



FINANCIAL AUDIT REPORT

6 December 2023

Energy 2023

Report 5: 2023–24

As the independent auditor of the Queensland public sector, including local governments, the Queensland Audit Office:

- provides professional audit services, which include our audit opinions on the accuracy and reliability of the financial statements of public sector entities
- provides entities with insights on their financial performance, risk, and internal controls; and on the efficiency, effectiveness, and economy of public service delivery
- produces reports to parliament on the results of our audit work, our insights and advice, and recommendations for improvement
- supports our reports with graphics, tables, and other visualisations, which connect our insights to regions and communities
- conducts investigations into claims of financial waste and mismanagement raised by elected members, state and local government employees, and the public
- shares wider learnings and best practice from our work with state and local government entities, our professional networks, industry, and peers.

We conduct all our audits and reports to parliament under the *Auditor-General Act 2009* (the Act). Our work complies with the *Auditor-General Auditing Standards* and the Australian standards relevant to assurance engagements.

- Financial audit reports summarise the results of our audits of over 400 state and local government entities.
- Performance audit reports cover our evaluation of some, or all, of the entities' efficiency, effectiveness, and economy in providing public services.

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The Honourable C Pitt MP
Speaker of the Legislative Assembly
Parliament House
BRISBANE QLD 4000

6 December 2023

This report is prepared under Part 3 Division 3 of the *Auditor-General Act 2009*.



Brendan Worrall
Auditor-General



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ISSN 1834-1128

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Acknowledgement

The Queensland Audit Office acknowledges the Traditional and Cultural Custodians of the lands, waters, and seas across Queensland. We pay our respects to Elders past, present, and emerging.

Report on a page

This report summarises the audit results of Queensland’s energy entities. These entities generate, transmit and distribute electricity for Queensland.

Financial statements are reliable

We issued 7 audit opinions for the energy sector. The financial statements of the energy entities are reliable and comply with relevant reporting requirements. All energy entities met their legislative deadlines for signing their financial statements.

Internal controls can be strengthened

Energy entities must actively implement strong controls to protect their information and assets. Energy sector entities need to strengthen the security over their systems and processes (internal controls). This continues to be the area where we identify an increasing number of issues, particularly in relation to access to systems. We identified 2 deficiencies that were significant (which means they need to be addressed immediately). These related to managing full access to information systems and making termination payments to senior management.

Energy Queensland has been implementing its digital transformation program since 2016. The complexity of integrating multiple systems has caused delays in implementing the asset management and payroll system components. The program was originally scoped with a budget of \$238 million and due for completion in June 2020. The approved budget was revised to \$717 million in 2022. The program is now expected to be completed in June 2026 with the revised scope and at an estimated cost of \$952 million.

Sector profitability continues to decline

Total profits have declined by \$211 million to \$121 million in 2022–23. Current year profits of the energy sector were affected by the volatility in electricity prices, a decline in the value of the power stations, higher operating costs, and a reduction in transmission and distribution revenues due to lower tariff rates. The generators’ profits increased, but this was not enough to offset the reduction in profits in the other parts of the energy supply chain.

Although profits declined, the shareholder returns to the Queensland Government increased. This is due to the recommencement of dividends from the transmission entity, which resulted in an increase in dividends of \$142 million. Generators continued to retain dividends for investment in future energy projects.

The sector faces challenges in achieving *Queensland Energy and Jobs Plan* targets

The Queensland Government’s *Queensland Energy and Jobs Plan* sets a pathway for achieving 80 per cent renewable energy generation by 2035. Several renewable energy projects are underway to reduce Queensland’s reliance on coal, along with pumped hydro energy storage projects which will support the energy transformation. Any delays in delivering the renewable projects, and any increase in construction costs or environmental concerns, could affect the viability of the projects and the achievement of the plan’s targets.



1. Recommendations

Prior year recommendations need further action

In our *Energy 2020* (Report 11: 2020–21), *Energy 2021* (Report 7: 2021–22), and *Energy 2022* (Report 8: 2022–23) reports, we recommended that the energy sector entities address the security of their information systems. Although they have acted on our recommendations, we continue to identify similar internal control deficiencies.

Entities cannot take a ‘set and forget’ approach to keeping their information systems secure. They must be vigilant and respond promptly to change. Otherwise, there is an increased risk of cyber attacks, loss of sensitive information, non-compliance with security policies to safeguard critical infrastructure assets, and reputational damage.

We recommend energy sector entities actively implement controls that respond to changes within their entities and protect their systems from external threats.

Strengthen information system controls

1. With the evolving security threats and advancement in security controls and technology, we recommend that the energy sector entities:
 - limit the access to information systems provided to employees and third-party contractors to only what they need to perform their jobs
 - monitor activities performed by employees and third-party contractors who have access to sensitive data and can make changes within the system
 - fully assess the design and effectiveness of any new controls they implement to ensure they do not create control gaps in other parts of the information system security chain
 - update security settings in line with updated risk assessments, security policies, and better practices.

We also recommend energy entities continue implementing the following recommendations, which we made in our *Energy 2020* report:

- provide security training for employees so they understand the importance of maintaining strong information systems, and their roles in keeping them secure
- implement strong password practices and multifactor authentication (for example, a username and password, plus a code sent to a mobile), particularly for systems that record sensitive information
- encrypt sensitive information to protect it
- patch vulnerabilities in systems in a timely manner, as upgrades and solutions are made available by software providers to address known security weaknesses that could be exploited by external parties.

We have included our prior year recommendation and status in [Appendix D](#).

Reference to comments

In accordance with s.64 of the *Auditor-General Act 2009*, we provided a copy of this report to relevant entities. In reaching our conclusions, we considered their views and represented them to the extent we deemed relevant and warranted. Any formal responses from the entities are at [Appendix A](#).



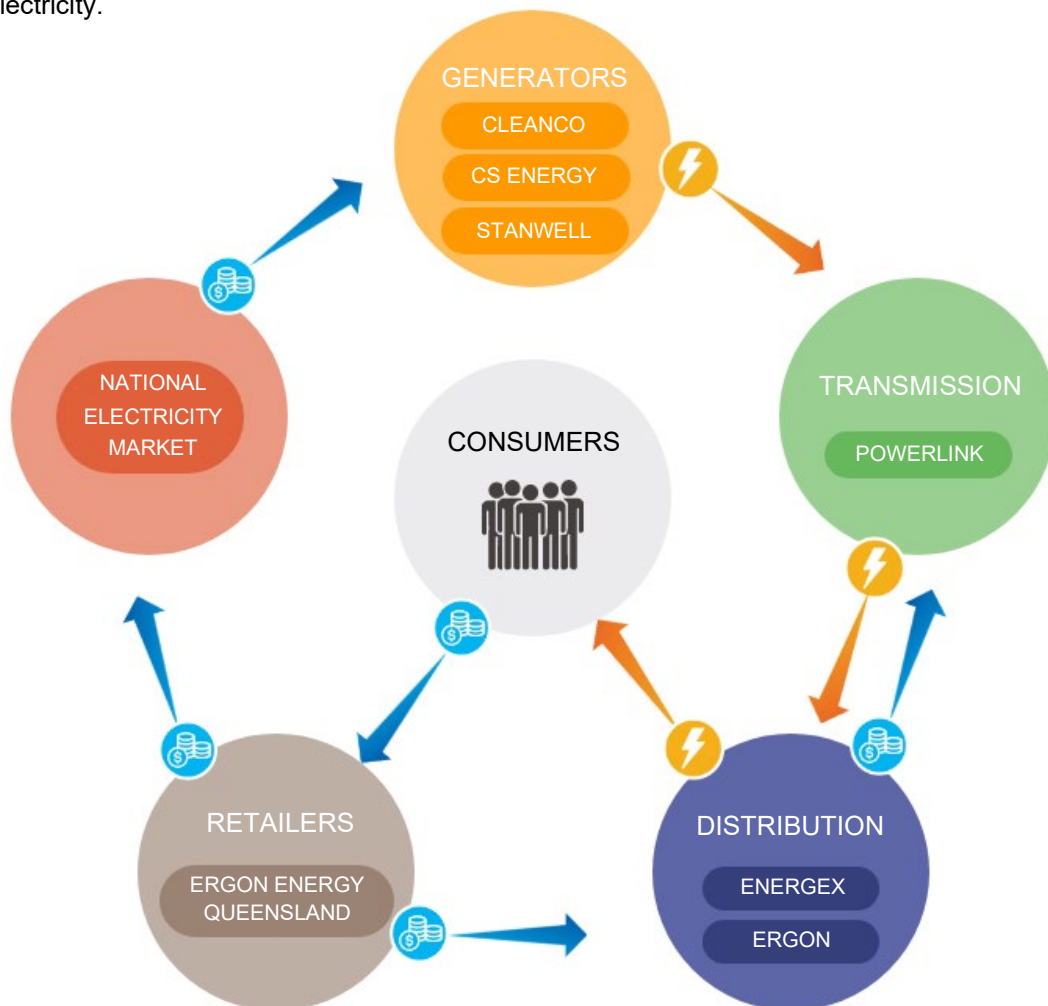
2. Entities in this report

In Queensland, state government owned corporations generate, transmit and distribute electricity. The following diagram shows their roles in the Queensland energy sector supply chain.

Figure 2A
Queensland’s energy sector

The electricity supply chain

Electricity is generated by power stations and flows through transmission and distribution lines to consumers. Electricity retailers and the National Electricity Market are also involved in the sale of the electricity.



Notes:

- The National Electricity Market is the wholesale electricity market through which generators and retailers from the eastern and southern Australian states and territories trade electricity. The Australian Energy Market Operator is responsible for operating the wholesale and retail markets. CleanCo, CS Energy, and Stanwell also participate in the retail market, providing energy solutions to large commercial and industrial organisations.
- Energex, Ergon, Ergon Energy Queensland, and Yurika are subsidiaries of Energy Queensland Limited.
- Yurika provides a range of energy-related and infrastructure services to the generation, distribution, and transmission entities. These services do not form part of the electricity supply chain outlined above.

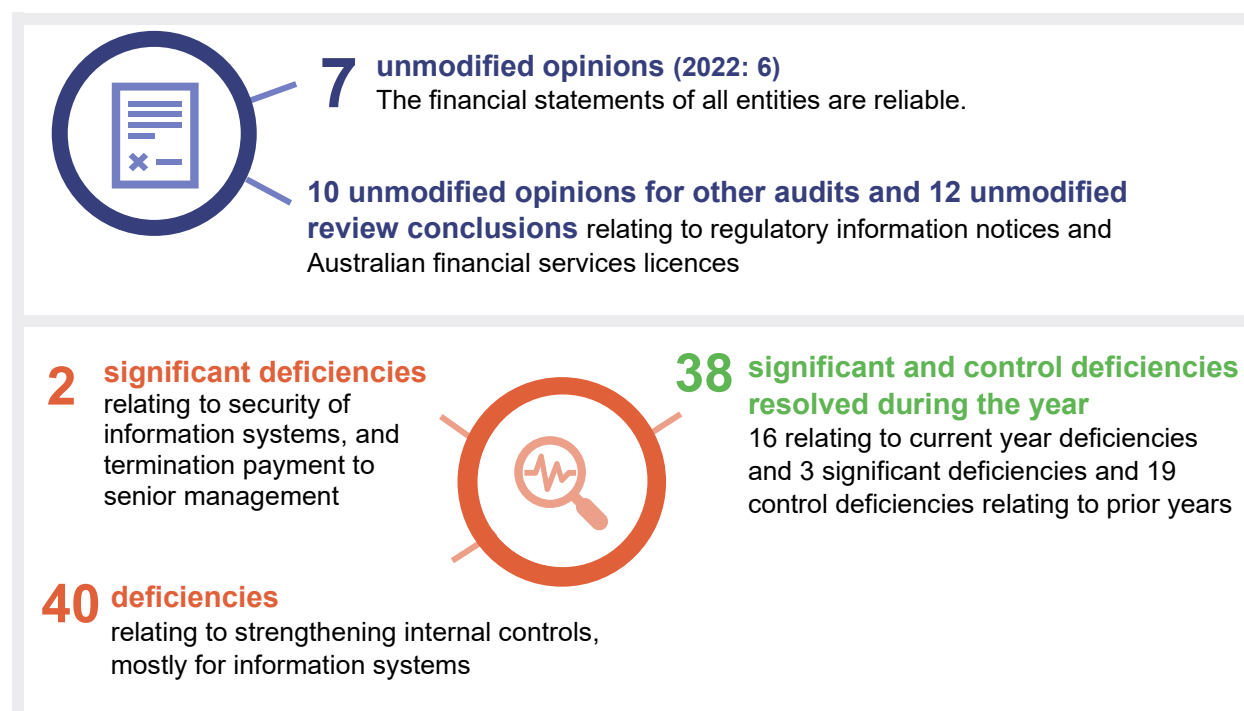
Source: Compiled by the Queensland Audit Office.



3. Results of our audits

This chapter provides an overview of our audit opinions for entities in the energy sector. It also provides conclusions on the effectiveness of the systems and processes (internal controls) entities use to prepare financial statements.

Chapter snapshot



Notes:

- A deficiency arises when internal controls are ineffective or missing, and are unable to prevent, or detect and correct, misstatements in the financial statements. A deficiency may also result in non-compliance with policies and applicable laws and regulations and/or inappropriate use of public resources. A significant deficiency is a deficiency, or a combination of deficiencies, in internal controls that requires immediate remedial action.
- Regulatory information notices are used to collect information from the distribution entities to assist the Australian Energy Regulator (AER) in deciding how much these entities can earn.
- Entities must have Australian financial services licences if they enter into fixed-price contracts to manage the future risk of fluctuating electricity prices. These entities must lodge an annual compliance form with the Australian Securities and Investments Commission.

Audit opinion results

We issued unmodified audit opinions for all energy entities in Queensland. This means the financial statements can be relied upon, as they are prepared in accordance with the relevant legislative requirements and Australian accounting standards.

We also issued an unmodified audit opinion on the financial statements of Yurika Pty Ltd, which we audited for the first time in 2022–23. These statements were prepared to comply with the Queensland Building and Construction Commission licence that Yurika Pty Ltd holds to perform building works.

All entities reported their results within their legislative deadlines. [Appendix E](#) provides details on the audit opinions we issued for energy sector entities in 2023.

Other audit certifications

[Appendix E](#) lists the assurances we performed during the year on regulatory information notices and Australian financial services licences.

The regulatory information notices are prepared for the Australian Energy Regulator and include actual and estimated financial and non-financial information. We issued 6 unmodified audit opinions for *actual* financial data and 12 unmodified review conclusions for *estimated* financial and non-financial data.

To trade in electricity financial products, energy entities must hold Australian financial services licences and comply with the conditions of their licences. We issued 4 unmodified audit opinions relating to these licences.

Entities not preparing financial statements

For each state public sector company, other than government owned corporations, the board of directors considers the requirements of the *Corporations Act 2001* and the company's constitution to determine whether financial statements need to be prepared.

When entities are part of a larger group and are secured by a guarantee with other entities in that group (that they will cover their debts), the Australian Securities and Investments Commission allows them to not prepare a financial report. In addition, dormant or small companies that meet specific criteria under the *Corporations Act 2001* are not required to prepare financial statements. [Appendix F](#) lists the energy entities for 2023 that are not required to produce financial statements.

Entities should further strengthen their internal controls

We found the internal controls for preparing financial statements were effective in producing reliable financial statements; however, they can be improved.

We identified 42 deficiencies in internal controls. Of these, we assessed 2 as significant, which means they require immediate action from management. The remaining 40 represented a lower risk, which can be corrected within 12 months.

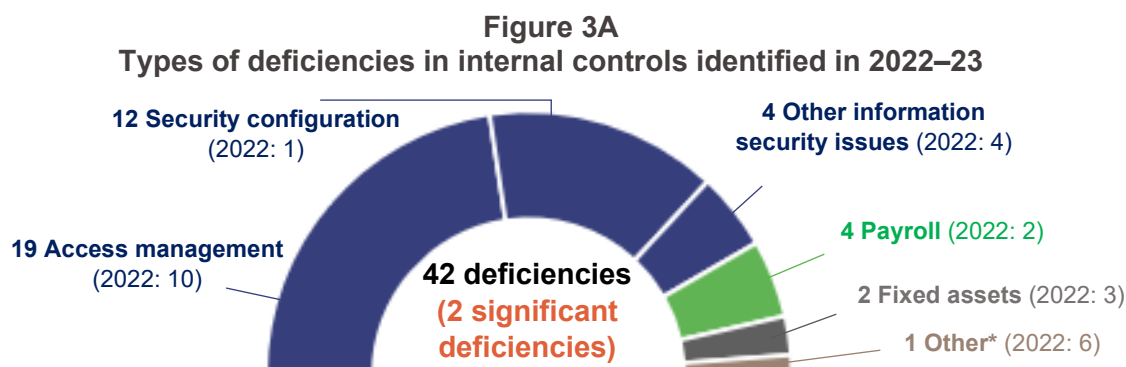
The significant deficiencies related to the following:

- A termination payment made to senior management was not in accordance with the Queensland government owned corporations policy on *Chief and Senior Executive Employment Arrangements* issued by Queensland Treasury. We also identified similar weaknesses in other public sector entities and we will report these in our upcoming state entities 2023 report to parliament.
- A number of internal and external users had been given unrestricted (full-system) access to information systems.

Figure 3A highlights that internal control weaknesses over information systems represented the majority of the deficiencies we reported to management in 2022–23. The most common weaknesses we identified related to how users access systems (access management), and how automated controls or security settings are implemented (security configuration), including:

- not restricting access provided to staff and third-party contractors in line with their job roles
- not adequately monitoring the activities of users who can access sensitive data, and at the same time make changes within the system
- implementing new security controls but inadvertently creating security gaps needing to be addressed
- not updating security settings in line with the entities' security policies and better practices.





Note: *Other issues related to weaknesses identified over inventory and forward contracts.

Source: Compiled by the Queensland Audit Office.

We identified the following contributors to the increase in information system controls weaknesses during the year:

- high staff turnover, resulting in inconsistent or inadequate implementation of control
- lack of staff awareness of existing policies
- higher reliance on third-party service providers, and not clearly restricting access to only those who need it.

The energy sector needs to continue to improve the security of its systems

The energy sector operates critical infrastructure assets that power the economy and nation. As a result, it is a frequent target for cyber attacks. Energy entities have implemented processes to uplift their security practices in managing their critical assets. In addition to these practices, the entities also have to comply with the requirements of the *Security Legislation Amendment (Critical Infrastructure Protection) Act 2022* (Cth). This Act outlines the framework for managing security risks relating to the critical infrastructure assets.

In its *2022 Annual Cyber Threat Report*, the Australian Cyber Security Centre reported the following findings:

- Critical infrastructure networks globally were targeted at phenomenal rates during 2021–22.
- Eight per cent of all cyber incidents that it responded to affected critical infrastructure assets.
- The electricity, gas, water, and waste services sectors are included in the top 10 industry sectors impacted by the cyber security incidents it responded to.

It is critical that energy sector entities implement strong security controls to protect their data and assets from cyber attacks. Our *Forward work plan 2023–26* includes an audit on responding to and recovering from cyber attacks, which will provide insights and lessons learned on entities' preparedness.

The nature and the causes of the weaknesses we identified in information system controls highlighted that energy sector entities cannot 'set and forget' security controls. The controls should be continuously reviewed, improved, and strengthened to maintain operating effectiveness.

Our audit focuses on the information systems used to prepare financial statements. However, it is important that the same security principles and recommendations are applied to all systems used – the strength of the entities' internal controls is only as good as its weakest link. Entities must remain vigilant and ensure all their information systems are properly secured.

Recommendation for all energy entities – strengthen information system controls

Consistent with last year, we continue to recommend that energy sector entities implement appropriate controls over access to their systems and systems security to protect their information systems.

1. With the evolving security threats and advancement in security controls and technology, we recommend that the energy entities:
 - limit the access to information systems provided to employees and third-party contractors to only what they need to perform their jobs
 - monitor activities performed by employees and third-party contractors who have access to sensitive data and can make changes within the system
 - fully assess the design and effectiveness of any new controls they implement to ensure they do not create control gaps in other parts of the information system security chain
 - update security settings in line with updated risk assessments, security policies, and better practices.

We recommend all entities continue to act on the recommendation from our prior years' reports to strengthen the security of their information systems. [Appendix D](#) provides the status of the prior year recommendation as at 30 June 2023.

Energy Queensland's Digital Transformation Program

Energex and Ergon Energy (Energy Queensland's distribution entities) commenced their Digital Transformation Program with an approved budget of \$238 million in 2016. The original budget aligns with the Australian Energy Regulator's funding allocation for the regulatory period 2015–20. The original scope of the program was to replace the distribution entities' outdated information technology systems, and with an expected completion date in June 2020. The distribution entities were combined to form Energy Queensland in June 2016. Following the merger, the revised scope of the program included additional components to align the distribution network systems, which resulted in the increased costs for the program. As at 30 June 2022, the approved budget for the program was \$717 million.

Energy Queensland continues to experience delays in implementing components of the program, which include asset management and payroll systems. While various key components of the program have been delivered, the final implementation of the current scope is now expected to be in June 2026. As of 31 August 2023, \$699 million had been spent on the program. In 2022–23, Energy Queensland commenced a comprehensive replan, scoping, and budget review, which are expected to be completed in calendar year 2024. Based on current forecasts, the total rescope program is estimated to cost \$952 million at completion.

The increase in the program costs is due to changes in program scope and implementation delays. The complexity of integrating multiple systems resulted in the original asset management system design being too complicated for the staff to use.

The replan program included:

- reviewing the total costs incurred and writing off \$43 million for components of the project that were no longer expected to deliver benefits
- simplifying the implementation approach by proposing to roll out the project over a series of releases instead of on a single release date.




In August 2023, the board of Energy Queensland approved that \$225 million of information and communication technology expenditure, including Digital Technology Program expenditure, would not be recovered from its customers. This expenditure is more than the regulatory allowance that the Australian Energy Regulator (AER) had approved. This board decision was made as part of the assessment of capital expenditure overspend, in preparation for the next regulatory determination submission to AER. The next regulatory determination is a review of the amount of revenue that the entity can recover from its customers in the period 2025–30.

The delays and cost increases will affect the cost savings and the financial returns to the Queensland Government (the shareholder).

The implementation of complex systems does not come without risks and challenges. Entities need to ensure that information technology projects continue to be aligned with business outcomes, and that proposed benefits are still being achieved.

Appropriate governance was put in place by management, however, various challenges and weaknesses in the implementation contributed to the delays and higher implementation costs. These challenges and strengths are outlined in Figure 3B against the 5 critical success factors identified in our report *Delivering successful technology projects* (Report 7: 2020–21). Energy Queensland has also advised the actions it is undertaking in response to these weaknesses.

Figure 3B
Strengths and weaknesses in the implementation of the Digital Transformation Program and management actions being taken in response to weaknesses

Critical success factors	Strengths and weaknesses
 <p>Senior leaders actively lead and challenge</p>	<p>Strengths:</p> <ul style="list-style-type: none"> Regular performance reporting to the audit committee and board Use of external consultants to provide project assurance to the board <p>Weakness:</p> <ul style="list-style-type: none"> No independent advisory committee (comprising of members with expertise in leading digital transformation) to assist the board in challenging representations made by management and external consultants <p>Action in progress:</p> <ul style="list-style-type: none"> Established a Digital Project Board Committee in May 2023 which provides specific oversight over the program implementation with independent advice
 <p>Projects are aligned to business outcomes</p>	<p>Strength:</p> <ul style="list-style-type: none"> Involvement of staff in the design and testing of the program components <p>Weaknesses:</p> <ul style="list-style-type: none"> Implementation of the whole program through a single release instead of a series of smaller releases Unrealistic milestones set for the asset management system and payroll implementation <p>Actions in progress:</p> <ul style="list-style-type: none"> Replanning to simplify the program rollout by implementing the projects over a series of releases Focus on payroll implementation in 2023
 <p>Internal and external teams work towards the same goals</p>	<p>Strength:</p> <ul style="list-style-type: none"> Leveraged expertise of external consultants to build internal capability <p>Weaknesses:</p> <ul style="list-style-type: none"> Building too many functionalities within the new system, which contributed to system complexity Lack of standard information system design principles used by both internal and external teams resulted in the system being too complex <p>Actions in progress:</p> <ul style="list-style-type: none"> Managing technological system changes with a strong focus on user requirements Developed common design principles

Critical success factors	Strengths and weaknesses
 <p>The team has the skills and capacity to match challenge</p>	<p>Strength:</p> <ul style="list-style-type: none"> • Sufficient time allocated to staff to work on the project <p>Weakness:</p> <ul style="list-style-type: none"> • Access to limited pool of skilled staff and external consultants <p>Actions in progress:</p> <ul style="list-style-type: none"> • Diversifying the pool of external consultants to reduce single point of failure and maximise expertise • Strong partnership with vendors and access to global resources
 <p>Learnings are identified and acted on</p>	<p>Strength:</p> <ul style="list-style-type: none"> • Regular monitoring of program milestones against the planned outcomes <p>Weakness:</p> <ul style="list-style-type: none"> • Replan program could have been performed in a timely manner to affect the necessary change sooner <p>Action in progress:</p> <ul style="list-style-type: none"> • Continuous monitoring of outcomes and acting on 'lessons learned' throughout the program milestones

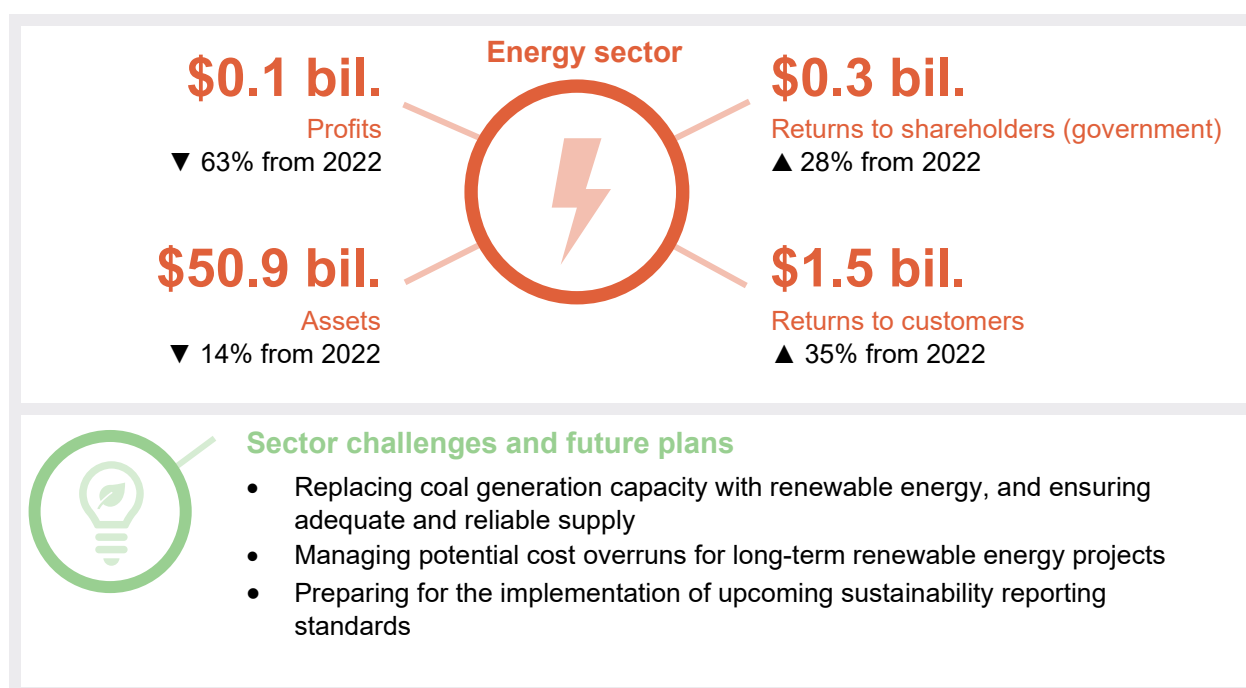
Source: Compiled by the Queensland Audit Office from responses from Energy Queensland's management.



4. Financial performance of energy sector entities

This chapter analyses the financial performance and position of energy sector entities. We consider emerging issues relevant to the sector as part of this.

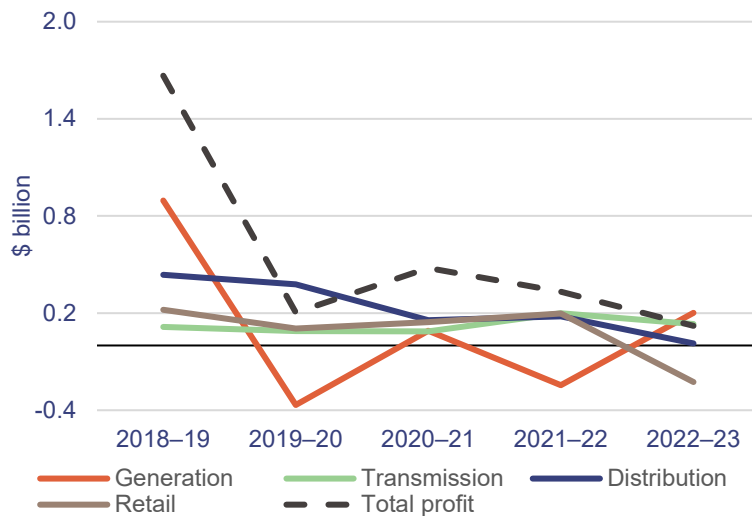
Chapter snapshot



There has been a significant decrease in the sector's profits due to a lower average wholesale electricity price

Figure 4A outlines the profits of state-owned energy entities. The supply chain includes generators, transmitters, distributors, and retailers.

Figure 4A
Energy sector’s profits – by supply chain element



In 2022–23, the energy sector entities recorded a total profit of \$121.3 million, which is a decrease of \$210.9 million (63 per cent) from the previous year.

The overall decline in the sector profits is driven by the following factors:

- volatility of electricity prices
- lower **transmission** and **distribution** tariff rates
- a decline in the value of the coal power stations due to higher maintenance costs and lower electricity prices.

Source: Compiled by the Queensland Audit Office from energy entities’ financial statements.

To manage the effect of wholesale electricity price volatility on their financial results, generators and retailers enter into contracts with each other and with commercial and industrial customers. Prices for future electricity purchases and sales are specified in the contracts, and these contracts are valued using future (estimated) electricity prices. The estimation of future electricity prices requires significant judgement. This includes assumptions about weather, coal and gas prices, power station outages impacting capacity, government policies, and retirement plans for coal-fired plants.

The movements between the contracted and future electricity prices are recorded in the profit and loss statement of the generators and retailer, in accordance with the requirements of the Australian accounting standards. On 30 June 2023, contracted electricity prices exceeded forecast electricity prices. This contributed to losses amounting to \$594 million (2022: losses of \$350 million) for the generation and retail entities. These losses are realised on future settlement of the contracts, and the amount could differ substantially from the losses recorded at 30 June 2023.

Returns to shareholders have increased

Returns to shareholders are made up of dividends payable (a share of profits paid to shareholders – state government) and income tax equivalents (which are taxes payable by commercial operators in government).

In 2022–23, total returns to the state government amounted to \$273 million, an increase of \$60 million (28 per cent) from the previous year. Figure 4B shows the increase in returns to shareholders in 2022–23.

Figure 4B
Returns to shareholders have increased in 2022–23



Returns to shareholders improved in 2022–23, but they were still significantly lower than what they have been prior to 2021–22.

The increase in returns to shareholders was driven by higher dividends. Over the last 2 years, the shareholders have only received dividends from Powerlink (a transmission entity). The dividends included a special dividend of \$90 million, which is consistent with the payments made in prior years.

The shareholding ministers approved the generators retaining their dividends in 2022–23 and they gave approval for all energy entities to do so in 2021–22. This is to support the entities' investment in future energy projects and to maintain the viability of their businesses.

The income tax equivalents payable to shareholders are based on taxable profits or losses. The decline in taxable profits of the energy entities resulted in the lower tax equivalents this year.

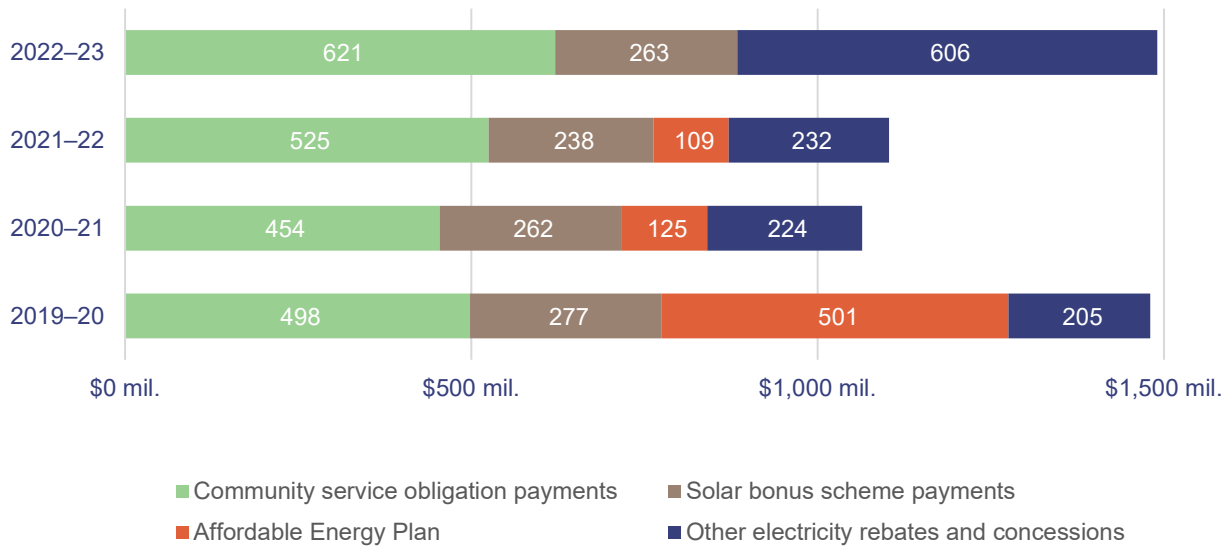
Source: Compiled by the Queensland Audit Office from energy entities' certified financial statements.

Returns to customers have increased

Total returns to customers amounted to \$1.5 billion in 2022–23, an increase of \$386 million (35 per cent) from 2021–22. Figure 4C shows the returns to customers from 2019–20 to 2022–23.



Figure 4C
Total returns to customers have increased since 2021–22



The government paid higher **community service obligation payments** to Energy Queensland to subsidise the high costs of providing electricity to regional Queensland. Without these payments, Ergon Energy Queensland would have recorded a loss after tax of \$846.8 million in 2022–23.

Other electricity rebates and concessions increased by \$374 million in 2022–23 due to the \$175 cost-of-living rebates for households introduced in September 2022. As part of the 2023–24 state budget, the government announced further electricity rebates of \$1,072 for vulnerable households and \$550 for other Queensland households. These rebates will be included as part of next year’s customer returns.

The cost-of-living rebates replaced the **Affordable Energy Plan**. The plan included COVID-19 relief payments provided to households and eligible small businesses.

Note: The Solar Bonus Scheme relates to payments made by Energy Queensland to customers for the power they contributed to the energy grid through their rooftop solar. The scheme has closed for new applicants and will cease for existing eligible customers on 1 July 2028. Other electricity rebates and concessions mostly consist of payments made to eligible pensioners and seniors and cost-of-living rebates.

Source: Compiled by the Queensland Audit Office from the certified financial statements of the energy entities; the Department of Treaty, Aboriginal and Torres Strait Islander Partnerships, Communities and the Arts; the Department of Energy and Public Works; and the Department of Child Safety, Seniors and Disability Services.

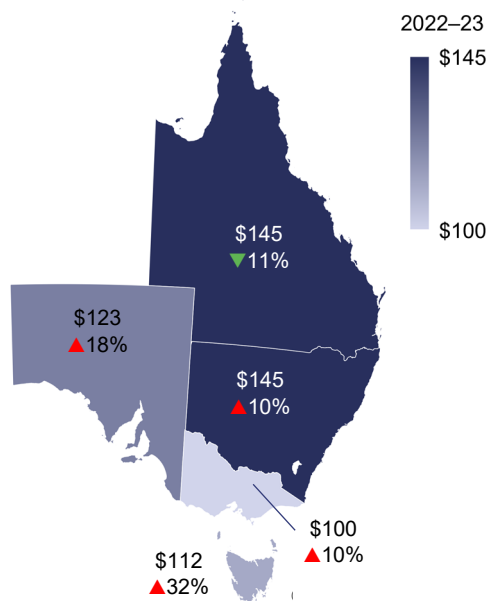
Queensland wholesale electricity prices have decreased

Wholesale electricity prices are determined every 5 minutes based on supply and demand. Although Queensland’s average annual wholesale price decreased, Queensland and New South Wales had the highest electricity price in Australia in 2022–23.

Figure 4D shows the changes in the wholesale electricity prices in Queensland and the other eastern and southern states and territories.



Figure 4D
Wholesale electricity prices for Queensland decreased in 2022–23



Source: Compiled by the Queensland Audit Office from Australian Energy Market Operator (AEMO) pricing data extracted on 1 September 2023.

In 2022–23, wholesale electricity prices across the National Electricity Market increased by 11.8 per cent on average compared to those reported in 2021–22.

Queensland was the only state to record a decrease in the average wholesale price. This was due to a combination of the following factors:

- improved weather conditions, resulting in increased generation from renewable sources, which led to lower demand for electricity from the network
- the return to service of the Swanbank power plant in September 2022, which improved generation availability
- government-imposed price caps, which lowered the prices on coal and gas.

Notes:

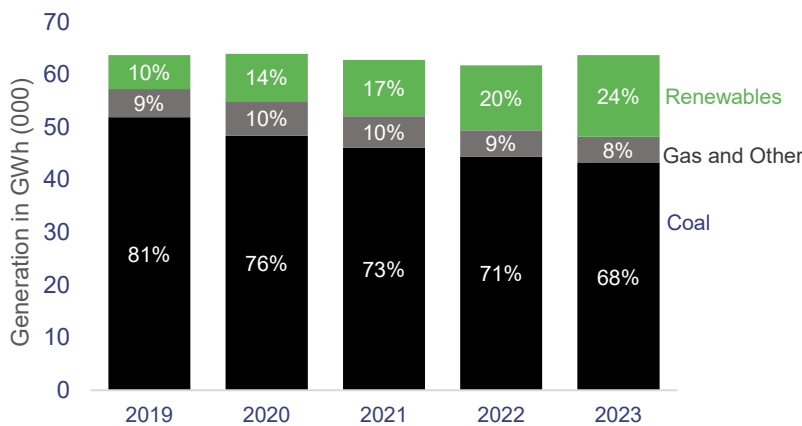
- National Electricity Market (NEM) is the wholesale electricity market where generators and retailers from the eastern and southern Australian states and territories trade electricity.
- Wholesale electricity prices are one component of retail electricity prices (with the other components being network and retail costs).
- Refer to [Appendix H](#) – Figure H1 for further details.

The Queensland Energy and Jobs Plan’s target of 80 per cent renewable energy generation by 2035 presents challenges

The Queensland Government’s 2022 *Queensland Energy and Jobs Plan* outlines a pathway to achieving 80 per cent of renewable energy generation by 2035. On 24 October 2023, the Queensland Government introduced the *Energy (Renewable Transformation and Jobs) Bill 2023* to parliament, which aims to put the *Queensland Energy and Jobs Plan* targets into law.

Figure 4E shows the change in proportions of Queensland’s energy generation by source for the past 5 financial years. In 2022–23, the state-owned generators supplied 47.8 per cent (2022: 49.2 per cent) of the total electricity generation in Queensland. This is different to the Queensland Government’s commitment to public ownership of the energy system, which measures the percentage of large-scale generation owned by state-owned generators (so excludes electricity generated from rooftop solar). The Queensland Government reports this level to be 55 per cent in 2022–23.

Figure 4E
Renewable energy generation is steadily increasing, but coal is still the dominant source of energy in Queensland



The share of electricity generated from coal has decreased by 8,742 GWh (13 per cent) over the past 5 years.

The reduction in coal generation in 2022–23 was driven by unplanned outages at CS Energy’s Callide C and Callide B coal stations, as well as by increases in renewable energy outputs.

The contribution from gas has remained relatively stable.

Notes:

- GWh – a gigawatt hour, which is equal to 1,000 megawatts of energy used continuously for one hour.
- Energy generation in the figure includes rooftop solar but excludes battery storage.

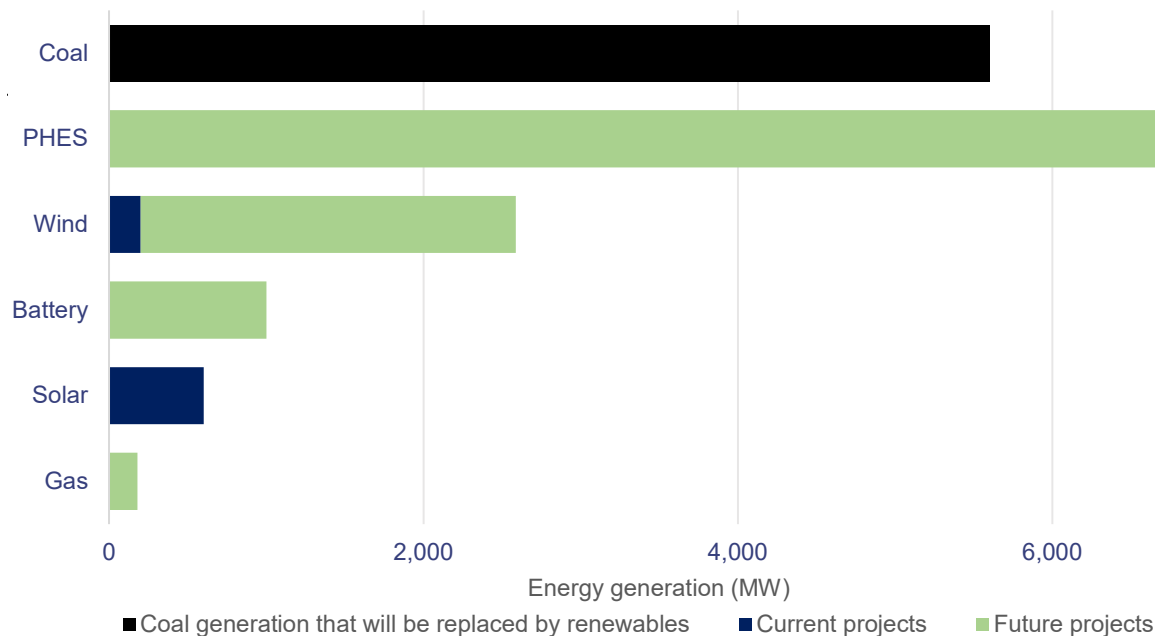
Source: Compiled by the Queensland Audit Office from AEMO and OpenNEM (National Energy Market’s information portal) generation data.

There is 8,130 megawatts (MW) of coal generation capacity in Queensland, of which 5,598 MW (69 per cent) comes from the government owned entities and the remaining from privately-owned generators. Under the *Queensland Energy and Jobs Plan*, capacity from all government-owned coal-fired power stations will be progressively replaced with reliable renewable energy sources by 2035 to meet the state’s renewable energy targets.

To date, several renewable projects are planned for the government owned entities to achieve the *Queensland Energy and Jobs Plan* target. Figure 4F illustrates renewable and gas projects that will replace the current coal generation capacity from government owned entities. These projects include electricity output that government owned entities will generate, and power purchase agreements (arrangements through which government owned entities will purchase electricity output from privately-owned renewable energy generators).



Figure 4F
Renewable energy generation by government owned entities is expected to exceed the existing coal generation of government owned entities



Notes:

- PHES – pumped hydro energy storage.
- Government owned entities' renewable projects shown in Figure 4F only include projects planned as at September 2023 and do not include existing renewable projects already in service prior to September 2022 (when the *Queensland Energy and Jobs Plan* was released).
- The generation capacity from the renewable projects is based on the projects owned by government owned entities and the portion of generation capacity that government owned entities will purchase from privately-owned renewable generators.
- MW – megawatts are used to measure the generation output of a power plant.

Source: Compiled by the Queensland Audit Office from OpenNEM generation data (September 2023).

The Queensland Government's 2022 *Queensland SuperGrid Infrastructure Blueprint* outlines the detailed plan to achieve the targets of the *Queensland Energy and Jobs Plan* and will be updated every 2 years to address emerging risks and opportunities. It indicates that government-owned coal generators will not be repurposed until sufficient renewable replacement generation is in place. This is heavily dependent on the construction and operation of 2 pumped hydro storage schemes, which are expected to store 7,000 MW of electricity.

DEFINITION

Pumped hydro energy storage (PHES) stores energy. It uses 2 water reservoirs at different elevations to generate power as water moves down through a turbine from one to the other. It acts like a giant battery, storing power during the day and releasing it in peak periods or when needed.

Figure 4G outlines the status of the pumped hydro projects as at September 2023.

Figure 4G
Status of pumped hydro projects

Pumped hydro projects – Borumba and Pioneer-Burdekin
<p>Queensland Hydro is planning to deliver pumped hydro storage projects at Borumba (near Gympie) and Pioneer-Burdekin (near Mackay).</p> <p>The total cost for the Borumba project is estimated to be \$14.2 billion, with the Queensland Government funding \$6 billion and the remaining \$8.2 billion to be funded by Queensland Hydro through borrowings.</p> <p>The Borumba project is expected to be constructed from 2025 and ready for first use by 2030. The project's <i>Environmental Impact Statement</i> (assessment of social, economic and environmental impact of the project) is expected to commence in early 2024. This assessment is a critical step in determining whether the project is environmentally feasible.</p> <p>Final investment decisions are yet to be completed for the Pioneer-Burdekin hydro project, with the Queensland Government committing \$1 billion as it progresses through a detailed feasibility study. Subject to a final investment decision, the construction for Pioneer-Burdekin is expected to start in 2027 and will be operational in 2 stages by 2032 and 2035.</p>

Source: Prepared by the Queensland Audit Office from various publicly available sources.

The renewable energy projects that private companies are developing will also contribute to achieving the *Queensland Energy and Jobs Plan* targets. In addition to the planned renewable projects outlined in Figure 4F, the government owned corporations may enter into additional power purchase agreements with privately-owned companies as new projects are developed and commissioned. CS Energy and Stanwell are also exploring opportunities to develop hydrogen plants.

The achievement of the targets is dependent on these planned renewable energy projects being operational by 2035. In our report *Managing Queensland's transition to renewable energy* (Report 5: 2021–22), we recommended the Department of Energy and Public Works formally assesses by 2025:

- its progress towards the government's renewables target
- any further actions needed to support achieving the target.

Outlined below are some of the significant risks in delivering significant infrastructure projects that the department and the energy entities should consider. Queensland Treasury and the Department of Energy and Public Works have advised they will continue to work with energy entities to implement governance and reporting processes in managing and addressing these risks.

Delays in commissioning of renewable energy projects may extend the life of coal-fired plants

Delays in the commissioning of new renewable energy projects may result in coal-fired power plants operating beyond the retirement period outlined in the *Queensland Energy and Jobs Plan*. Ageing coal-fired power plants may require higher maintenance costs to continue operating, which can impact the reliability and affordability of energy. This could also lead to higher emissions, which can impact the achievement of emissions targets.

Instances of delayed closure of coal-fired power stations – while replacement renewable generation is being built – have been experienced in New South Wales, Victoria, and Western Australia. Figure 4H provides an example in New South Wales.

In Queensland, the government can use its authority to direct the closure or the repurposing of government owned coal-fired plants and better manage the risks in the transition to clean energy.

Figure 4H Example – Eraring Power Station in New South Wales

Delayed closure of Eraring (coal-fired) Power Station

Eraring Power station (owned by Origin Energy) was originally set to close in August 2025. The 2023 *NSW Electricity Supply and Reliability Check Up* report found that there were potential reliability and price risks from closing Eraring in 2025 and recommended that the New South Wales Government engage with Origin Energy to delay the closure. In September 2023, the New South Wales Government announced that it will do so.

Source: Prepared by the Queensland Audit Office from various publicly available sources.

Higher construction costs could affect the economic viability of the projects

Infrastructure projects for renewable energy, transport, health, water security, the Olympic and Paralympic Games, and affordable housing are competing for resources. Higher costs resulting from inflation and increases in labour and material costs could affect decisions when determining which projects to invest in. This increases the risk of energy projects being cancelled. In Queensland, the development of CleanCo's Karara Wind Farm has been paused due to high costs and connection delays.

The example of the Snowy Hydro 2.0 in Figure 4I demonstrates how cost estimates can increase as a project starts construction.

Figure 4I Example – Snowy Hydro 2.0

Cost overruns in Snowy Hydro 2.0

The federal government's Snowy Hydro 2.0 is a pumped hydro project in New South Wales. As of August 2023, the project is estimated to cost \$12 billion. This is a significant increase from the original budget of \$5.9 billion when the final investment decision was made in 2018 to proceed with the project. The cost overruns have been attributed to higher costs of labour, materials, and issues with tunnel boring.

Source: Prepared by the Queensland Audit Office from various publicly available sources.

Impact on the environment

Communities have increasingly been expressing concerns about the impact of renewable energy projects on the environment, local businesses, and people's livelihoods. Without proper consultation and community engagement, renewable energy projects could face regulatory and environmental hurdles.

Gasfields Commission Queensland, a statutory body, will take a lead in facilitating discussions between the landowners, communities, and renewable energy developers in managing the sustainable use of land.

The costs of obtaining a social licence (community trust and approval for an entity's decisions) could result in projects being scaled down or cancelled. While specific to other jurisdictions, the scenario in Port Stephens windfarm in Figure 4J demonstrates the community and environmental challenges a renewable project can face.

Figure 4J Example – Port Stephens windfarm

Community protests against the development of an offshore windfarm

The federal government proposed to develop a windfarm off the coast in Port Stephens. This is expected to contribute 5,000 MW of generation capacity in New South Wales. The community in the area has raised concerns that the construction and operation of the wind turbines will cause noise pollution, habitat loss, and disruption to marine life. The community protest has called for the federal government to conduct further community consultations and review the environmental and social implications of the project prior to issuing approval.

Source: Prepared by the Queensland Audit Office from various publicly available sources.

Sustainability reporting requirements for the energy entities

There is also a growing focus on sustainability reporting and on how entities manage and report on the impact of their operations on the environment and society. This is governed by new international sustainability standards that were issued by the International Sustainability Standards Board in June 2023.

Queensland Treasury is currently assessing the impact of these standards on public sector entities, and it will provide guidance in 2024.



Appendices

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A. Full responses from entities

As mandated in Section 64 of the *Auditor-General Act 2009*, the Queensland Audit Office gave a copy of this report with a request for comments to:

- Minister for Energy, Renewables and Hydrogen and Minister for Public Works and Procurement
- Treasurer and Minister for Trade and Investment
- Under Treasurer, Queensland Treasury
- Director-General, Department of Energy and Public Works.

We also provided a copy of the report to the following people and gave them the option of providing a response:

- Premier and Minister for the Olympic and Paralympic Games
- Director-General, Department of the Premier and Cabinet
- board chairs and chief executive officers for
 - CleanCo Queensland Limited
 - CS Energy Limited
 - Energy Queensland Limited
 - Queensland Electricity Transmission Corporation Limited (trading as Powerlink Queensland)
 - Queensland Hydro Pty Ltd
 - Stanwell Corporation Limited.

This appendix contains the detailed responses we received.

The heads of these entities are responsible for the accuracy, fairness, and balance of their comments.



Comments received from Minister for Energy, Renewables and Hydrogen and Minister for Public Works and Procurement



Minister for Energy, Renewables and Hydrogen
Minister for Public Works and Procurement

Our Ref: MN13495-2023
Your Ref: PRJ03871

1 William Street
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E: epw@ministerial.qld.gov.au

28 NOV 2023

Mr Brendan Worrall
Auditor-General
Queensland Audit Office
Email: [REDACTED]

Dear Mr Worrall

Thank you for your email of 3 November 2023 regarding the Queensland Audit Office (QAO) proposed Financial Audit Report (the Proposed Report) summarising the audit results of Queensland's state-owned energy entities and the opportunity to provide comments.

I welcome that QAO has provided unmodified audit opinions on the 2022-23 financial statements for all state-owned energy entities and I appreciate the consultative approach undertaken.

I value QAO's acknowledgment of the Queensland Energy and Jobs Plan (the Plan) in the Proposed Report. This represents an exciting time for the sector because the Plan sets an ambitious but credible pathway to transform Queensland's electricity system and deliver clean, reliable and affordable power. The Plan sets a clear vision for our future, to accelerate to 50% renewable energy by 2030, 70% renewable energy by 2032 and 80% renewable energy by 2035.

The Queensland Government has also recently introduced into Parliament the Energy (Renewable Transformation and Jobs) Bill 2023, which will enshrine into law the renewable energy targets based on QAO's previous methodology to calculate renewable energy over generation.

I am pleased to advise that the implementation of the Plan is well underway and in the 2023-24 State Budget a capital investment of approximately \$19 billion was included across the forward estimates to support the Plan. This includes \$7 billion towards state-owned, large scale, long-duration pumped hydro, with \$6 billion allocated towards the Borumba project and \$1 billion held for the Pioneer-Burdekin project, pending final approval.

Furthermore, the Queensland Government has committed \$4.5 billion to the Queensland Renewable Energy and Hydrogen Jobs Fund, to support the delivery of publicly owned renewables, storage and network investments. This fund will continue to play an important role in the future energy system as clean energy hubs.

I note the new recommendation in the Proposed Report for energy entities to strengthen information system controls. Given the sensitive nature of data, it is imperative that energy entities must have appropriately sound parameters to enhance their security controls and technology to mitigate this risk.

I also note that all energy entities continue to act on the recommendation from QAO's previous reports, Energy 2022 (Report 8: 2022-23), Energy 2021 (Report 7: 2021-22) and Energy 2020 (Report 11: 2020-21), to strengthen the security of their information systems, and while energy entities continue to take appropriate action on these issues, energy entities should continue to explore opportunities to improve their cyber security approaches.

Given the ever-increasing threat of cyberattacks and heavy reliance on digital information management systems to the operation of our organisations, it is crucial all energy entities must have stronger security practises to protect against such attacks, and related and significant reputational damage. As a specific example, one government owned corporation's IT project had detailed and discrete requirements added to the scope, broadening it out significantly, which were separately costed and make up additional cost.

Entities will continue to be required to include how they are addressing cyber security in regular quarterly updates to Shareholding Ministers, along with their Statement of Corporate Intent and Corporate Plan.

It is also noted that the electricity sector is responding to cost pressures (in particular fuel costs) which can impact government owned corporations' profitability. It appears that QAO has not made specific observations on the exposure of Queensland's government owned corporations to input cost pressures and their ability to manage these costs within their normal operations.

Thank you again for the opportunity to review and respond to the Proposed Report. If you require further information or help with this matter, please contact

[Redacted contact information]

Yours sincerely



Mick de Brenni MP
Minister for Energy, Renewables and Hydrogen
Minister for Public Works and Procurement



Comments received from Director-General, Department of Energy and Public Works



Queensland
Government

Department of
Energy and Public Works

Our Ref: MN13715-2023

28 NOV 2023

Mr Brendan Worrall
Auditor-General
Queensland Audit Office
Email: qao@qao.qld.gov.au

Dear Mr Worrall

Thank you for your email of 3 November 2023 regarding the Queensland Audit Office (QAO) proposed Energy 2023 – Financial Audit Report (the Proposed Report) summarising the audit results of Queensland's state-owned energy entities and the opportunity to provide comment.

I welcome that QAO has provided unmodified audit opinions on the 2022-23 financial statements for all state-owned energy entities and the consultative approach undertaken.

I appreciate QAO's acknowledgment of the Queensland Energy and Jobs Plan (the Plan) in the Proposed Report. This represents an exciting time for the sector because the Plan sets an ambitious but credible pathway to transform Queensland's electricity system and deliver clean, reliable and affordable power. The Plan sets a clear vision for our future, to accelerate to 50% renewable energy by 2030, 70% renewable energy by 2032 and 80% renewable energy by 2035.

State-owned energy entities will play an important role in the delivery of the Plan. Implementation is already underway, and the Department of Energy and Public Works (DEPW) will work closely with entities as implementation activity ramps up over the coming years.

I note the new recommendation in the Proposed Report for energy entities to strengthen information system controls. Given the sensitive nature of data, it is imperative that energy entities have appropriate sound parameters to enhance their security controls and technology to mitigate this risk.

I also note that all energy entities continue to act on the recommendation from QAO's previous reports, Energy 2022 (Report 8: 2022-23), Energy 2021 (Report 7: 2021-22), and Energy 2020 (Report 11: 2020-21), to strengthen the security of their information systems, and while energy entities continue to take appropriate action on these issues, energy entities should continue to explore opportunities to improve their cyber security approaches.

In recognition of the increasing reliance on digital information management systems to the operation of our organisations, it is crucial robust and appropriate controls are in place to protect Queensland's important assets and systems. It is critical for State-owned entities to be prepared for the ever-increasing threat of cyber-attacks.

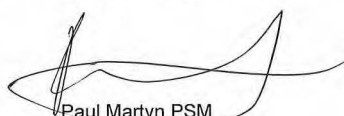
1 William Street
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Queensland 4001 Australia
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Website www.epw.qld.gov.au

Entities will continue to be required to include how they are addressing cyber security in regular quarterly updates to Shareholding Ministers, along with their Statement of Corporate Intent and Corporate Plan.

It is also noted that the electricity sector is responding to cost pressures (in particular fuel costs) which can impact government owned corporations' (GOCs) profitability. It appears that QAO has not made specific observations on the exposure of Queensland's GOCs to input cost pressures and their ability to manage these costs within their normal operations.

Thank you again for the opportunity to review and respond to the Proposed Report. If you require further information or help with this matter, please contact

Yours sincerely



Paul Martyn PSM
Director-General



Comments received from Under Treasurer, Queensland Treasury



Queensland
Government

Queensland Treasury

Our Ref: 04619-2023

Mr Brendan Worrall
Auditor-General
Queensland Audit Office
PO Box 15396
CITY EAST QLD 4002

Email: QAO.Mail@qao.qld.gov.au

Dear Mr Worrall

Thank you for your correspondence of 3 November 2023 regarding the Queensland Audit Office (QAO) draft *Energy 2023 Report* (the Report) summarising the audit results of seven Queensland energy entities.

These entities are delivering on the Queensland Government's \$62 billion *Queensland Energy and Jobs Plan* and will be supported by the Energy (Renewable Transformation and Jobs) Bill 2023 which confirms the Government's renewable energy and public ownership commitments.

For 2022–23, I note:

- QAO has proved unmodified audit opinions on the financial statements for all energy sector entities, including that statements are reliable and comply with relevant reporting requirements
- Queensland was the only jurisdiction to record a decrease in average wholesale electricity prices with a reduction of by 11 per cent
- customer returns have increased to \$1.5 billion, including through the Queensland Government's \$175 Cost of Living Rebate, and the community service obligation payment subsidising high costs of providing electricity to regional Queensland
- some sector profit movements due to volatility of electricity prices, lower transmission and distribution tariff rates, and changes in the value of coal fired power stations.

Cyber security and internal information control remains a critical focus. Treasury is working in partnership with the Queensland Government Chief Information Security Officer and Cyber Security Unit to continually improve maturity, including:

- a cyber security review of government-owned corporations
- increasing government-owned corporation investment in cyber security management
- regular government-owned corporation reporting on cyber security issues.

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Website www.treasury.qld.gov.au
ABN 90 856 020 239

Delays to Energy Queensland Limited's (EQL) Digital Transformation Program have not been acceptable, with shareholding ministers and departments expressing their expectation to EQL that this project is delivered efficiently. The final cost of the program has not yet been determined and EQL continues to review program rollout.

Thank you again for the opportunity to respond to the Report. If you require any further information, please contact [REDACTED]

Yours sincerely



Michael Carey
Under Treasurer

29 / 11 / 2023



B. How we prepared this report

About this report

This report summarises the audit results of Queensland’s energy entities. These entities generate, transmit and distribute electricity for Queensland.

Through our financial audit program, we issue opinions about the reliability of public sector entity financial statements. These audits are conducted in accordance with the *Auditor-General Auditing Standards* and comply with the relevant standards issued by the Australian Auditing and Assurance Standards Board (AUASB).

The information and insights highlighted in this report are the result of our annual financial audits of these entities.

Entities included in this report

- CleanCo Queensland Limited
- CS Energy Limited
- Energy Queensland Limited
- Ergon Energy Queensland Pty Limited
- Queensland Electricity Transmission Corporation Limited (trading as Powerlink Queensland)
- Stanwell Corporation Limited
- Yurika Pty Limited.

Our approach

This report has been prepared in accordance with the *Auditor-General Auditing Standards*.

We have used the following data sets in preparing our report:

- the wholesale electricity prices data from the Australian Energy Market Operator website – we used this to update our graph and appendix on the movement in the wholesale electricity prices in Australia
- information on energy generation sources and generation capacity from OpenNem (the National Energy Market’s information portal) – to update some of our key graphs in the report
- publicly available information relating to the status of other renewable projects in Australia – to support our commentary on the risks associated in delivering infrastructure projects.

We have not audited these data sets for completeness and accuracy.

We have also used information from the certified financial statements of the energy entities.

We present our graphs with comparative data going back to either 2019 or 2020 (4 to 5 years) to show the relevant movements where appropriate.



C. Legislative context

Frameworks

Energy entities prepare their financial statements in accordance with the following legislative frameworks and reporting deadlines.

Figure C1
Legislative frameworks for the energy sector

Entity type	Entities	Legislative framework	Legislated deadline
Government owned corporations	<ul style="list-style-type: none"> CleanCo Queensland Limited CS Energy Limited Energy Queensland Limited Queensland Electricity Transmission Corporation Limited (trading as Powerlink Queensland) Stanwell Corporation Limited 	<ul style="list-style-type: none"> <i>Government Owned Corporations Act 1993</i> <i>Corporations Act 2001</i> Corporations Regulations 2001 	31 August 2023
Controlled entities that are companies	<ul style="list-style-type: none"> Ergon Energy Queensland Pty Ltd Yurika Pty Ltd 	<ul style="list-style-type: none"> <i>Corporations Act 2001</i> Corporations Regulations 2001 	31 October 2023

Note: A 'controlled entity' is one that does not have capacity to determine its own financial and operating policies. This is done by the entity that controls it.

Source: Queensland Audit Office.

Queensland Hydro Pty Ltd is an entity established by the Queensland Government and is wholly owned by Queensland Treasury. The entity's financial statements are prepared in compliance with the *Corporations Act 2001*. The results of our audit of its financial statements will be included in the state entities 2023 report.

Accountability requirements

The *Government Owned Corporations Act 1993* establishes 4 key principles for government owned corporations:

- clarity of objectives
- management autonomy and authority
- strict accountability for performance
- competitive neutrality (meaning they should not have a competitive advantage over the private sector because they are owned by the government).

Queensland state government financial statements

Each year, Queensland state public sector entities must table their audited financial statements in parliament.

These financial statements are used by a broad range of parties, including parliamentarians, taxpayers, employees, and users of government services. For these statements to be useful, the information reported must be relevant and accurate.

The Auditor-General's audit opinion on these entities' financial statements assures users that the statements are accurate and in accordance with relevant legislative requirements.

We express an *unmodified opinion* when the financial statements are prepared in accordance with the relevant legislative requirements and Australian accounting standards. We *modify* our audit opinion when financial statements do not comply with the relevant legislative requirements and Australian accounting standards and are not accurate and reliable.

There are 3 types of modified opinions:

- a qualified opinion – the financial statements as a whole comply with relevant accounting standards and legislative requirements, with the exceptions noted in the opinion
- an adverse opinion – the financial statements as a whole do not comply with relevant accounting standards and legislative requirements
- a disclaimer of opinion – the auditor is unable to express an opinion as to whether the financial statements comply with relevant accounting standards and legislative requirements.

Sometimes we include an *emphasis of matter* in our audit reports to highlight an issue that will help users better understand the financial statements. It does not change the audit opinion.



D. Status of recommendations made in *Energy 2022* (Report 8: 2022–23)

The following table provides the current status of the recommendation raised in our *Energy 2022* report.

Information systems recommendation requires further action (all entities)	Status
<p>Energy entities have been taking appropriate action to address the recommendation we made in <i>Energy 2021</i> (Report 7: 2021–22). However, we continue to identify significant weaknesses in the security of information systems. All entities must emphasise the importance of strong security practices to protect against fraud or error, cyber attacks, and significant reputational damage. This remains a recommendation for energy entities in 2022.</p>	<p>Further action needs to be taken</p> <p>While entities took appropriate actions to resolve the issues we reported to them last year, we continued to identify similar internal control deficiencies this year. As a result, this remains a recommendation for energy entities in 2023. We have also made a new recommendation in this report – refer to Recommendation.</p>

Where a general recommendation has been made for all entities to consider, we have assessed action on issues reported to specific entities in the prior year, as well as any further issues identified in the current year. On this basis, we have concluded whether *appropriate action has been taken* across the sector, or if *further action needs to be taken* to address the risk identified.

Status	Definition
<p>Appropriate action has been taken</p>	<p>Recommendations made to individual entities have been implemented, or alternative action has been taken that addresses the underlying issues, and no further action is required. No new issues have been identified across the sector that indicate an ongoing underlying risk to the sector that requires reporting to parliament.</p>
<p>Further action needs to be taken</p>	<p>Recommendations made to individual entities have not been fully implemented, and/or new recommendations have been made to individual entities, indicating further action is required by entities in the sector to address the underlying risk.</p>



E. Audit opinions for entities preparing financial reports

The following table details the types of audit opinions issued, in accordance with Australian auditing standards, for the 2022–23 financial year.

Figure E1
Our audit opinions for energy sector financial reports for 2022–23

Entity type	Entity	Date audit opinion issued	Type of audit opinion issued
Generation	CleanCo Queensland Limited	25.08.2023	Unmodified
	CS Energy Limited	25.08.2023	Unmodified
	Stanwell Corporation Limited	25.08.2023	Unmodified
Transmission	Queensland Electricity Transmission Corporation Limited (trading as Powerlink Queensland)	30.08.2023	Unmodified
Distribution	Energy Queensland Limited	25.08.2023	Unmodified
Retail	Ergon Energy Queensland Pty Ltd	15.08.2023	Unmodified
Other	Yurika Pty Ltd (subsidiary of Energy Queensland Limited)	23.10.2023	Unmodified

Note: We express an *unmodified opinion* when the financial statements are prepared in accordance with the relevant legislative requirements and Australian accounting standards.

Source: Queensland Audit Office.

Queensland Hydro Pty Ltd is an entity established by the Queensland Government and is wholly owned by Queensland Treasury. The results of our audit of its financial statements will be included in the state entities 2023 report.

Regulatory information notices

The Australian Energy Regulator regulates and determines the amount of revenue distribution entities can earn. To monitor outcomes and prepare for future determinations, it uses regulatory information notices.

It issued new revenue determinations for Energex and Ergon (the distribution businesses of Energy Queensland) covering the 5-year regulatory control period from 2020 to 2025. These determinations have reset Energy Queensland's revenue allowance to the lowest level ever since the businesses became regulated.

For the year ended 30 June 2023, Energex and Ergon have completed a set of templates, along with a 'basis of preparation' that describes how each template has been prepared for submission. These notices are subject to an audit (if the information is based on *actual* data) or a review (if the information is based on *estimated* financial and non-financial data).



Figure E2
Results of 2022–23 audits and reviews of Energex and Ergon annual regulatory notices

Type of information provided	Certification date	Type of report issued
Financial	31.10.2023 (Energex)	3 unmodified audit opinions 3 unmodified review conclusions
	31.10.2023 (Ergon)	3 unmodified audit opinions 3 unmodified review conclusions
Non-financial	31.10.2023 (Energex)	3 unmodified review conclusions
	31.10.2023 (Ergon)	3 unmodified review conclusions

Source: Compiled by the Queensland Audit Office.

Australian financial services licences

Energy sector entities are required to hold an Australian financial services licence if they enter into fixed-price contracts designed to manage the risk of fluctuating electricity prices. They must meet the requirements set out in their licences.

To confirm their compliance, these entities lodge forms annually, within 4 months of the end of the financial year, to the Australian Securities and Investments Commission.

Figure E3
Results of 2022–23 audit of Australian financial services licences

Entity	Certification date	Type of opinion issued
CleanCo Queensland Limited	29.08.2023	Unmodified
CS Energy Limited	10.10.2023	Unmodified
Ergon Energy Queensland Pty Ltd	05.10.2023	Unmodified
Stanwell Corporation Limited	25.08.2023	Unmodified

Source: Compiled by the Queensland Audit Office.



F. Entities not preparing financial reports

For each state public sector company, other than government owned corporations, the board of directors considers the requirements of the *Corporations Act 2001* and the company's constitution to determine whether financial statements need to be prepared. The board must revisit the assessment whenever a significant change occurs.

When entities are part of a larger group and are secured by a deed of cross guarantee with other entities in that group (that they will cover their debts), the Australian Securities and Investments Commission (ASIC) allows them to not prepare a financial report. In addition, dormant or small companies that meet specific criteria under the *Corporations Act 2001* are not required to prepare financial statements.

Accordingly, the Auditor-General will not issue audit opinions for the following controlled public sector entities for 2023, as they were not required to produce financial statements.

Figure F1
Energy sector entities not preparing financial reports in 2022–23

Public sector entity	Reason for not preparing financial statements
Generation	
Controlled entities of CS Energy Limited	
Aberdare Collieries Pty Ltd	Deed of cross guarantee ASIC order
Callide Energy Pty Ltd	Deed of cross guarantee ASIC order
CS Energy Financial Services Pty Ltd (formerly CS Energy Group Operations Holdings Pty Ltd)	Deed of cross guarantee ASIC order
CS Energy Group Holdings Pty Ltd	Deed of cross guarantee ASIC order
CS Energy Kogan Creek Pty Ltd	Deed of cross guarantee ASIC order
CS Kogan (Australia) Pty Ltd	Deed of cross guarantee ASIC order
CSE BESS Pty Ltd	Deed of cross guarantee ASIC order
CSE H2 Operations Pty Ltd (formerly CS Energy Oxyfuel Pty Ltd)	Deed of cross guarantee ASIC order
CSE H2 Pty Ltd	Deed of cross guarantee ASIC order
Kogan Creek Power Pty Ltd	Deed of cross guarantee ASIC order
Kogan Creek Power Station Pty Ltd	Deed of cross guarantee ASIC order
T75 CS Energy Segregated Cell of White Rock Insurance (SAC) Ltd	Non-reporting

Public sector entity	Reason for not preparing financial statements
Distribution	
Controlled entities of Energy Queensland Limited	
Energex Limited	Deed of cross guarantee ASIC order
Ergon Energy Corporation Limited	Deed of cross guarantee ASIC order
Ergon Energy Telecommunications Pty Ltd	Non-reporting
Metering Dynamics Pty Ltd	Deed of cross guarantee ASIC order
SPARQ Solutions Pty Ltd	Deed of cross guarantee ASIC order
Varnsdorf Pty Ltd	Dormant
VH Operations Pty Ltd	Dormant
Transmission	
Controlled entities of Powerlink	
Harold Street Holdings Pty Ltd	Non-reporting
Powerlink Transmission Services Pty Ltd	Non-reporting
Queensland Capacity Network Pty Ltd	Non-reporting
Copperstring 2.0 Electricity Transmission Corporation Pty Ltd	Non-reporting
Controlled entities of Stanwell Corporation Limited	
Glen Wilga Coal Pty Ltd	Dormant
Goondi Energy Pty Ltd	Dormant
Mica Creek Pty Ltd	Deed of cross guarantee ASIC order
SCL North West Pty Ltd	Deed of cross guarantee ASIC order
Stanwell Asset Maintenance Company Pty Ltd (formerly Energy Portfolio 1 Pty Ltd)	Deed of cross guarantee ASIC order
Stanwell Renewable Energy Pty Ltd	Deed of cross guarantee ASIC order
Tarong Energy Corporation Pty Ltd	Dormant
Tarong Fuel Pty Ltd	Deed of cross guarantee ASIC order
Tarong North Pty Ltd	Non-reporting
TEC Coal Pty Ltd	Deed of cross guarantee ASIC order
TN Power Pty Ltd	Deed of cross guarantee ASIC order



Public sector entity	Reason for not preparing financial statements
Wambo 2 Hold Co Pty Ltd	Deed of cross guarantee ASIC order
Wambo 2 Project Co Pty Ltd (as trustee for Wambo 2 Project Trust)	Deed of cross guarantee ASIC order
Wambo 2 Project Trust	Non-reporting

Notes: A 'controlled entity' is one that does not have capacity to determine its own financial and operating policies. This is done by the entity that controls it.

Source: Compiled by the Queensland Audit Office.



G. Financial results

Figure G1
Energy sector entities – for the year ended 30 June 2023

Amounts in \$'000								
Entity	Total assets	Total liabilities	Total income	Total expenses (incl. tax)	Operating result after tax	Returns to shareholders	Finance costs	Total borrowings
CleanCo	1,427,066	965,006	830,280	788,706	41,574	17,338	29,753	564,655
CS Energy	3,189,205	3,147,778	2,084,365	2,098,937	(14,572)	(13,699)	67,687	1,141,510
Energy Queensland	29,172,000	24,530,000	5,289,000	5,502,000	(213,000)	(87,000)	714,000	19,394,000
Powerlink	9,533,891	7,008,798	1,069,744	937,634	132,110	278,679	206,144	5,192,298
Stanwell	7,625,180	6,568,147	3,825,440	3,650,224	175,216	78,059	88,765	1,558,976
Total	50,947,342	42,219,729	13,098,829	12,977,501	121,328	273,377	1,106,349	27,851,439
Ergon Energy Queensland	800,349	550,365	1,949,885	2,175,639	(225,754)	(95,920)	466	–
Yurika Pty Ltd	85,296	46,115	275,835	268,787	7,048	7,406	10	–

Notes: The results of Ergon Energy Queensland and Yurika are included in the results of Energy Queensland.

Source: Compiled by the Queensland Audit Office.

Figure G2
Energy sector entities – for the year ended 30 June 2022

Amounts in \$'000								
Entity	Total assets	Total liabilities	Total income	Total expenses (incl. tax)	Operating result after tax	Returns to shareholders	Finance costs	Total borrowings
CleanCo	1,227,885	1,402,461	425,247	723,014	(297,767)	(127,168)	2,415	642,135
CS Energy	7,126,423	7,680,621	1,727,888	1,823,370	(95,482)	(44,007)	41,221	891,778
Energy Queensland	28,437,000	23,613,000	5,415,000	5,037,000	378,000	161,000	625,000	18,473,000
Powerlink	8,751,858	6,540,846	1,128,543	929,514	199,029	164,070	213,432	5,216,846
Stanwell	13,611,568	14,515,691	3,954,081	3,805,674	148,407	59,715	47,079	1,521,543
Total	59,154,734	53,752,619	12,650,759	12,318,572	332,187	213,610	929,147	26,745,302
Ergon Energy Queensland	2,235,556	1,017,509	2,238,993	2,041,300	197,693	129,721	569	–
Yurika Pty Ltd	77,820	38,639	150,865	150,258	607	(1,804)	1	–

Notes: The results of Ergon Energy Queensland are included in the results of Energy Queensland.

Source: Compiled by the Queensland Audit Office.

H. Wholesale electricity prices

Figure H1
Historical wholesale electricity prices

Average price by year (\$ per MWh)					
Financial year	NSW	QLD	SA	VIC	TAS
2018–19	\$88.56	\$80.29	\$109.80	\$109.81	\$90.01
2019–20	\$71.95	\$53.41	\$62.04	\$73.74	\$55.05
2020–21	\$64.81	\$61.81	\$44.83	\$45.93	\$43.69
2021–22	\$132.35	\$162.06	\$104.60	\$91.06	\$84.89
2022–23	\$144.96	\$144.97	\$123.25	\$100.20	\$111.98
Movement from 2021–22 to 2022–23	\$12.61	-\$17.09	\$18.65	\$9.14	\$27.09
Movement % from 2021–22 to 2022–23	9.53%	-10.55%	17.83%	10.04%	31.91%

Notes:

- MWh – a megawatt hour, which is equal to 1,000 kilowatts of energy used continuously for one hour.
- NSW – New South Wales; QLD – Queensland; SA – South Australia; VIC – Victoria; TAS – Tasmania.

Source: Compiled by the Queensland Audit Office from Australian Energy Market Operator pricing data, extracted on 1 September 2023.





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