

Governance



GOVERNANCE

A strong and effective governance framework ensures appropriate risk assessment and accountability for business operations. Bob Fairley at the Vales Point control panel.

The shareholders of Delta Electricity are the Hon Michael Egan MLC, NSW Treasurer and the Hon John Della Bosca MLC, Special Minister of State, each holding one share for and on behalf of the New South Wales Government.

The Energy Services Corporations Act 1995 and the State Owned Corporations Act 1989 (the "Acts") are the principal Acts that govern the operation of Delta Electricity as a State Owned Corporation.

The Acts deal with Directors' accountability to the Government Shareholders of the Corporation. The Government, as the owner of the business, is relying on the Directors to ensure the commercial success of Delta and that accountability to the shareholders is maintained.

Demands from stakeholders for accountability, risk assessment and monitoring of performance and integrity in corporate governance continued to receive strong focus throughout the year.

The Board of Directors of Delta guides and monitors the business and affairs of Delta on behalf of the voting shareholders by whom they are elected and to whom they are accountable.

THE STRUCTURE AND COMPOSITION OF THE BOARD OF DELTA ELECTRICITY

To ensure the Board is sufficiently able to discharge its responsibilities, the nomination and selection of directors and the operation of the Board have been established through the Act and the Constitution of the State Owned Corporation.

Composition of the Board

The Board of Delta Electricity is presently composed of the following members:

- the Chief Executive Officer;
- one director appointed by the voting shareholders on the recommendation of a selection committee comprising:
 - (a) two persons nominated by the Portfolio Minister; and
 - (b) two persons nominated by the Labor Council of NSW, being persons selected by the committee from a panel of three persons nominated by the Labor Council; and
- at least two and not more than five other directors appointed by the Voting Shareholders, at their discretion.

The Board of Delta Electricity meets monthly or as required and follows meeting guidelines, set down to ensure all directors are made aware of, and have available to them all necessary information, to participate in an informed discussion of all agenda items. The Directors in office at the date of this statement are:

Non-executive Directors

MR P YOUNG, CHAIRMAN AND DIRECTOR
BSc, MBA

Mr Young was first appointed 1 June 2004 for a period ending 30 June 2007.

Mr Young is Chairman, Investment Banking with ABN AMRO. In addition he is Chairman of Export Finance and Insurance Corporation, member of the Board of Trustees of the Art Gallery of NSW, Director of Australian Business Arts Foundation and a Director of the Sydney Theatre Company.

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THE HONOURABLE B J UNSWORTH, DIRECTOR
Mr Unsworth was first appointed 1 March 1996 and subsequently reappointed for period ending 28 February 2006. He is Director of Tempo Services Limited, Chairman of the Board of the Ambulance Service of New South Wales, Chairman of the Board of State Transit Authority and a former Premier.

MR W HILDER, DIRECTOR
BA (Hons) (Syd), M Comm (NSW)
Mr Hilder was first appointed 29 November 1996 and subsequently reappointed for period ending 28 February 2005.

He is also involved in a diverse range of areas encompassing insurance, risk management, commercial services and financial markets operations as Chief Executive Local Government Financial Services Pty Limited, Company Secretary StateCover Mutual Limited, Chairman Compliance Committee V J Ryan Cash Management Trust and Director Sunlodge Pty Limited.

Mr Hilder acted as Chairman of Delta Electricity for the period 1 March 2004 to 31 May 2004 and Deputy Chairperson for the period 7 June 2004 to 26 July 2004.

MR. W PHILLIPS, DIRECTOR
FCPA, FCIS, AIMM, MAICD, Dip Comm
Mr Phillips was first appointed 1 March 2000 and subsequently reappointed for period ending 28 February 2006.

He is currently Group Financial Officer, John Fairfax Holdings Limited

Mr Phillips has extensive Financial, Commercial and General Management experience gained in Australia, Asia, USA and Europe.

MR I LANGDON, DIRECTOR
BComm, MBA, Dip Ed, CA
Mr Langdon was first appointed 1 March 2000 and subsequently reappointed for period ending 28 February 2006.

He is also Chairman of Dairy Farmers Group, Director of Rabo Bank Australia Ltd.

MS S MOAIT, DIRECTOR
First appointed 18 September 2002 and subsequently reappointed for period ending 31 August 2005.

Ms Moait is President of the Labor Council of NSW, a position she has held since 2000. In addition she is Trustee for First State Superannuation Trustee Corporation, Board member and Chairperson of the Trades Hall Association; Vice-president of the Australian Council of Trade Unions (ACTU); Chairperson of the ACTU's overseas aid agency, Australian People for Health Education and Development Abroad (APHEDA).

Sandra is a registered nurse and was General Secretary of the NSW Nurses' Association from 1995 until 2002.

Executive Director

MR J HENNESS, CHIEF EXECUTIVE OFFICER AND DIRECTOR BSc, BE (Hons), MEngSc, MBA, FAICD
Mr Henness was appointed Chief Executive and Executive Director from 1 March 1996. He also holds the positions of Director, Energy Supply Association of Australia and Member of Reliability Panel, established by the National Electricity Code Administrator.

Former Directors

MR P DODD, CHAIRMAN AND DIRECTOR
BCom, MCom, MSc, PhD, Dip Ed
Mr Dodd, Chairman and Director, was first appointed 1 March 2000 and subsequently reappointed to 28 February 2006. Mr Dodd resigned on 28 February 2004 following his appointment to a position in London with his employer.

BOARD OF DIRECTORS



Top (left to right):

Mr Peter Young (Chairman), **Mr Jim Henness** (Chief Executive), **Hon. Barrie Unsworth**, **Mr Warwick Hilder**.

Bottom (left to right):

Mr Ian Langdon, **Mr Warren Phillips**, **Ms Sandra Moait**, **Mr Peter McIlveen** (Corporate Secretary).

Meetings of the Board

In addition to the monthly Board meetings, the Board discusses matters from time to time through circulated papers or telephone conference.

Meetings are held either in the corporate office or at one of the power stations, allowing the Board to see the operation of the business. The attendance of Directors at these meetings is shown below. Committees of the Board meet quarterly or as required.

Responsibility for the preparation of papers, agenda and minutes rests with the Corporate Secretary.

Remuneration of Board members

The remuneration of each non-executive Director is paid out of the funds of Delta and is determined by the Voting Shareholders. The Chief Executive is not entitled to any additional remuneration for being an Executive Director.

Board committees

To assist in its roles and responsibility the Board has established four committees to target specific areas of importance within the Corporation. These committees operate under a charter approved by the Board to ensure that an effective internal control framework exists within the organisation.

These committees hold at least three meetings per year and such additional meetings as the convenor shall decide in order to fulfill its duties. The committees report to the full Board. The Board committees and their charters are listed below.

BOARD AUDIT COMMITTEE

The terms of reference of the Board Audit Committee were reviewed in January 2004 to include reference to Business Continuity.

The purpose of the committee is to provide a forum for communications between the Board, senior management and both the internal and external auditors. It also

ensures the integrity of the internal audit function and ensures that management practices and systems support the effective operation of Delta's risk management strategies and fraud control plan.

In October 2003, the Board Committee met with representatives from the Auditor-General's office and Internal Auditors without Executive members present.

The Terms of Reference of the Internal Audit Charter was revised simultaneously with the Board Committee terms of reference.

Membership of the committee shall consist of at least three members of the Board, all of which will be independent non-executive members.

Membership

Ian Langdon (Convenor), Warren Phillips, Sandra Moait.

BOARD REMUNERATION AND STAFF COMMITTEE

The terms of reference of the Board Remuneration and Staff Committee were reviewed in September 2003 with minor changes made.

The charter of the committee is to:

- examine remuneration and staff issues;
- enhance the independence and objectivity of Board decisions on sensitive commercial and personal issues related to Delta Electricity executive managers (being direct reports to the Chief Executive);
- enable the corporate and business strategies and plans, and remuneration strategy and policy to be effectively linked;
- ensure that the remuneration strategy, policy and practice complies with legal and taxation requirements, corporation reporting obligations, and overall corporation policy and direction.

The committee comprises at least three non-executive Directors nominated by the Board.

Membership

Warwick Hilder, Warren Phillips, Sandra Moait.

Mr P Dodd was Convenor prior to his resignation on 28 February 2004.

BOARD FINANCE COMMITTEE

The terms of reference of the Board Finance Committee were reviewed in August 2003.

The Board Finance Committee provides advice and counsel to the Board and executive management in the areas of Finance, Insurance, Taxation and Treasury.

Finance

- Review strategic issues associated with the structure of organisational funding and sources and application of funds.
- Review market trading policies.
- Review retention and distribution policies and alignment with shareholder requirements.

TABLE TEN: DIRECTORS' MEETINGS

	Regular Board Meetings		Board Remuneration and Staff Committee		Board Audit Committee		Board Environment & Occupational Health & Safety Committee		Board Finance Committee	
	A	B	A	B	A	B	A	B	A	B
Mr P Young	1	0								
Mr J Henness	13	13					4	4	6	5
Hon B Unsworth	13	13					4	4		
Mr W Hilder	13	13	3	3					6	6
Mr W Phillips	13	13	3	3	4	3			6	6
Mr I Langdon	13	11			4	2				
Ms S Moait	13	12	3	3	4	4	4	4		
Mr P Dodd *	9	8*	3	3						

Column A is the number of meetings held.

Column B is the number of those meetings attended

*Mr Dodd resigned on 28 February 2004

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- Review optimum sourcing of project funding.

Insurance

- Review Delta's risk management strategy.
- Review annually, all insurance requirements.
- Review analysis areas where Delta is exposed to risk.
- Review performance of Delta's insurance service provider.

Taxation

- Review Delta's positioning in relation to the optimisation of tax payment obligations.
- Review compliance with all relevant taxation legislation.
- Review implications of taxation policy on strategic direction.
- Review performance of Delta's external provider of taxation services.

Treasury

- Review Treasury risk management policies and procedures.
- Review debt duration and debt servicing strategies.
- Review investment strategies and performance of investment facilities.
- Review Delta's management of counter party credit risk exposures.
- Review performance of Delta's Treasury service provider.

The committee shall consist of three Directors nominated by the Board.

Membership

Warwick Hilder (Convenor), Warren Phillips, Jim Henness.

BOARD ENVIRONMENT & OCCUPATIONAL HEALTH & SAFETY COMMITTEE

The terms of reference of the Board Environment & Occupational Health & Safety Committee were reviewed in September 2003.

The Charter of the committee is to:

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

The committee shall consist of three Directors nominated by the Board.

Membership

Hon Barrie Unsworth (Convenor), Sandra Moait, Jim Henness.

Board responsibilities

In acting on behalf of the shareholders the Board is accountable to the shareholders. Further responsibilities include identifying the expectations of the shareholders, along with other regulatory and ethical expectations. It also has responsibility for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage such risk.

Delta, its Directors and management are subject to a number of regulatory controls in relation to the functions of the organisation. The manner in which those functions are to be carried out and the responsibilities of individual Directors, is set out by legislation and the Memorandum and Articles of Association.

The responsibility for the operation and administration of the economic entity is delegated by the Board to the Chief Executive and the executive team. The Board is required to ensure that the Chief Executive and executive members are appropriately qualified and experienced to discharge the responsibilities placed upon them. Procedures to assess the performance of the Chief Executive and the executive team are in place.

The Board is also responsible for ensuring management's objectives and activities are aligned with the expectations and risks identified by the Board. Therefore, a number of procedures are in place for the achievement of these objectives.

These procedures include the following:

- Approval by the Board of a strategic plan, which encompasses the organisation's vision, mission and strategy statements, meets stakeholders' needs and manages risk.
- Development of a Statement of Corporate Intent (SCI) which is a shareholder requirement outlining detailed organisational plans and performance levels.
- Development and approval of initiatives and strategies designed to ensure the continued growth and success of the organisation.
- Implementation of operating plans and budgets and the monitoring of progress against budget. This includes establishing and monitoring key performance indicators (KPIs) for all business processes.
- Scrutiny of environmental and occupational health and safety issues, audit outcomes, and financial concerns such as the review and approval of acquisitions and disposals of business and assets, approval of contracts and financial arrangements within defined parameters

and advise on liquidity, currency, interest rate and credit policies.

COMMUNICATION TO THE SHAREHOLDERS

The SCI is the cornerstone document in Delta's relationships with the shareholders and is intended to enhance accountability for performance and to provide the organisation with certainty as to the shareholders' expectations.

Information is communicated to the shareholders through:

- the annual report;
- the half yearly report; and
- the annual meeting and other meetings so called to obtain approval for Board action as appropriate.

BOARD POLICIES AND PROCEDURES

The Board has approved a number of policies covering delegations of authorities, finance and treasury, electricity market risk, occupational health and safety and the environment. Breaches of all policies are reported immediately to Delta's Chief Executive and subsequently to the Board.

Key policies are also subject to audit by external expert financial consultants. Past reviews have shown the policies to be entirely appropriate with no major areas requiring attention.

BOARD ACCESS TO OTHER RESOURCES AND INDEPENDENT INFORMATION

All Directors receive detailed monthly financial, marketing and treasury information. They regularly receive reports and presentations by respective executive managers. Directors also liaise with senior managers and seek additional information where necessary.

CONFLICTS OF INTEREST OF DIRECTORS

Where a Director declares a material personal interest in any matter being considered by the Board the Director does not receive Board papers on the particular matters and is not present when the matter is discussed. Directors are required to keep the Board advised of any interest that could possibly conflict with those of the Corporation. Board minutes document all disclosures.

EXECUTIVE MANAGEMENT

Executive committees oversee the implementation of Board approved strategic and operational decisions and the day to day operation of the business. The Executive Management Committee meets monthly while the other Committees meet quarterly. The charters and membership of the executive committees is as follows:

EXECUTIVE MANAGEMENT COMMITTEE

The Charter of the committee is to:

- monitor corporate business performance;
- implement remedial action where necessary;
- develop quality strategy and review implementation;

- review progress in implementing business plan proposals;
- provide a forum for raising initiatives and disseminating strategic information.

MARKET STRATEGY STEERING COMMITTEE

The Charter of the committee is to:

- review production and market operations;
- determine directions relating to Delta's operations and risk management in the electricity market;
- act as a forum to consider strategies, plant and market coordination issues relevant to future production and market operations;
- review operations against budget, targets, policy, limits and authorities to ensure corporate focus on approved targets and compliance with the regulatory framework governing the electricity markets.

EXECUTIVE ENVIRONMENTAL COMMITTEE

The Charter of the committee is to:

- set and review environmental policy and commitments;
- receive and review environmental audits;
- develop major new environmental initiatives;
- review environmental performance;
- determine Delta's response to other significant environmental issues;
- oversight the activities of the Efficiency Committee.

EXECUTIVE AUDIT COMMITTEE

The Charter of the committee is to:

- determine that adequate systems of internal control are in operation safeguarding assets from loss;
- review that all operations and activities and related policies and procedures are in accordance with statutory requirements;
- review that opportunities for improvement in internal control systems are identified and recommended for implementation to assist managers to continuously improve operations;
- review and recommend an appropriate internal audit charter and, as required, proposals for periodic updating of the approved charter;
- review the Annual Audit Plan;
- review reports on the results of internal audits;
- review that appropriate action is taken in respect of all audit reports; and
- review of matters affecting the audit.

EXECUTIVE OCCUPATIONAL HEALTH & SAFETY COMMITTEE

The Charter of the committee is to:

- establish health and safety policies and procedures;
- review accident frequency and duration rates;
- review occupational health, safety and fire audits of sites;
- make determinations on health and safety matters submitted by occupational health and safety committees;

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- review accident investigations and recommendations;
- review and monitor outstanding health, safety and fire items of sites;
- approve recommendations from sub committees; and
- provide direction to sub-committees and approve any recommendations emanating from those committees.

EXECUTIVE INFORMATION TECHNOLOGY STEERING COMMITTEE

The Charter of the committee is to:

- develop strategies and plans that ensure the cost effective application and management of Information Technology and Communications systems and resources throughout Delta;
- monitor and evaluate Information Technology and Communications projects and achievement against the IT Strategic Plan; and
- review current and future technologies to identify opportunities to increase the efficiency of business processes and resources.

HUMAN RESOURCES STEERING COMMITTEE

The Charter of the Committee is to:

- provide strategic oversight and ensure consistent direction in relation to employee related issues so as to maximise employee contribution;
- approve Delta's Human Resources Plans (including the annual Human Resources Plan, Workforce Diversity Plan, Disability Plan etc);
- implement and allocate necessary resources to ensure that human resources

activities are effectively applied in achieving defined outcomes;

- review Delta's performance in HR matters; and
- report to the Board Remuneration and Staff Committee on human resources matters of importance.

Executive management team

JIM HENNESSY

BSc, BE (Hons), MEngSc, MBA, FAICD

Jim Hennessy was appointed Chief Executive from March 1996. Jim's experience in the power industry has provided him with comprehensive technical and managerial credentials. His background includes work for Pacific Power in power station design and electrical demand forecasting and economic analysis. He was responsible for Pacific Power's coal supply planning and contracting from the early 1980s and managed the transition from tied markets to competitive purchasing. Jim is responsible for the overall management of Delta and for strategically positioning the organisation in the National Electricity Market.

PETER MCILVEEN

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Peter McIlveen was appointed Corporate Secretary in March 1996. Prior to his appointment he held a number of senior management positions in Pacific Power, the last being Manager Government Relations. Peter is responsible for the administrative and legislative requirements of the Board, Corporate Governance issues, internal audit, legal, security, document management, transport and public affairs.

STEPHEN SALADINE

BE (Hons)

Steve Saladine was appointed General Manager Western in April 2000. Steve joined Delta with wide experience gained from a variety of positions he has held across all facets of the Energy Industry. Immediately before joining Delta he was managing an engineering contracting business working in power and heavy industrial plants in all States of Australia and South East Asia. Prior to this he had held Executive, senior management and engineering positions with several Generators in NSW and Victoria. Steve has direct responsibility for the management of Mt Piper and Wallerawang power stations and Delta's regional infrastructure which are all performing at world class levels. Steve is also a member of the Management Board for the Cooperative Research Centre for Sustainable Use of Coal and is President of Lithgow Business Association.

ROHAN HALL

BSc, BE (Hons), FAICD

Rohan Hall was appointed General Manager Central Coast in May 2003 with responsibility for the operation and maintenance of Vales Point and Munmorah power stations. His previous appointment

TABLE ELEVEN: EXECUTIVE COMMITTEE MEMBERSHIP

Name and Title	A	B	C	D	E	F	G
Mr J Hennessy Chief Executive	X	X	X	X	X	X	X
Mr P McIlveen Corporate Secretary	X		X		X		
Mr S Saladine General Manager Western	X	X	X	X	X	X	
Mr R Hall General Manager Central Coast	X	X	X	X	X	X	
Mr R Street Chief Financial Officer	X		X		X	X	X
Mr G Everett General Manager Strategy	X	X	X		X		X
Mr T Baker General Manager Marketing	X		X		X		X
Mr R Ward General Manager Business Development	X	X	X		X		
Mr D Hogg Chief Information Officer	X		X		X		
Mr P Blume General Manager Human Resources	X			X	X	X	
Mr G Sharrock General Manager Delta Maintenance	X	X		X	X	X	
Mr N Taylor Occupational Health & Safety Manager				X			
Mr G Deans Manager Environment		X					
Mr N Di Falco Environment Manager Western		X					
Mr J Leotta Deloitte Touche Tohmatsu			X				
Mr D Krallis Deloitte Touche Tohmatsu			X				
Mr D Massingham Deloitte Touche Tohmatsu			X				

(A) Executive Management Committee

(E) Executive Information Technology Strategy Committee

(B) Executive Environment Committee

(F) Executive Human Resources Committee

(C) Executive Audit Committee

(G) Market Strategy Steering Committee

(D) Executive Occupational Health & Safety Committee

was as General Manager Delta Maintenance, a position he held for four years. Prior to that he held the positions of Production Manager and Engineering Manager in the Central Coast region.

RICHARD STREET
B. Ec, CA, MBA

Richard Street was appointed Chief Financial Officer in January 2000. Richard worked in private practice before joining Rio Tinto in 1990 as Business Services Manager for Southern Copper Ltd at Port Kembla. He transferred to Kembla Coal & Coke in 1994 and to Rio Tinto Coal in 1997 as Chief Financial Officer to assist in a major restructure of Rio's NSW coal assets in the Hunter Valley. The Finance Group is responsible for all accounting related activities including financial and management accounting, treasury functions, taxation, financial systems development, accounting standards, compliance, payments administration, and commercial services in the areas of procurement and payroll administration

RODNEY WARD
B.Eng (Hons), MBA, FAICD, ASA

Appointed General Manager Business Development in January 2003, Rodney brings to the position direct experience in the national electricity market and a background in power station operations, energy policy, treasury and project finance. Joining Delta in 1997, as General Manager Marketing, Rodney was responsible for the market operations of Delta's portfolio of generation. Prior to Delta, Rodney represented the Victorian Government's interest in the development of National Electricity Market and policy aspects of Victoria's electricity industry restructure and privatisation. He is presently responsible for new business development projects, biomass

fuel purchasing, emission trading scheme issues, project evaluation and business cost performance review.

GREG EVERETT
BComm, MBA, GAICD

Greg Everett has been General Manager Strategy since November 1996, with a period as General Manager Central Coast during 2002. He is currently responsible for strategic planning, fuel purchasing, corporate environmental governance and long-term electricity pricing. He is also a Director of Sunshine Electricity, Delta's joint venture with the NSW Sugar Milling Cooperative, and is the project manager for the 2 x 30 MW developments at Condong and Broadwater sugar mills. Greg has been with Delta since its inception and has a long association with the commercial operation of NSW's power stations.

DAVID HOGG
BE UNSW, GAICD

David Hogg was appointed Chief Information Officer in October 1996, having previously held a range of positions in the Information Systems Group of Pacific Power since 1988. Prior to 1988 David was involved in civil engineering design and construction within Pacific Power. The Information Technology and Communications Group manages the delivery of Information Technology (IT) services to Delta through a range of outsourcing contracts. The Group is also responsible for the formulation of IT and communications strategy, policy and standards.

PAUL BLUME
BEc, Dip. Labour Relations Law, Grad Cert Marketing, GAICD

Paul Blume has been with Delta Electricity since it commenced operations. Prior to this Paul worked in a number of senior roles in

EXECUTIVE MANAGEMENT



Top (left to right):
Jim Hennes (Chief Executive), **Peter McIlveen**, **Stephen Saladine**, **Rohan Hall**, **Richard Street**, **Rodney Ward**.

Bottom (left to right):
Greg Everett, **David Hogg**, **Paul Blume**, **Tim Baker**, **Glenn Sharrock**.

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the electricity supply industry, primarily in people related areas but also in various marketing roles. The Human Resources Group in Delta is responsible for Delta's strategic direction in employee and related matters and for providing support in the delivery of these strategies. The Group also has functional responsibilities, including in the areas of safety, industrial relations, workers' compensation, recruitment and human resources systems administration.

TIM BAKER

BSc, BEng (Hons), MBA, GAICD

Appointed General Manager Marketing at the end of 2002. Prior to this Tim coordinated the physical market operation of Delta's four power stations and has extensive experience in system control, power station operation and interconnection trading within Pacific Power.

As General Manager Marketing Tim is accountable for the sales revenue of the Corporation. The Marketing Group is responsible for the development of physical market and hedge strategies that optimise the profitability of the Corporation. These activities include customer sales, plant coordination, bidding and trading functions and management of regulatory issues.

GLENN SHARROCK

BSc, GCofM

Glenn Sharrock was appointed as General Manager Delta Maintenance since September 2003. Delta Maintenance provides maintenance support to Production Business Units at the four Delta sites and external customers. Glenn had previously held the position of Production & Environment Manager Central Coast since May 1999 including periods as acting General Manager Production Central Coast. Prior to this he was the Environment Manager Central Coast from 1995. In these previous management

positions, he has primarily been responsible for the operations and maintenance of Vales Point and Munmorah power stations including the development and management of environmental management systems, regulatory compliance and community liaison.

MANAGING RISKS

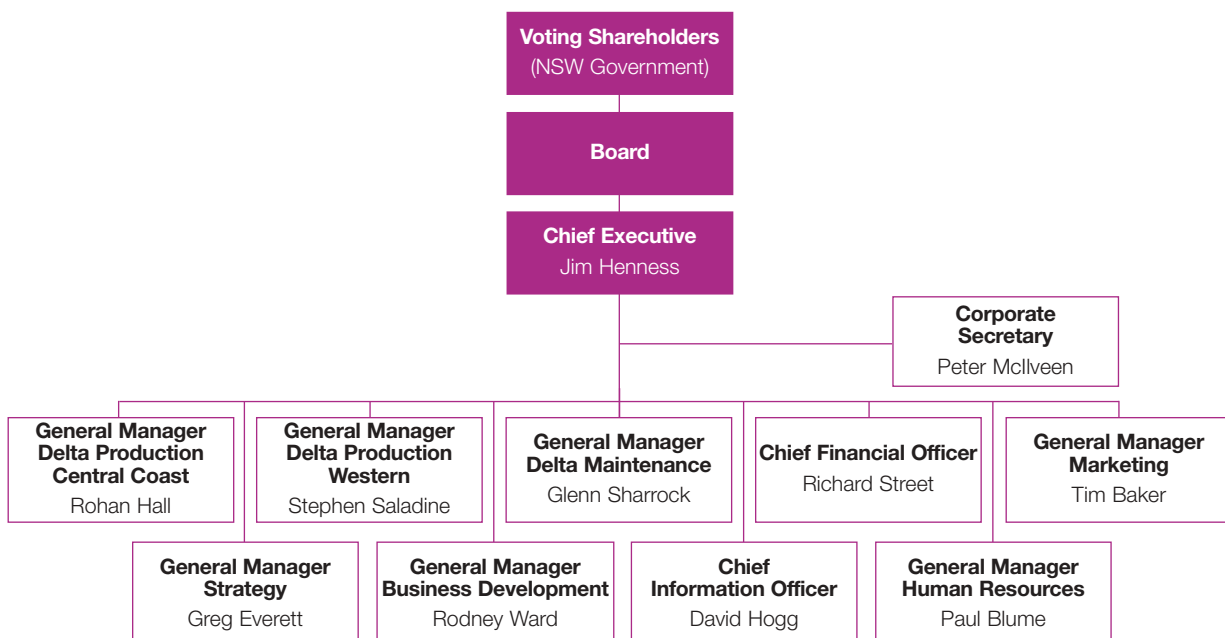
Delta has integrated the risk management framework into its management philosophy. Executive managers and team leaders provide commitment and leadership to the risk management process as part of their normal duties and in compliance with the Risk Management Plan. Specific areas of focus are safety, environment, asset protection and regulatory compliance.

Delta's risk management application 'Knowrisk' is based on the standard AS/AZS 4360:1999 Risk Management. The application architecture provides a hierarchical structure for the identification, recording, assessment, escalation and reporting risks. Risks are reviewed monthly at business unit and executive committee level and at least quarterly at Board level.

As part of Delta's annual insurance renewal program, reviews and valuations of risk exposures are undertaken. Presentations are made to insurance providers that assess risk exposures, risk management practices and Delta's progress in implementing the recommendations of loss of prevention surveys routinely conducted at power stations. Delta is cooperatively engaged with its insurance providers to reduce risk exposures for key operating plant and equipment.

Risks are monitored and assessed as part of Delta's business planning performance management process, which include:

FIGURE EIGHT: ORGANISATIONAL CHART



- a) performance agreements and performance reporting from the Chief Executive to the Board and from business unit General Managers to the Chief Executive;
- b) the Board Audit Committee, Board Finance Committee, Board Environment & Occupational Health & Safety Committee, Board Remuneration and Staff Committee;
- c) the executive committees of Environment, Occupational Health & Safety, Business Review, Information Systems, Internal Audit, Market Strategy, Human Resources;
- d) the Chief Executive's and business group managers' monthly business reviews;
- e) management systems including financial management information system reporting, business planning and performance management and environmental management;
- f) monthly Board reports on Delta's performance;
- g) established policies for the management of risks associated with marketing operations;
- h) financial risks associated with Treasury operations are managed by outsourcing of treasury services. Treasury operations performance is reported to the Board and executive on a monthly basis; and
- i) market related issues and risks are managed through the weekly Market Strategy Steering Committee meetings chaired by the Chief Executive.

Environment

Environmental audits are conducted on a two year cycle covering facilities and process, environmental management and compliance. Delta has a system to document actions and to ensure audit recommendations are implemented. In addition, all sites are certified (June 2002) to ISO 14001 Environmental Management standard. This standard requires continuous reassessment and reduction of all environmental risks.

Occupational Health and Safety

Occupational Health and Safety activity based risk assessment processes have been established in each business unit designed to ensure that employees conduct work based risk assessment before performing tasks.

Safety audits are conducted on a two year cycle covering facilities, process, safety management systems, safety rules, compliance and due diligence.

Fire audits are conducted annually by FM Global covering facilities, process, fire management and legal compliance.

The National Safety Council Australia conducts annual safety five star audits of each business unit.

Finance and Treasury operations

Delta has Treasury Management Framework and Operational Risk Policies, reviewed by the Board each year. These policies establish effective internal controls and reporting systems for the management of treasury risks. Treasury operations are reported to the Board and executive on a monthly basis.

Market operations

Delta has Electricity Market Risk Management Policies, reviewed by the Board each year that support controls to address risks associated with market operations.

Delta has implemented the following risk management systems to document and report risks:

- Knowrisk – enterprise wide;
- Nisoft Safety Document Management System.

Each of these management systems identify, monitor, assess and manage risk. This methodology of risk management is based on the standard AS/AZS 4360:1999 Risk Management.

Financial and Treasury management

Financial asset and liability management is in accordance with Board approved Treasury management policies. These policies cover areas of credit risk, liquidity risk, interest-rate risk management, foreign exchange risk, commodity risk, investment management and permitted instruments. These policies are under regular review.

To manage cash flows effectively, Delta maintains a detailed cash flow model. Funds surplus to short-term requirements are invested to maximise interest returns. These funds are recalled on an as-required basis from investments to meet ongoing commitments.

Asset management

Market based asset management recognises that asset management contributes to electricity generation by the:

- cost of engineering;
- plant being ready when needed – our measure is 'availability'; and
- plant staying in service when needed – our measure is 'reliability'.

Fraud prevention

Delta is committed to high standards of ethics. There is a strong commitment by Delta's Board and executive managers to ensure that fraud prevention maintains a strong strategic focus.

The Fraud Prevention Committee is responsible for the development and continual review of Delta's Fraud Prevention Strategy, and to ensure that adequate controls are in place to reduce the possibility of fraudulent or corrupt conduct.

The Fraud Prevention Committee reports to the Executive Audit Committee which reports to the Board Audit Committee.

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Code of Conduct

Delta's Code of Conduct provides the basis for the Board and all employees to perform their responsibilities effectively.

The Code establishes standards of acceptable behaviour and makes references to the relevant policies and procedures and the means by which staff can report incidents or issues.

Freedom of Information

During 2003/04, Delta Electricity received five applications under the Freedom of Information Act.

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

ANNUAL REPORTING COMPLIANCE

Delta is required to report on a range of matters which are covered by various Acts, including the Annual Reports (Statutory Bodies) Act, Regulations and Treasury and Premier's memoranda. The following information is provided in accordance with these requirements.

Exemption from the reporting provisions

Approval was given by the New South Wales Treasury under delegation from the Treasurer, the Hon Michael Egan MLC, to exempt Delta Electricity for the year ended 30 June 1997 and subsequent financial years from the following financial requirements:

Budgets

Research and Development

Land Disposal

Payment of Accounts

Time for Payment of Accounts

Investment Management Performance

Liability Management Performance

Exemptions for the following annual reporting requirements were approved

subject to the condition that comments and

information relating to these items are disclosed in summarised form:

Summary Review of Operations

Management and Activities

Consumer Response

Report on Risk Management and Insurance Activities.

Other exemptions were approved subject to specific conditions:

HUMAN RESOURCES

Overseas visits with main purposes highlighted, are required to be disclosed.

CONSULTANTS

Total amount spent on consultants is to be disclosed along with a summary of the main purposes of the engagements.

DISCLOSURE OF CONTROLLED ENTITIES

Names of the controlled entities are to be disclosed along with a summarised disclosure of the controlled entities' objectives, operations and activities and measures of performance.

FINANCIAL STATEMENTS OF CONTROLLED ENTITIES

Exempt from preparing manufacturing and trading statements but required to prepare a summarised operating statement.

Promotion

The following publications are available.

Information for the public:

1996 Annual Report

1997 Annual Report

1998 Annual Report

1999 Annual Report

2000 Annual Report

2001 Annual Report

2002 Annual Report

2003 Annual Report

1996-1999 Environment Report

2000 Environment Review

2001 Environment Report

Central Coast Operations

Discovery of Electricity

Electricity Generation

Electricity in New South Wales

Energy Expo

Power from Coal

Selenium Facts

The History of Delta Electricity

Western Operations

Sunshine Energy – Cogeneration Project

Delta Central Coast Community Newsletter.

Information for Delta Electricity staff:

Code of Conduct

Deltanet

Employee Assistance Services

Family Care Link

Into the Future

Disability Plan 2002-2004.

TABLE TWELVE: OVERSEAS VISITS

During the year the following officers went overseas:

Name	Date	Destination	Purpose
Shane Lee	23 August to 1 September 2003	Germany	The purpose of the trip was to attend training and conduct factory acceptance testing of new flame scanners for Mt Piper Power Station
Peter Coombes	27 to 30 October 2003	Japan	Attend the IEA Bioenergy Task 32 meeting and conference. Travel costs were paid for by the IEA
Steve Saladine	9 May to 2 July 2004	United Kingdom	Attend leadership development program at the London Business School
Tim Baker	16 May to 6 June 2004	United States of America and Canada	Review of overseas market operations
Frank Hutchinson	16 May to 6 June 2004	United States of America and Canada	Review of overseas market operations
Peter Tang	24 to 27 November 2003	New Zealand	Attend CIGRE APC1 meeting