	Notes	Actual 2023 \$000	Restated* 2022 \$000
ASSETS			
Current assets			
Cash and cash equivalents	5	42,115	-
Receivables	6	9,665	19,755
Total current assets		51,780	19,755
Non-current assets			
Property plant and equipment	7		
- Land and Buildings		904	-
- Plant and equipment		635	235
- Work in Progress Infrastructure		92,449	21,149
Total property plant and equipment		93,988	21,384
Right of use assets	8	3,784	-
Intangible assets	9	189	237
Total non-current assets		97,961	21,621
Total assets		149,741	41,376
LIABILITIES			
Current liabilities			
Payables	11	94,004	20,412
Borrowings	12	757	-
Contract liabilities	14	6,720	-
Total current liabilities		101,481	20,412
Non-current liabilities			
Payables	11	34	48
Borrowings	12	2,157	-
Provisions	13	242	-
Contract liabilities	14	4,006	-
Total non-current liabilities		6,439	48
Total liabilities		107,920	20,460
Net assets		41,821	20,916
EQUITY			
Accumulated funds		41,821	20,916
Total equity		41,821	20,916

* The comparative information has been restated as a result of a prior period error as discussed in Note 1(j).

The accompanying notes form part of these financial statements.

Energy Corporation of NSW
Statement of changes in equity for the year ended 30 June 2023

	Accumulated funds \$'000	Total equity \$'000
Balance at 1 July 2022	20,916	20,916
Net result for the year	20,905	20,905
Balance as at 30 June 2023	41,821	41,821
Balance at 5 November 2021	-	-
Net result for the period	20,916	20,916
Balance at 30 June 2022	20,916	20,916

The accompanying notes form part of these financial statements.

Energy Corporation of NSW
Statement of cash flows for the year ended 30 June 2023

	Notes	Actual 2023 \$000	Actual 2022* \$000
Cash flows from operating activities			
Payments			
Personnel services		(7,761)	(3,580)
Grants and subsidies		(24,374)	(6,387)
Finance costs		(103)	(2)
Payments to suppliers		(40,798)	(7,977)
Total payments		(73,036)	(17,946)
Receipts			
Grants and contributions		117,158	39,637
Sale of goods and services		30,800	-
Other		22,835	-
Total receipts		170,793	39,637
Net cash flows from operating activities	15	97,757	21,691
Cash flows from investing activities			
Purchases of property, plant and equipment		(55,397)	(21,420)
Purchases of intangibles	9	-	(241)
Net cash flows from investing activities		(55,397)	(21,661)
Cash flows from financing activities			
Payment of principal portion of lease liabilities		(245)	(30)
Net cash flows from financing activities		(245)	(30)
Net increase/(decrease) in cash		42,115	-
Opening cash and cash equivalents		-	-
Closing cash and cash equivalents	5	42,115	-

*2022 comparatives represent the period from 5 November 2021 to 30 June 2022.

The accompanying notes form part of these financial statements.

Energy Corporation of NSW

Notes to and forming part of the financial statements for the year ended 30 June 2023

1. Summary of significant accounting policies

(a) Reporting entity

Energy Corporation of NSW (the Corporation) is a reporting entity constituted under *Energy and Utilities Administration Act 1987 (EUA Act)* and has been given additional responsibilities under the *Electricity Infrastructure Investment Act 2020 (EII Act)*. The Corporation became operational on 5 November 2021 with the commencement of the *Renewable Energy Zone (Central-West Orana) Order 2021*. This Order appointed the Corporation as infrastructure planner for the Central-West Orana renewable energy zone upon its commencement.

The principal objective of the Corporation is to lead design, delivery and coordination of NSW Renewable Energy Zones (REZs) and other electricity infrastructure (such as pumped hydro and broader network solutions) in a way that benefits consumers, investors and regional communities. It does this as the Infrastructure Planner as defined in the *EII Act* and the functions under the *EUA Act*.

The Corporation is a not-for-profit entity, as profit is not its principal objective, and it has no cash generating units. The Corporation is an NSW government entity and is controlled by the State of New South Wales, which is the ultimate parent.

Under the Administrative Arrangements (Administrative Changes – Miscellaneous) Order (No 2) 2022, effective from 1 April 2022, the persons employed in the Department of Planning and Environment who are principally involved in the administration of legislation allocated, or providing support, to the Minister for Energy were transferred to the NSW Treasury.

The *Energy and Utilities Administration Act 1987* section 9 precludes the Corporation from employing staff. The Corporation utilised staff from NSW Treasury to undertake its core tasks and activities in the current year. Personnel services were provided by NSW Treasury for the year ended 30 June 2023.

These financial statements for the year ended 30 June 2023 have been authorised for issue by the Secretary NSW Treasury on the date the accompanying statement by the accountable authority was signed.

(b) Basis of preparation

The Corporation's financial statements are general purpose financial statements which have been prepared on an accrual basis in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- the requirements of the *Government Sector Finance Act 2018 (GSF Act)* and *Government Sector Finance Regulation 2018*;
- Treasurer's Directions issued under the GSF Act.

Judgements, key assumptions, and estimations management has made are disclosed in the relevant notes to the financial statements.

Property, plant and equipment and certain financial assets and liabilities are measured using the fair value basis. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is the Corporation's presentation and functional currency, except Note 19 which is in whole dollars.

(c) Statement of compliance

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

Energy Corporation of NSW

Notes to and forming part of the financial statements for the year ended 30 June 2023

1. Summary of significant accounting policies (continued)

(d) Accounting for the goods and services tax (GST)

Income, expenses, and assets are recognised net of the amount of goods and services tax (GST), except that:

- the amount of GST incurred by the Corporation as a purchaser that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST receivable from or payable to the Australian Taxation Office (via the Department) is included as part of the receivables or payables respectively.

Cash flows are included in the statement of cash flows on a gross basis. However, the GST components of cash flows arising from investing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(e) Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous year for all amounts reported in the financial statements.

The Corporation became operational on 5 November 2021 (refer Note 1(a)). Financial year 2021-22 is the first year of operation of the Corporation and represents the period from 5 November 2021 to 30 June 2022. Therefore, the comparative amounts are not directly comparable as the lengths of the reporting periods are different.

(f) Insurance

A range of insurances are held by NSW Treasury (as a principal department of the cluster) through the Treasury Managed Fund. During the year ended 30 June 2023, this coverage extended to the operations of the Corporation. Insurance cover is reviewed annually to ensure adequacy.

(g) Covid-19 and economic conditions

Covid-19 has not resulted in any material impact on the Corporation's operations in the current financial year. The Corporation is continually assessing the impact of Covid-19 and uncertainty in the market due to changes in economic conditions, such as the supply chain impacts, changes in inflation and interest rates, on the operating performance and its financial assets and liabilities.

1. Summary of significant accounting policies (continued)

(h) Going concern

Despite the fact that prima facie the Corporation as a standalone entity cannot pay its debts as and when they fall due and payable the financial statements have been prepared on a going concern basis because NSW Treasury will provide the Corporation support in the form of contributions to meet its debt obligations as and when they become due and payable. Furthermore, the NSW Treasurer has provided a letter of comfort confirming the provision of financial support to the Corporation if required to meet its debts as and when they become due and payable.

The Corporation receives NSW Treasury's financial support from both the Consolidated and Climate Change Funds. For the 2024/25 year the Corporation will also receive some funding from external parties. From the 2025/26 financial year it is expected that NSW Government funding will be gradually reduced as revenue from external parties increases.

(i) Changes in accounting policies, including new or revised Australian Accounting Standards

i) Effective for the first time in 2022-23 financial year

The following amendment and interpretations apply for the first time in 2022-23 and have been assessed to have no material impact on the financial statements of the Corporation:

- *AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments (effective from 1 January 2022)*
- *AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date (effective from 1 January 2022)*
- *AASB 2021-7a Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections (effective from 1 January 2022)*
- *AASB 2022-3 Amendments to Australian Accounting Standards – Illustrative Examples for Not-for-Profit Entities accompanying AASB 15*

1. Summary of significant accounting policies (continued)

(i) Changes in accounting policies, including new or revised Australian Accounting Standards (continued)

ii) Issued but not yet effective

NSW public sector entities do not early adopt new Australian Accounting Standards unless the Treasury determines otherwise.

The following new Australian Accounting standards have not been applied and are not yet effective (NSW Treasury mandate TPG 23-04):

- AASB 17 *Insurance Contracts* (effective from 1 January 2023)
- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* (effective from 1 January 2024)
- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* (effective from 1 January 2023)
- AASB 2021-5 *Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (effective from 1 January 2023)
- AASB 2021-6 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards* (effective from 1 January 2023)
- AASB 2021-7b *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections* (effective from 1 January 2023)
- AASB 2021-7c *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections* (effective from 1 January 2023)
- AASB 2022-1 *Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information* (effective from 1 January 2023)
- AASB 2022-5 *Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback* (effective from 1 January 2024)
- AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants* (effective from 1 January 2024)
- AASB 2022-7 *Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards* (effective from 1 January 2023)
- AASB 2022-8 *Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments* (effective from 1 January 2023)
- AASB 2022-9 *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector* (effective from 1 July 2026)
- AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities* (effective from 1 January 2024)

The Corporation has assessed any potential impact on the financial statements due to these new accounting standards or interpretations and have found that there will be no financial impact when implemented. However, when AASB 2021-2 is adopted, there will be a disclosure amendment due to the change in the presentation of accounting policies as "material accounting policies" instead of "significant accounting policies".

Energy Corporation of NSW

Notes to and forming part of the financial statements for the year ended 30 June 2023

1. Summary of significant accounting policies (continued)

(j) Prior Period Error

In prior year, the Corporation disclosed employee benefits and related on-costs provision in the Statement of Financial Position and respective notes. As the *EUA Act section 9* precludes the Corporation from employing staff, the Corporation reassessed the presentation and disclosure and concluded that a reclassification from employee benefits and related on-costs provisions to personnel services payable was more appropriate to reflect the nature of the arrangement with the Personnel Services provider (NSW Treasury). The reclassification has been reflected by restating each of the affected financial statement line items for the prior period. The following table outlines the impact on the Corporation's financial statements.

30 June 2022	As previously reported \$000	Adjustments* \$000	As restated \$000
Statement of Financial Position			
LIABILITIES			
Current liabilities			
Payables	19,766	646	20,412
Provisions	642	(642)	-
Non-current liabilities			
Provisions	4	(4)	-

* There was no impact to net assets for the year ended 30 June 2022.

2. Expenses excluding losses

a) Personnel services expenses include the following:

	2023 \$000	2022 \$000
Salaries and wages (including annual and sick leave)	7,594	3,679
Superannuation - defined contribution plans	474	354
Long service leave	273	179
Payroll tax	395	224
Workers compensation insurance	86	39
	8,822	4,475

Personnel services costs that have been capitalised to property, plant and equipment or intangible assets totalled \$0.66m (2022: nil) and are excluded from the above.

Recognition and measurement

Personnel services

The *EUA Act section 9* precludes the Corporation from employing staff. Staff are provided under a personnel service agreement with NSW Treasury (refer to Note 1(a)) for the current financial year. The costs of salaries, wages, superannuation, annual leave, long service leave and sick leave are disclosed as personnel service expenses.

Energy Corporation of NSW

Notes to and forming part of the financial statements for the year ended 30 June 2023

2. Expenses excluding losses (continued)

b) Operating expenses include the following:

	2023 \$000	2022 \$000
Audit fees	150	55
Board and committee expenses	297	94
Cost of sales	17,274	-
Contingent labour	3,195	972
Consultancy	3,258	408
Contractors	11,157	6,129
Corporate services	6,206	350
Expense relating to leases of low-value assets	5	-
Infrastructure Planner expenses	40,000	-
Legal fees	209	172
Professional membership	9	15
Occupancy and rental expense	316	41
Other operating expenses	483	95
	82,559	8,331

Recognition and measurement

Corporate services

Corporate services include administration, operational and project related assistance provided to the Corporation under a Service Level Agreement and Memorandum of Understandings with the Department of Planning and Environment and NSW Telco Authority. These expenses are recognised in line with the terms of the agreements.

Cost of Infrastructure Planner services

Cost of sales

The Corporation incurs various costs associated with its role as Infrastructure Planner on the Waratah Super Battery Project. These costs are recognised as cost of sales. Costs incurred are primarily in the nature of internal labour costs and subcontractor costs and are recoverable under the EII Act. Refer to Note 3 for recovery of the costs recognised on the Waratah Super Battery Project.

Infrastructure Planner expenses

The Corporation incurs other Infrastructure Planner expenses. During the financial year, the Corporation incurred bid cost contribution to the unsuccessful proponents for the Central West Orana REZ Project. The bid cost contributions will be part of the Infrastructure Planner Fees expected to be recovered from the successful proponent upon relevant contracts signing.

Lease expenses

The Corporation recognises the lease payments associated with the following types of leases as an expense on a straight-line basis:

- Leases that meet the definition of short-term i.e., where the lease term at commencement of the lease is 12 months or less. This excludes leases with a purchase option.
 - Leases of assets that are valued at \$10,000 or under when new.
- Variable lease payments not included in the measurement of the lease liability (i.e., variable lease payments that do not depend on an index or a rate, initially measured using the index or rate as at the commencement date). These payments are recognised in the period in which the event or condition that triggers those payments occurs.

Energy Corporation of NSW
Notes to and forming part of the financial statements for the year ended 30 June 2023

(c) Depreciation and amortisation expense	2023	2022
	\$000	\$000
Depreciation		
Plant and equipment	109	36
Right-of-use asset	788	38
	897	74
Amortisation		
Intangibles	48	4
	48	78
	945	78

2. Expenses excluding losses (continued)

Refer to Notes 7, 8 and 9 for recognition and measurement policies on depreciation and amortisation.

(d) Grants and subsidies	2023	2022
	\$000	\$000
Grants paid	22,158	6,387
	22,158	6,387

Recognition and measurement

Grants and subsidies are generally comprised of contributions to non-government organisations. These are expensed when the Corporation transfers control of the relevant assets. The Corporation is deemed to have transferred control when the grant is paid or is payable.

(e) Finance costs	2023	2022
	\$000	\$000
Interest expense from lease liabilities	103	2
	103	2

Recognition and measurement

Finance costs consist of interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are recognised as expenses in the period in which they are incurred, in accordance with NSW Treasury's mandate to not-for-profit NSW general government sector entities.

3. Revenue

Income is recognised in accordance with the requirements of AASB 15 *Revenue from Contracts with Customers* or AASB 1058 *Income of Not-for-Profit Entities*, dependent on whether there is a contract with a customer defined by AASB 15 *Revenue from Contracts with Customers*. Comments regarding the accounting policies for the recognition of income are discussed below.

a) Sale of goods and services from contracts with customers

	2023	2022
	\$000	\$000
Infrastructure Planner services	17,274	-
Administrative services recoveries	842	-
	18,116	-

Sale of goods and services

Revenue from sales of goods and services is recognised when the Corporation satisfies its performance obligations.

3. Revenue (continued)

a) Sale of goods and services from contracts with customers (continued)

Type of Service	Nature of Timing of Satisfaction of Performance Obligation, Including Significant Payment Terms	Revenue Recognition Policies
<p>Provision of infrastructure planner services</p>	<p>The Corporation provides planning, regulatory approval and other technical support services in its role as Infrastructure Planner on the Waratah Super Battery (WSB) project.</p> <p>The performance obligations in relation to infrastructure planning services on the WSB project are implied in accordance with the Corporation's role defined in the <i>EII Act</i> and are typically satisfied as costs are incurred for various activities in relation to the services.</p> <p>Payments from customers are received either in advance or at the time-of-service provision.</p>	<p>Revenue is recognised over time as and when performance obligations are satisfied i.e., when costs are incurred for various activities performed.</p> <p>The Corporation is entitled to recover its costs under the <i>EII Act</i>.</p> <p>The customers under the project agreement simultaneously receive and consumer benefits provided by the Corporation. The Corporation has an enforceable right to payment for services provided.</p> <p>No element of financing is deemed present as payments are received in advance and recognised when services are provided i.e., cost incurred.</p>
<p>Recoveries of Administrative Services provided</p>	<p>The Corporation in its role as Infrastructure Planner is appointed by the Scheme Financial Vehicle in relation to the access scheme. The Corporation has the responsibility to administer, manage and make payments of money held for use in relation to a community purpose. The Corporation is entitled under the <i>Electricity Infrastructure Investment Regulation 2021 (EII Regulation)</i> to recover any associated costs that are incurred during this process.</p>	<p>Revenue is recognised over time as and when performance obligations are satisfied i.e., when costs are incurred for various activities performed.</p> <p>No element of financing is deemed present as payments are received in advance and recognised when services are provided i.e., cost incurred.</p>

Energy Corporation of NSW

Notes to and forming part of the financial statements for the year ended 30 June 2023

3. Revenue (continued)

b) Grants and contributions

	2023	2022
	\$000	\$000
Grants without sufficiently specific performance obligations		
Grants - NSW Treasury	17,428	5,530
Capital grants - NSW Treasury	99,730	19,793
Grants - Department	-	14,703
	117,158	40,026

Revenue from grants with sufficiently specific performance obligations is recognised as and when the Corporation satisfies a performance obligation by transferring the promised goods.

Income from grants without sufficiently specific performance obligations is recognised when the Corporation obtains control over the granted assets (e.g., cash).

NSW Treasury has provided funds for the purchase of assets, personnel services and operating expenses.

(c) Acceptance by the Crown of personnel services and other liabilities

The following liabilities and/or expenses have been assumed by the Crown or other Government agencies:

	2023	2022
	\$000	\$000
Long service leave	206	145
Annual leave	12	8
	218	153

(d) Deemed appropriation

Section 4.7 of the *Government Sector Finance Act 2018* defines deemed appropriation money as government money that the Corporation (a GSF agency) receives or recovers (including from the Commonwealth or another entity) of a kind prescribed by the regulations that:

- forms part of the Consolidated Fund; and
- is not appropriated under the authority of an Act.

Under Section 35 of the *Energy and Utilities Administration Act 1987*, all moneys received by the Corporation and all funds paid out by the Corporation to meet expenses incurred in connection with the functions of the GSF Act flow through the special deposits account called the Energy Administration Account.

The Corporation therefore does not have any deemed appropriation.

The Corporation receives grant funding from NSW Treasury, which receives appropriations from the Consolidated Fund. Appropriations for each financial year are set out in the Appropriation Bill that is prepared and tabled for that year. The State Budget and related 2023-24 Appropriation Bill has been delayed until September 2023. However, pursuant to section 4.10 of the GSF Act, the Treasurer has authorised Ministers to spend specified amounts from Consolidated Fund. This authorisation is current from 1 July 2023 until the earlier of 30 September 2023 or enactment of the 2023-24 Appropriation Act.

Energy Corporation of NSW

Notes to and forming part of the financial statements for the year ended 30 June 2023

4. Other gains/(losses)

	2023 \$000	2022 \$000
Derecognition of right-of-use assets and lease liabilities with PNSW	-	10
	-	10

The net gains/(losses) were recognised from the derecognition of the right-of-use asset and lease liability with Property NSW (PNSW) as at 30 June 2022. Please refer to Note 8 for further details on the derecognition.

5. Current assets – cash and cash equivalents

	2023 \$000	2022 \$000
Cash at bank and on hand	42,115	-
	42,115	-

Cash and cash equivalent assets recognised in the statement of financial position are reconciled at the end of the financial year to the statement of cash flows as follows:

Cash and cash equivalents (per statement of financial position)	42,115	-
Closing cash and cash equivalents (per statement of cash flows)	42,115	-

For the purpose of the statement of cash flows, cash and cash equivalents include cash at bank, cash on hand, and short-term deposits.

Transactions were processed through the Department of Planning and Environment prior to the Corporation's bank account being fully operational during the financial year.

Refer to Note 16 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Energy Corporation of NSW
Notes to and forming part of the financial statements for the year ended 30 June 2023

6. Current assets – receivables

	2023	2022
	\$000	\$000
Receivable - NSW Treasury	-	11,527
Receivable - Department	-	6,436
Receivable – Department of Planning and Environment (GST receivable)	8,602	1,776
Accrued income	926	-
Prepayments	91	16
Other Receivables	46	-
	9,665	19,755

Details regarding credit risk of trade debtors that are neither past due nor impaired are disclosed in Note 16.

Recognition and measurement

The Corporation recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. To determine when the Corporation becomes a party to the contractual provisions of the instrument, the Corporation considers:

- Whether the Corporation has a legal right to receive cash (financial asset) or a legal obligation to pay cash (financial liability); or
- Whether at least one of the parties has performed under the agreement.

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price. The Corporation has no trade receivables at 30 June 2023.

Subsequent measurement

The Corporation holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Energy Corporation of NSW
Notes to and forming part of the financial statements for the year ended 30 June 2023
7. Non-current assets – property, plant and equipment

	Land and Buildings* \$'000	Plant and Equipment \$'000	Work in Progress Infrastructure \$'000	Total \$'000
At 1 July 2022 - fair value				
Gross carrying amount	-	271	21,149	21,420
Accumulated depreciation and impairment	-	(36)	-	(36)
Net carrying amount	-	235	21,149	21,384
Year ended 30 June 2023				
Net carrying amount at the beginning of the year	-	235	21,149	21,384
Additions	904	509	71,300	72,713
Depreciation expense	-	(109)	-	(109)
Net carrying amount at the end of the year	904	635	92,449	93,988
As at 30 June 2023 - fair value				
Gross carrying amount	904	780	92,449	94,133
Accumulated depreciation and impairment	-	(145)	-	(145)
Net carrying amount	904	635	92,449	93,988

	Land and Buildings* \$'000	Plant and Equipment \$'000	Work in Progress Infrastructure \$'000	Total \$'000
At 5 November 2021 - fair value				
Gross carrying amount	-	-	-	-
Accumulated depreciation and impairment	-	-	-	-
Net carrying amount	-	-	-	-
Period ended 30 June 2022				
Net carrying amount at the start of the year	-	-	-	-
Purchase of assets	-	271	21,149	21,420
Depreciation expense	-	(36)	-	(36)
Net carrying amount	-	235	21,149	21,384
As at 30 June 2022 - fair value				
Gross carrying amount	-	271	21,149	21,420
Accumulated depreciation and impairment	-	(36)	-	(36)
Net carrying amount	-	235	21,149	21,384

7. Non-current assets – property, plant and equipment (continued)

Recognition and measurement

Acquisition of property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e., deferred payment amount is effectively discounted over the period of credit.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

Capitalisation thresholds

Property, plant and equipment and intangible assets costing \$5,000 and above individually (or forming part of a network costing more than \$5,000) are capitalised.

Depreciation of property, plant and equipment

Depreciation is provided for on a straight-line basis for all depreciable assets to write off the depreciable amount of each asset as it is consumed over its useful life to the Corporation.

All material separately identifiable components of assets are depreciated over their shorter useful lives.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end. Depreciation is calculated on a straight-line basis over the estimated useful life of assets as per below. The useful lives of each category of depreciable assets are:

- Computer Hardware – 4 to 5 years
- Office Equipment – 3 to 5 years
- Leasehold improvements – based on the terms of the leasing arrangement
- Plant and equipment depreciation rate in 2023 was 20% (2022:20%)

At 30 June 2023 all infrastructure was under construction and no depreciation has been expensed for this class of asset.

7. Non-current assets – property, plant and equipment (continued)

Right-of-Use Assets acquired by leases

AASB 16 Leases requires a lessee to recognise a right-of-use asset for most leases. The Corporation has elected to present right-of-use assets separately in the statement of financial position.

Refer to Note 8 for further information on leases.

Revaluation of property, plant, and equipment

Physical non-current assets are valued in accordance with the *'Valuation of Physical Non-Current Assets at Fair Value'* Policy and Guidelines Paper (TPP 21-09) and Treasurer's Direction *'Valuation of Physical Non-Current Assets at Fair Value'* (TD 21-05). TPP 21-09 and TD 21-05 adopts fair value in accordance with AASB 13 *Fair Value Measurement* (AASB 13) and AASB 116 *Property, Plant and Equipment*.

Property, plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and take into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. In most cases, after taking into account these considerations, the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on the use or where there is a feasible higher restricted alternative use.

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Refer Note 10 for further information regarding fair value.

The Corporation re-values each class of property, plant and equipment with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. At 30 June 2023, all infrastructure assets were under construction and no comprehensive valuation required.

Non-specialised assets, such as plant and equipment, with short useful lives, are measured at depreciated historical cost or cost, which for these assets approximates fair value, the Corporation has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

7. Non-current assets – property, plant and equipment (continued)

Impairment of property, land and equipment

As a not-for-profit, impairment under AASB 136 *Impairment of Assets* is unlikely to arise. Since property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in rare circumstances such as where the costs of disposal are material.

The Corporation assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Corporation estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

As a not-for-profit entity, an impairment loss is recognised in the net result to the extent the impairment loss exceeds the amount in the revaluation surplus for the class of asset.

8. Leases

The Corporation leases office accommodation space. Lease contracts are typically made for fixed periods up to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. The Corporation also leases motor vehicles.

During financial year ended 30 June 2022, the Corporation accepted changes in the office accommodation arrangements with Property NSW (PNSW) for accommodation space based in Dubbo. The main change was the introduction of the "substitution right" clause, that gives PNSW a right to relocate the Corporation during the term of the agreement. The clause provided PNSW with a substantive substitution right. Therefore, these agreements were not accounted for as a lease within the scope of AASB 16. The corresponding right of use assets and lease liabilities have been derecognised on 30 June 2022, the effective date of the new clauses. The net impact of the derecognition was recognised in "Other Gains/(Losses)" (refer to Note 4). From 1 July 2022, PNSW related accommodation charges have been recognised as expenses when incurred over the agreement duration.

The Corporation continues to be responsible to make good, and to control the fit-out during the remaining occupancy period, as the Corporation receives the economic benefits through using the fit-out, or through expected compensation from PNSW, if PNSW exercises its right to relocate the Corporation.

AASB 16 Leases (AASB 16) requires a lessee to recognise a right-of-use asset and a corresponding lease liability for most leases.

The Corporation has elected to recognise payments for short-term leases and low value leases as expenses on a straight-line basis, instead of recognising a right-of-use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less. Low value assets are assets with a fair value of \$10,000 or less when new and comprise mainly of Motor Vehicles.

Energy Corporation of NSW

Notes to and forming part of the financial statements for the year ended 30 June 2023

8. Leases (continued)

Right-of-use assets under leases

The following table presents right-of use assets that do not meet the definition of investment property.

	Land and Buildings \$'000	Total \$'000
Balance at 5 Nov 2021	-	-
Additions	364	364
Depreciation expense	(38)	(38)
Derecognition of right-of-use-asset	(326)	(326)
Balance at 30 June 2022	-	-
	Land and Buildings \$'000	Total \$'000
Balance at 1 July 2022	-	-
Additions	4,572	4,572
Depreciation expense	(788)	(788)
Balance at 30 June 2023	3,784	3,784

Lease liabilities

	2023 \$'000	2022 \$'000
Balance at 1 July*	-	-
Additions	4,572	364
Interest expense	103	2
Payments	(348)	(30)
Derecognition of lease liabilities	-	(336)
Fit-out payable	(1,413)	-
Balance at 30 June	2,914	-

* Comparative figures are from 5 November 2021

The following amounts were recognised in the statement of comprehensive income during the year in respect of leases where the Corporation is the lessee:

	2023 \$'000	2022 \$'000
Depreciation expense of right-of-use assets	788	38
Interest expense on lease liabilities	103	2
Expense relating to short-term leases	316	-
Gains arising from derecognising the right-of-use assets and lease liabilities with Property NSW	-	(10)
Total amount recognised in the statement of comprehensive income	1,207	30

The entity had total cash outflows for leases of \$0.25m in 2023 (2022: \$0.03m).

8. Leases (continued)

Recognition and measurement

The Corporation assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Corporation recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

(i) Right-of-use assets

The Corporation recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at the amount of initial measurement of the lease liability (refer to (ii) Lease liabilities), adjusted by any lease payments made at or before the commencement date and lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site.

The right-of-use assets are subsequently measured at cost. They are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Corporation at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Impairment of right-of-use assets:

The right-of-use assets are also subject to impairment. The Corporation assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Corporation estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the net result. As at 30 June 2023, there was no additional impairment (2022: Nil) assessed by the Corporation for its right of use assets in 'other net gains/(losses)' in the statement of comprehensive income. Refer Note 4.

8. Leases (continued)

(ii) Lease liabilities

At the commencement date of the lease, the Corporation recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include:

- fixed payments (including in substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- exercise price of purchase options reasonably certain to be exercised by the Corporation; and
- payments of penalties for terminating the lease, if the lease term reflects the Corporation exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Corporation's leases, the lessee's incremental borrowing rate is used, being the rate that the Corporation would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Corporation applies the short-term lease recognition exemption to its short-term leases of property, plant and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies to the leases of low-value assets, such as for some office equipment. Recognition exemption applies to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

Energy Corporation of NSW
Notes to and forming part of the financial statements for the year ended 30 June 2023

9. Non-current assets – intangibles

	Software \$'000	Total \$'000
At 1 July 2022		
Cost (gross carrying amount)	241	241
Accumulated amortisation and impairment	(4)	(4)
Net carrying amount	237	237
Year ended 30 June 2023		
Net carrying amount at the beginning of the year	237	237
Amortisation (recognised in 'depreciation and amortisation')	(48)	(48)
Net carrying amount	189	189
As at 30 June 2023		
Cost (gross carrying amount)	241	241
Accumulated amortisation and impairment	(52)	(52)
Net carrying amount	189	189
At 5 Nov 2021 - fair value		
Gross carrying amount	-	-
Accumulated amortisation and impairment	-	-
Net carrying amount	-	-
Year ended 30 June 2022		
Net carrying amount at the start of the year	-	-
Additions	241	241
Amortisation	(4)	(4)
Net carrying amount	237	237
As at 30 June 2022 - fair value		
Gross carrying amount	241	241
Accumulated amortisation and impairment	(4)	(4)
Net carrying amount	237	237

Recognition and measurement

The Corporation recognises intangible assets only if it is probable that future economic benefits will flow to the Corporation and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition.

Following initial recognition intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the Corporation's intangible software assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed to be finite. The Corporation's software intangible assets are amortised using the straight-line method over a period of five years. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

10. Fair value measurement of non-financial assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell an asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, the Corporation categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 – quoted (unadjusted) prices in active markets for identical assets / liabilities that the Corporation can access at the measurement date.
- Level 2 – inputs other than quoted prices included within level 1 that are observable, either directly or indirectly.
- Level 3 – inputs that are not based on observable market data (unobservable inputs).

The fair value hierarchy for plant and equipment and infrastructure work in progress are considered to be level 2.

Fair value hierarchy

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 30 June 2023				
Property, plant and equipment (Note 7)				
Land and buildings	-	904	-	904
Plant and equipment	-	635	-	635
Infrastructure	-	92,449	-	92,449
	-	93,988	-	93,988
At 30 June 2022				
Property, plant and equipment (Note 7)				
Plant and equipment	-	235	-	235
Infrastructure	-	21,149	-	21,149
	-	21,384	-	21,384

There were no transfers between levels during the year. For valuation basis refer Note 7.

Energy Corporation of NSW

Notes to and forming part of the financial statements for the year ended 30 June 2023

11. Current/non-current liabilities – payables

	2023	Restated*
	\$000	2022
		\$000
Current payables		
Trade creditors	8,492	3,855
Accruals	83,474	15,801
Personnel services payable	1,588	743
Payable - Department of Planning and Environment	437	-
Other payable	13	13
Total current payables	94,004	20,412
	2023	2022
	\$000	\$000
Non-current payables		
Other payable	34	48
Total non-current payables	34	48

* The comparative information has been restated as a result of a prior period error as discussed in Note 1(j).

The Corporation receives personnel services from NSW Treasury. NSW Treasury does not control the Corporation under this arrangement. In accordance with NSW Treasury Circular 15/7 "Financial and Annual Reporting Requirements Arising from Personnel Services Arrangements", a liability representing the total amount payable to NSW Treasury is recognised in the Statement of Financial Position. As the Entity is not an employer, the disclosure requirements of AASB 119 Employee Benefits in respect of employee benefits do not apply.

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 16.

Recognition and Measurement

Payables represent liabilities for goods and services provided to the Corporation and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are financial liabilities at amortised cost, initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in net result when the liabilities are derecognised as well as through the amortisation process.

Energy Corporation of NSW

Notes to and forming part of the financial statements for the year ended 30 June 2023

12. Current/non-current liabilities – borrowings

	2023	2022
	\$'000	\$'000
Current borrowings		
Lease liability	757	-
Total current borrowings	757	-
	2023	2022
	\$'000	\$'000
Non-Current borrowings		
Lease liability	2,157	-
Total non-current borrowings	2,157	-

Recognition and measurement

Borrowing represents interest-bearing lease liabilities. Refer Note 8.

Financial liabilities at amortised cost

Borrowings classified as financial liabilities at amortised cost are initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in net result when the liabilities are derecognised as well as through the amortisation process.

Changes in liabilities arising from financing activities

	Leases	Total liabilities from financing activities
	\$'000	\$'000
5 Nov 2021	-	-
Cash flows	(30)	(30)
New leases	364	364
Interest payments (presented as operating cash flows)	2	2
Derecognition of leases	(336)	(336)
30 June 2022	-	-
Cash flows	(245)	(245)
Interest payments (presented as operating cash flows)	(103)	(103)
New leases	4,572	4,572
Interest expense	103	103
Fit-out payable	(1,413)	(1,413)
30 June 2023	2,914	2,914

Energy Corporation of NSW

Notes to and forming part of the financial statements for the year ended 30 June 2023

13. Current/non-current liabilities – provisions

	2023	Restated*
	\$000	2022
		\$000
Non-current provisions		
Other provisions		
Restoration costs	242	-
	<u>242</u>	<u>-</u>
Total non-current provisions	<u>242</u>	<u>-</u>
Total provisions	<u>242</u>	<u>-</u>
	2023	2022
	\$000	\$000
Movements in provisions (other than personnel services)		
Carrying amount at 1 July **	-	-
Additional provisions recognised	242	-
Unwinding of discount rate	-	-
Carrying amount at 30 June	<u>242</u>	<u>-</u>

* The comparative information has been restated as a result of a prior period error as discussed in Note 1(j).

** 2022 comparatives represent the period from 5 November 2021 to 30 June 2022.

Recognition and measurement

Employee Provisions

The Corporation has no employees and therefore has no employee related provisions.

Other provisions

Provisions are recognised when: the entity has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. When the entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented net of any reimbursement in the Statement of Comprehensive Income.

Restoration costs refer to the present value of estimated cost of make good obligations (in accordance with AASB 137) that will arise when existing office accommodation leases expire. The provision is adjusted annually for unwinding and changes in discount rates. Any cost variations in make good expenses at the time of implementation will be recognised in the Statement of Comprehensive Income.

Energy Corporation of NSW

Notes to and forming part of the financial statements for the year ended 30 June 2023

14. Current/non-current liabilities - contract liabilities

	2023 \$000	2022 \$000
Contract Liabilities - current	6,720	-
Contract Liabilities - non-current	4,006	-
Total Contract Liabilities	10,726	-

	2023 \$000	2022 \$000
Revenue recognised that was included in the contract liability balance at the beginning of the year	-	-
Transaction price allocated to the remaining performance obligations from contracts with customers	10,726	-

Recognition and measurement

Contract liabilities relate to consideration from customers, received in advance, for Infrastructure Planner services. These are recognised over time as and when activities are performed and related costs are incurred. The contract liability balance increased significantly because the Corporation entered into new contractual agreements during the year.

The Transaction price allocated to the remaining performance obligations relates to infrastructure planner services. 63% is expected to be recognised as revenue in the 2023-24 financial year and 37% in the 2024-25 financial year.

Energy Corporation of NSW

Notes to and forming part of the financial statements for the year ended 30 June 2023

15. Reconciliation of cash flows from operating activities to net result

Reconciliation of cash flows from operating activities to the net result as reported in the statement of comprehensive income as follows:

	2023	Restated*
	\$000	2022 \$000
Net cash used on operating activities	97,757	21,691
Depreciation and amortisation	(945)	(78)
(Decrease)/increase in receivables	(10,090)	19,755
Decrease/(increase) in payables	(55,091)	(20,462)
Decrease/(increase) in provisions	-	-
Decrease/(increase) in other liabilities	(10,726)	-
Other gains/(losses)	-	10
Net result	20,905	20,916

* The comparative information has been restated as a result of a prior period error as discussed in Note 1(j).

16. Financial instruments

The Corporation's principal financial instruments are outlined below. These financial instruments arise directly from the Corporation's operations or are required to finance the Corporation's operations. The Corporation does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporation's main risks arising from financial instruments are outlined below, together with the Corporation's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The NSW Treasury Secretary is the Accountable Authority but the Chief Executive Officer has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Corporation, to set risk limits and controls and to monitor risks. Currently the Corporation complies with the policies established by both the Department of Planning and Environment and NSW Treasury, these are reviewed by the Corporation and the Energy Corporation of NSW Advisory Committee on a continuous basis.

(a) Financial instrument categories

Class:	Note	Category	Carrying Amount	
			2023	2022
			\$000	\$000
Financial Assets				
Cash and cash equivalents	5	Amortised cost	42,115	-
Receivables ¹	6	Amortised cost	-	17,963
Financial Liabilities				
Payables ²	11	Financial liabilities measured at amortised cost	94,038	20,460

Notes

¹ Receivables excludes statutory receivables and prepayments, not within scope of AASB 7

² Payables excludes statutory payables and contract liabilities, not within scope of AASB 7.

16. Financial instruments (continued)

(b) Derecognition of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the entity transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'passthrough' arrangement; and either:

- the entity has transferred substantially all the risks and rewards of the asset; or
- the entity has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control.

When the Corporation has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

Where the Corporation has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of the Corporations' continuing involvement in the asset. In that case, the entity also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the entity has retained.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the entity could be required to repay.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the net result.

(c) Financial risks

(i) Credit risk

Credit risk arises when there is the possibility of the Corporation's debtors defaulting on their contractual obligations, resulting in a financial loss to the Corporation. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of the Corporation, including cash, receivables and deposits. No collateral is held by the Corporation. The Corporation has not granted any financial guarantees. Credit risk associated with the Corporation's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards.

The Corporation considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Corporation may also consider a financial asset to be in default when internal or external information indicates that the Corporation is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Corporation.

16. Financial instruments (continued)

(c) Financial risks (continued)

(i) Credit risk (continued)

Cash and cash equivalents

Cash comprises bank balances within the NSW Treasury Banking System.

Accounting policy for impairment of trade receivable and other financial assets

Receivables - trade receivable

Collectability of trade receivables is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand.

The Corporation applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make contractual payments for a period of greater than 180 days past due.

The Corporation's trade debtor balance as at 30 June 2023 is nil (30 June 2022: Nil) and no loss allowance for trade debtor was determined as at 30 June 2023 (30 June 2022: Nil).

(ii) Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to meet its payment obligations when they fall due. The Corporation continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high-quality liquid assets.

During the current and prior year, there were no defaults or breaches of borrowings. No assets have been pledged as collateral. The Corporation's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

16. Financial instruments (continued)

(c) Financial risks (continued)

(ii) Liquidity risk (continued)

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC 11/12 Payment of Accounts. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Chief Executive Officer (or a person appointed by the Head of the Corporation) may automatically pay the supplier simple interest.

The table below summarises the maturity profile of the corporation's financial liabilities, together with the interest rate exposure.

	Interest Rate Exposure					Maturity Dates		
	Weighted average effective interest rate	Nominal amount ¹	Fixed Interest Rate	Variable Interest Rate	Non-interest bearing	< 1 yr	1 - 5 yrs	> 5 yrs
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2023								
Payables	N/A	94,038	-	-	94,038	94,004	34	-
Borrowings								
Lease Liability	3.78%	3,185	3,185	-	-	757	2,428	-
		97,223	3,185	-	94,038	94,761	2,462	-
2022								
Payables	N/A	20,460	-	-	20,460	20,412	48	-
Borrowings								
Lease Liability	N/A	-	-	-	-	-	-	-
		20,460	-	-	20,460	20,412	48	-

Notes

- The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the corporation can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the statement of financial position.

Energy Corporation of NSW

Notes to and forming part of the financial statements for the year ended 30 June 2023

16. Financial instruments (continued)

(c) Financial risks (continued)

(iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Corporation's exposure to market risk is very limited as it has no borrowings and all its deposits are at call. The Corporation has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Corporation operates and the time frame for the assessment (i.e., until the end of the next annual reporting period). The sensitivity analysis is based on risk exposure in existence at the year end. The analysis assumes that all other variables remain constant.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Corporation's exposure to interest rate risk is set out below.

	Carrying amount \$'000	-1% Profit \$'000	Equity \$'000	1% Profit \$'000	Equity \$'000
2023					
Financial assets					
Cash and cash equivalents	42,115	(421)	(421)	421	421
2022					
Financial assets					
Cash and cash equivalents	-	-	-	-	-

The interest rate implicit in the lease (borrowings) is fixed for each capitalised lease agreement and is therefore not exposed to interest rate risk.

Energy Corporation of NSW

Notes to and forming part of the financial statements for the year ended 30 June 2023

17. Commitments

	2023 \$000	2022 \$000
Capital Commitments		
Aggregate capital expenditure for the acquisition of non-current assets contracted for at balance date and not provided for:		
Within one year	57,636	21,936
Later than one year but not later than five years	16,540	-
Later than five years	-	-
Total (including GST)	74,176	21,936

18. Contingent liabilities and contingent assets

The Corporation is unaware of the existence of any contingent assets or liabilities as at balance date (2022: nil).

19. Related party disclosure

During the year, the Corporation expensed \$1,875,493 (2022: \$1,471,963) in respect of the key management personnel services that are provided by NSW Treasury.

During the year, the Corporation did not enter into transactions with key management personnel, their close family members and controlled or jointly controlled entities thereof.

During the year, the Corporation entered into transactions with other entities that are controlled / jointly controlled / significantly influenced by NSW Government. These transactions (incurred in the normal course of business) in aggregate are a significant portion of the Corporation's revenue and expenses, and the nature of these significant transactions are detailed below:

Entity	Nature of Transaction
Department of Planning and Environment	Provision of administrative, secretarial support, operational assistance and personnel services. Refer Note 2(a) and Note 3(a).
Crown Solicitors Office	Provision of professional legal services and legal advice. Refer Note 2(b).
NSW Treasury	Provision of administrative, secretarial support, operational assistance and personnel services. Refer Note 2(a) and Note 3(a). Provision of grant income to cover operational expenses and purchase of property, plant and equipment. Refer Note 3(a).
Property NSW	Provision of leased premise. Refer Note 2(b) and Note 8.
NSW Telco Authority	Provision of digital connectivity advice on REZ projects

20. Events after reporting date

There are no events subsequent to the balance date that affect the financial information disclosed in these financial statements.

End of audited financial statements



INDEPENDENT AUDITOR'S REPORT

Energy Corporation of New South Wales

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Energy Corporation of New South Wales (the Corporation), which comprise the Statement by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2023, the Statement of Financial Position as at 30 June 2023, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, notes comprising a Statement of Significant Accounting Policies, and other explanatory information.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the *Government Sector Finance Regulation 2018* (GSF Regulation) and the Treasurer's Directions
- present fairly the Corporation's financial position, financial performance and cash flows.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Corporation in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

I have fulfilled my other ethical responsibilities in accordance with APES 110.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Secretary's Responsibilities for the Financial Statements

The Secretary is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulation and Treasurer's Directions. The Secretary's responsibility also includes such internal control as the Secretary determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary is responsible for assessing the Corporation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

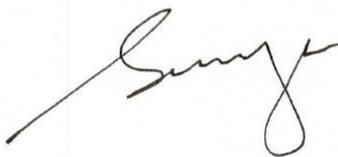
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Corporation carried out its activities effectively, efficiently and economically
- [about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Somaiya Ahmed
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

31 October 2023
SYDNEY

7

Appendices

Cows graze on farmland outside of Glen Innes, NSW.

Appendix A: Ministerial Direction to EnergyCo, 1 October 21

Over page.



The Honourable Matt Kean MP
Minister for Energy and Environment

Ref: DOC21/8625519-4

Mr James Hay
Chief Executive
Energy Corporation of NSW

Email: james.hay@dpie.nsw.gov.au

Dear Mr Hay *James*

I am writing to the Energy Corporation of NSW (EnergyCo NSW) in my capacity as the Minister administering the *Energy and Utilities Administration Act 1987*.

I commend you on your work establishing EnergyCo NSW, including appointing your executive leadership team and setting up the frameworks for EnergyCo NSW to take on the role of Infrastructure Planner under the Electricity Infrastructure Roadmap and *Electricity Infrastructure Investment Act 2020*.

EnergyCo NSW will be critical to ensuring NSW not only delivers on the Roadmap, Electricity Strategy and Net-Zero Plan, but does this in an enduring way through close partnerships with regional communities, other Roadmap entities (in particular the Consumer Trustee and the Department), energy market bodies, network planners, industry and other NSW Government agencies.

As you are aware, the *Electricity Infrastructure Investment Act 2020* sets out minimum infrastructure investment objectives of 12 gigawatts of constructed renewable energy generation and two gigawatts of constructed long-duration storage by 31 December 2029. Practically, this means any new network infrastructure required to meet these targets, including Renewable Energy Zone network infrastructure and Priority Transmission Infrastructure, must also be constructed by the end of 2029 to avoid costly connection delays and congestion issues experienced in other jurisdictions and manage supply chain constraints in both network and generation construction. With greenfield network infrastructure projects generally taking a minimum of 2 years to construct, it would be prudent to ensure the full suite of network infrastructure solutions needed to meet these targets is shovel ready by no later than 2027, along with options to accelerate and expand these solutions, if required and to smooth and de-risk the construction task.

I understand that the Consumer Trustee is in the process of finalising its inaugural Draft Infrastructure Investment Objectives report which will set out the development pathway to meet these targets to 2030 and beyond. I look forward to being briefed on this report and how the Department and EnergyCo NSW can best support the Consumer Trustee to meet this pathway.

The *Electricity Infrastructure Investment Act 2020* also sets out a framework to set and monitor the Energy Security Target and ensure Government acts quickly to address any forecast breach that would impact the supply of reliable energy to NSW households and businesses. I understand, there is a significant emerging risk of NSW not meeting the Energy Security Target (EST) from the earlier than expected retirement of coal-fired generators in the Hunter Valley (Bayswater) and Central Coast (Vales Point and

Eraring). These assets are due to close during the late 2020's and early 2030's, but recent statements from owners of Bayswater and Eraring indicate they may close earlier.

The Australian Energy Market Operator's (AEMO) latest Electricity Statement of Opportunities (ESOO) indicates major breaches of the National Electricity Market (NEM) reliability standard, even if only three of the existing 10 generating units at these power stations close without being replaced.

The Energy Security Target Monitor is due to make its first report to me at the end of this month on the extent of this risk and any potential breaches to the Energy Security Target.

Given this emerging energy reliability risk, along with the unprecedented scale of the challenge, BAU timeframes for greenfield network infrastructure development and significant delays already experienced on all major network infrastructure projects in NSW it is of the utmost importance that EnergyCo NSW accelerates delivery of the Network Infrastructure Strategy working with AEMO and Transgrid (as the State's jurisdictional planning body). This should provide a holistic view of network development and options to both accelerate and expand Renewable Energy Zones and enabling Priority Transmission Infrastructure projects.

Further to recent briefings on these matters, in accordance with s8(5) of the *Energy and Utilities Administration Act 1987*, I direct the Energy Corporation of New South Wales to deliver the following measures, including through urgent preparation of the Network Infrastructure Strategy and network infrastructure recommendations to the Consumer Trustee:

Central-West Orana Renewable Energy Zone

1. Recommend declaration of the Central-West Orana Renewable Energy Zone by the end of October 2021.
2. Accelerate a final recommendation on the network route option, noting the Deputy Premier's willingness to contribute to any extra costs and the social licence and energy reliability risks associated with any further delays. This work must also be used to develop and adopt best practice compensation and community engagement and support packages for Renewable Energy Zone network project landowners and host communities due to the strategic urgency created by earlier than expected retirement of existing thermal generators.
3. Develop options to accelerate and expand the Renewable Energy Zone beyond the initially planned 3 gigawatts of intended capacity to provide better options to the Consumer Trustee and to de-risk likely earlier than expected closures (and failures) of existing thermal plant.
4. Develop a network infrastructure procurement approach that will deliver on the long-term financial interests of consumers including taking a long-term view of project scope, consistent with the Consumer Trustee's development pathway and the strategic objectives of the NSW Roadmap policy.
5. Implement a strategic biodiversity offset strategy that would reduce project development costs while maximising biodiversity outcomes for NSW.
6. Develop a Regional Energy Strategy to ensure regional communities and businesses benefit from and can participate in cheap, reliable and clean energy. The Strategy would provide a blueprint to support delivery of other NSW Renewable Energy Zones and should include options to deliver co-located

infrastructure such as telecommunication upgrades in collaboration with the Department of Regional NSW.

New England Renewable Energy Zone

1. Recommend declaration of the New England Renewable Energy Zone by the end of November 2021.
2. Accelerate identification and development of network solutions required to deliver the 8 gigawatt Renewable Energy Zone, including options to fast-track the first stage to provide greater price benefits to the Consumer Trustee through enabling more competition for Long-term Energy Service Agreements.
3. Build on and implement the network infrastructure procurement approach developed for the Central-West Orana Renewable Energy Zone, as appropriate.

South-West Renewable Energy Zone

1. Recommend declaration of the South-West Renewable Energy Zone by the end of February 2022, with an intended capacity of no less than 2.5 gigawatts.
2. Accelerate development of a bespoke access scheme for the South-West Renewable Energy Zone that would capitalise on additional capacity expected from Project Energy Connect and the Dinawan to Wagga Wagga upgrade.

Hunter-Central Coast Renewable Energy Zone

1. Recommend declaration of the Hunter-Central Coast Renewable Energy Zone by the end of June 2022.
2. Accelerate development of a concept design and program for the Hunter-Central Coast Renewable Energy Zone, leveraging broader NSW and Commonwealth Government initiatives including the \$750 million Net Zero Industry and Innovation Program, proposed Hydrogen Strategy, Resources for Regions and Royalties for Rejuvenation programs.
3. Establish an intergovernmental Taskforce, including Invest NSW, Department of Regional NSW and Treasury to promote the region's transformation to a modern energy powerhouse, including building on lessons learned from the Liddell Taskforce and other jurisdictions and countries.

Illawarra Renewable Energy Zone

1. Recommend declaration of the Illawarra Renewable Energy Zone by the end of November 2022.

Hunter-Sydney network infrastructure upgrade

1. Work with AEMO and Transgrid (as the State's jurisdictional planning body) to urgently fast-track early development works for the Hunter-Sydney 500kV infrastructure upgrade as a potential Priority Transmission Investment Project, in anticipation of a potential breach to the Energy Security Target and noting its strategic importance to achieving the infrastructure investment objectives.

The Network Infrastructure Strategy is to be published by the end of July 2022, with a draft or interim report to be published in March 2022, to respond to and support the Consumer Trustee's inaugural Infrastructure Investment Objectives Report and provide certainty and clarity to our stakeholders.

To ensure you are sufficiently resourced to deliver these measures, I direct you to work with the Department and Treasury to investigate options to bring forward previously allocated funding and expedite development of a New Policy Proposal for further funding

through the 2022/23 State Budget or other funding processes, including proposals to use the Transmission Development Scheme.

I look forward to further briefings on these matters and to working collaboratively to deliver the Roadmap in a way that safeguards the interests of NSW energy consumers, regional communities and industry, while securing a thriving environment and economy.

Yours sincerely



Matt Kean MP
Minister for Energy and Environment

1.10.21
CC: Mr Jim Betts, Secretary, Department of Planning, Industry & Environment
email: jim.betts@dpie.nsw.gov.au

CC: Mr Drew Clark, Chair, AEMO Services Ltd
email: drew.clarke@aemo.com.au

Glossary and abbreviations

Abbreviation	Long form
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
CWO	Central-West Orana
DPE	Department of Planning and Environment
EAC	EnergyCo Advisory Committee
EII	Electricity Infrastructure Investment
EIS	Environmental Impact Statement
EST	Energy Security Target
EUA	Energy Utilities Act
GW	Giga Watts
HCC	Hunter-Central Coast
HTP	Hunter Transmission Project
IIAF	Infrastructure Investor Assurance Framework
IIO	Infrastructure Investment Objectives
ISP	Integrated System Plan
LDS	Long Duration Storage
LTESA	Long-Term Energy Service Agreements
NE	New England
NEM	National Electricity Market
NIS	Network Infrastructure Strategy
OECC	Office of Energy and Climate Change
PCOC	Program Coordination and Oversight Committee
PTIP	Priority Transmission Infrastructure Project
REZ	Renewable Energy Zone
RIB	Roadmap Implementation Board
SMC	Senior Management Committee
TAF IC	Transmission Acceleration Facility Investment Committee
The Roadmap	NSW Energy Infrastructure Roadmap
WSB	Waratah Super Battery

Image credits:

EnergyCo, Jaime Plaza Van Ron/DPE, Neil Fenelon/DPE

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Cover image GettyImages. Mother and daughter walking near wind turbines.

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