Pages 1 through 14 redacted for the following reasons:

Exempt - Cabinet Matter - Sch.3(2)(1)(a)&(b)
Exempt - Information Briefing Incoming Minster - Sch.3(4)
M-A – a few quick notes Trent knocked up ahead of UT mtg with QTC this arvo. Let me know if think this hits the spot. GT
GOC Capital Structure and Governance Arrangements

Background

- The Government’s *Fiscal Strategy and Debt Action Plan* (Fiscal Strategy) policy document proposed reserving two thirds of the returns from the energy GOCs (and other GOCs proposed by the previous Government to be part of the transaction program) for the purpose of debt reduction from 2018-19.

- The Fiscal Strategy estimated that the returns from those GOCs would be $2.3 billion per annum from 2018-19, allowing for $1.5 billion per annum to be quarantined for debt reduction. This included an estimated $2 billion per annum returns from the energy GOCs.
Governance Arrangements

Contrary to Public Interest
Contrary to Public Interest
Pages 19 through 40 redacted for the following reasons:

- Exempt - Cabinet Matter - Sch.3(2)(1)(a)&(b)
- Exempt - Cabinet Matter - Sch.3(2)(1)(b)
- This part out of scope of application
Hi Jason,

At one of our early meetings with the Treasurer, he offered to provide us with the breakdown/assumptions behind the $150M savings associated with the electricity GOC merger.

The team is now established and has commenced detailed work on this merger. Would it be possible to get a copy of this information so that we can align it to information being provided by the businesses?

Thanks

Mary-Anne

Mary-Anne Curtis
A/Deputy Under Treasurer
Queensland Treasury
Level 9, 100 George Street
Phone: 3035 1856 (dial full number)
Mobile: Contrary to Public Interest
Email: mary-anne.curtis@treasury.qld.gov.au
Web: www.treasury.qld.gov.au
Thanks Leah. These are useful, can you continue to prepare each week.

M-A

Mary-Anne Curtis
A/Deputy Under Treasurer
Queensland Treasury
Level 9, 100 George Street
Phone: 3035 1856 (dial full number)
Mobile: Contrary to Public Interest
Email: mary-anne.curtis@treasury.qld.gov.au
Web: www.treasury.qld.gov.au

From: Leah Kelly
Sent: Friday, 13 March 2015 5:11 PM
To: Mary-Anne Curtis
Subject: Electricity Mergers - weekly reports

Hi Mary-Anne
We have developed weekly reports for the merger activities (attached). Please let me know if you are happy to continue receiving these.
Thanks, Leah

Leah Kelly
Queensland Treasury and Trade
Level 6, 100 George St Street
Phone: 3035 1841 (dial full number)
Mobile: Contrary to Public Interest
Email: leah.kelly@projectsqueensland.qld.gov.au
Web: www.treasury.qld.gov.au
# Project Weekly Report

## Reporting Period (week ending – 13/03/2015)

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Electricity Merger Unit - Generation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Manager</td>
<td>Tanya Mills</td>
</tr>
<tr>
<td>Project Director</td>
<td>Leah Kelly</td>
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</tbody>
</table>

## Project Delivery Status

- Establish team, engage with GOCs on process and data

## Key Risks & Issues

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<th>Green</th>
<th>Amber</th>
<th>Red</th>
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Sch. 3(2)(1)(b)

## Key Activities (This week)

- Preparation of generation merger objectives presentation for steering committee meeting
- High level modelling of corporate labour costs, efficiencies and synergies
- Initial meeting with CS Energy and Stanwell to discuss merger process and seek views
- Preparation of Request for Information (RFI) register to be provided to the businesses (CS Energy, Stanwell and EEQ)
- Discussion of RFI with the businesses (CS Energy, Stanwell and EEQ)
- Contribution to EMU briefing notes/project management documents:
  - Steering Committee Terms of Reference
  - Cabinet submission
  - Stakeholder Engagement Protocols and Stakeholder Relations Strategy
  - PPQ
  - Key contacts list

## Key Activities (Next week)

Sch. 3(2)(1)(b)

## Notes

Key:
- Green : No concerns
- Amber : For information of Project Board/Steering Committee
- Red : For action/decision by Project Board/Steering Committee

RTI Document No.43
## Project Weekly Report

**Reporting Period (week ending - 13/03/2015)**

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Electricity Merger Unit – Networks</th>
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<tbody>
<tr>
<td>Project Manager</td>
<td>Brian Carrick</td>
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<tr>
<td>Project Director</td>
<td>Leah Kelly</td>
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</table>

### Project Delivery Status

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- Establish team, engage with GOCs on process and data, determine approach.

### Key Risks & Issues

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Sch. 3(2)(1)(b)

### Key Activities (This week)

- Preparation of network merger objectives presentation for steering committee meeting
- Commenced high level modelling of corporate labour costs, efficiencies and synergies
- Initial meeting with LSU and feedback on implementation activities
- Initial meetings with Powerlink, Ergon and Energy to discuss merger process and seek views
- Preparation of Request for Information (RFI) template and initial RFI meeting with Powerlink
- Contribution to EMU briefing notes/project management documents:
  - Steering Committee Terms of Reference
  - Cabinet submission
  - Stakeholder Engagement Protocols and Stakeholder Relations Strategy
  - PPQ
  - Key contacts list

### Key Activities (Next week)

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Sch. 3(2)(1)(b)

### Notes

**Key**
- **Green**: No concerns
- **Amber**: For information of Project Board/Steering Committee
- **Red**: For action/decision by Project Board/Steering Committee

---

RTI Document No.44
Thanks for the update Leah. Can you set up the first Steering Committee meeting – we could use the first meeting to, amongst other things, seek feedback on the draft cabinet submission.

Mary-Anne

Mary-Anne Curtis  
A/Deputy Under Treasurer  
Queensland Treasury  
Level 9, 100 George Street  
Phone: 3035 1856 (dial full number)  
Mobile:  
Email: mary-anne.curtis@treasury.qld.gov.au  
Web: www.treasury.qld.gov.au

From: Leah Kelly  
Sent: Monday, 16 March 2015 4:55 PM  
To: Mark Gray; Mary-Anne Curtis  
Subject: Energy Mergers

Hi Mark and Mary-Anne

Sch. 3(2)(1)(b)

This Part Out of Scope of Application
Thanks, Leah

Leah Kelly
Queensland Treasury and Trade
Level 6, 100 George St Street
Phone: 3035 1841 (dial full number)
Mobile: Contrary to Public Interest
Email: leah.kelly@projects queensland.qld.gov.au
Web: www.treasurer.qld.gov.au

Queensland Government

This Part Out of Scope of Application
Hi Lachlan,

Email below re discussions with Premiers re Electricity GOC mergers. Apologies for resending – I just noticed that you had received the original email as well.

Happy to discuss if you need any further information

Thanks

Mary-Anne

Mary-Anne Curtis
A/Deputy Under Treasurer
Queensland Treasury
Level 9, 100 George Street
Phone: 3035 1856 (dial full number)
Mobile: Contrary to Public Interest
Email: mary-anne.curtis@treasury.qld.gov.au
Web: www.treasury.qld.gov.au

From: Mark Gray
Sent: Monday, 16 March 2015 5:04 PM
To: Jason.humphreys@ministerial.qld.gov.au; lachlan.smith@ministerial.qld.gov.au
Cc: Mary-Anne Curtis; Leah Kelly
Subject: FW: Energy Mergers

Jason/Lachlan,

Just so that you are aware, DPC and Premier’s office have been asking questions about the energy mergers this afternoon.

See message below from Leah Kelly re this.

Let me know if you need anything further, or feel free to contact Leah directly.

Regards
Mark
Hi Mark and Mary-Anne

Thanks, Leah

Leah Kelly
Queensland Treasury and Trade
Level 6, 100 George St Street
Phone: 3035 1841 (dial full number)
Mobile: Contrary to Public Interest
Email: leah.kelly@projectsqueensland.qld.gov.au
Web: www.treasurer.qld.gov.au
Pages 49 through 50 redacted for the following reasons:

- Exempt - Cabinet Matter - Sch.3(2)(1)(b)
Hi Jason and Lachlan,

If you have time this afternoon or evening, can we quickly chat re the introductory meeting that we had scheduled with the ACCC for tomorrow morning.

I understand that ACCC Chairman has spoken to Minister Bailey this afternoon. DEWS has advised that Rod Sims indicated to Minister Bailey that he had a call into the Treasurer (tomorrow?) and there is also likely to be significant media tomorrow regarding the generation merger proposal.

I would like to discuss the approach to the meeting if possible.

Thanks

Mary-Anne

Mary-Anne Curtis
A/Deputy Under Treasurer
Queensland Treasury
Level 9, 100 George Street
Phone: 3035 1856 (dial full number)
Mobile: Contrary to Public Interest
Email: mary-anne.curtis@treasury.qld.gov.au
Web: www.treasury.qld.gov.au
Given the number of people now going to the meeting (sounds like Lachlan and Jason will be going), I think it would be better if we kept it at the current attendees and updated DPC after the meeting. I'd also like to keep this meeting at the introductory level, without discussing options.

Just reading through the notes now. Will come back to you asap.

Mary-Anne

Hi Mary-Anne

Any objection to someone from DPC attending? Could intro to ACCC as an opportunity to meet all key stakeholder departments.

Regards, Leah

Sent from my iPhone

Begin forwarded message:

From: Craig Wilson <Craig.Wilson@premiers.qld.gov.au>
Date: 19 March 2015 8:23:29 pm AEST
To: “Leah Kelly (Projects QLD)” <Leah.Kelly@projectsqueensland.qld.gov.au>
Cc: Adam Pennicott <Adam.Pennicott@treasury.qld.gov.au>, Tanya Mills <Tanya.Mills@treasury.qld.gov.au>
Subject: Re: Background reading for the proposed merger of energy GOCs

Thanks Leah, unfortunately my diary is buggered after 9.30. May I send one of my people to the accc brief?

C
On 19 Mar 2015, at 8:02 pm, Leah Kelly <Leah.Kelly@projectsqueensland.qld.gov.au> wrote:

Hi Craig
Prior to this media interest, we had an introductory meeting scheduled with the ACCC at 9am tomorrow. Happy to give you an update after this meeting. We should be finished by 10.30am – happy to discuss at a time that suits you. We are also preparing a PPQ and some Q&As – we will share these tomorrow.
Regards, Leah

From: Craig Wilson [mailto:Craig.Wilson@premiers.qld.gov.au]
Sent: Thursday, 19 March 2015 7:01 PM
To: Adam Pennicott
Cc: Leah Kelly
Subject: RE: Background reading for the proposed merger of energy GOCs

Hi again Adam
In particular, if you have time between 7 and 9.30am tomorrow glad to talk about what options there are to respond to the ACCC’s likely views on the generator merger
C

Craig Wilson
Senior Executive Director | Economic Policy | Department of the Premier and Cabinet |
Level 14 | 100 George Street, Brisbane 4000.
Phone: 07 300 38459 | mob 0414 741 791 | e-mail: craig.wilson@premiers.qld.gov.au

From: Adam Pennicott [mailto:Adam.Pennicott@treasury.qld.gov.au]
Sent: Thursday, 19 March 2015 3:25 PM
To: Craig Wilson
Cc: Leah Kelly (Projects QLD)
Subject: Background reading for the proposed merger of energy GOCs

Hi Craig,
Leah asked me to email you a couple of documents relating to the energy GOC restructure following your discussion this morning.

Attached is some information

this is commercial-in-confidence.

I have also attached the Independent Review Panel’s report into Queensland network costs, which recommended a holding company be established over Energex and Ergon (Recommendation 30).

Thanks Craig. Very happy to discuss.

Cheers,

Adam Pennicott
Thanks Eva – can we get the transcript please

Mary-Anne Curtis
A/Deputy Under Treasurer
Queensland Treasury
Level 9, 100 George Street
Phone: 3035 1856 (dial full number)
Mobile: Contrary to Public Interest
Email: mary-anne.curtis@treasury.qld.gov.au
Web: www.treasury.qld.gov.au

Hi Mark/Mary-Anne

Please see below audio from an interview on ABC612 today in relation to the CS-Energy-Stanwell merger.

Please let me know if you need a transcript of this.

Kind regards, Eva

From 612 ABC Mornings: Rod Sims from the Australian Competition and Consumer Commission says plans by State Government to merge CS Energy and Stanwell will lead to higher power prices and be bad for competition. Treasurer Curtis Pitt says the letter from Rod Simms was sent to the Energy Minister and talks about the same concerns mentioned previously by the ACCC. He says the Government is keen to present the proposal to the ACCC.
and ensure they are satisfied with the approach. He says the end result shouldn’t be one that is impacting consumers. He says the Queensland Competition Authority hasn’t seen the proposal yet. Treasurer Pitt says he received a briefing from Treasury during caretaker mode, but he cannot discuss what he was briefed on during caretaker mode. Deputy State Opposition leader John-Paul Langbroek says he is not surprised by Mr Sims comments because he first made them last October re: Labor’s plans. Mr Langbroek says the Treasurer is ‘making it up on the run’ in relation to the merger. He says before doing a Media Club lunch, the Treasurer should have had the detail correct.

Audio
here: https://dpcqld.sharepoint.com/MediaReportingServices/ layouts/15/guestaccess.aspx?guestaccesstoken=pu hw0hD%2bGhKzNGws8zefEiRR2OjiN7CN6py7EjLZWk%3d&docid=14fa41362c31649dab69e25ccd792b7cb

Peter Taggart
Media Reporting Officer|Media Reporting Services|Department of Premier and Cabinet
E: peter.taggart@premiers.qld.gov.au P: 07 3003 9151 M
Executive Building | 100 George Street | Brisbane | QLD 4000
Thanks Leah – these look fine

Mary-Anne Curtis
A/Deputy Under Treasurer
Queensland Treasury
Level 9, 100 George Street
Phone: 3035 1856 (dial full number)
Mobile: Contrary to Public Interest
Email: mary-anne.curtis@treasury.qld.gov.au
Web: www.treasury.qld.gov.au

From: Leah Kelly
Sent: Wednesday, 25 March 2015 10:03 AM
To: Mary-Anne Curtis
Subject: Mergers- Information for the South Burnett Media Inquiry

Hi Mary-Anne
Julia Sheedy requested some information to respond to a media request – we have drafted information for a suggested response. Please let me know if you have any comments. Julia has requested info by midday.
Thanks, Leah
Information for the South Burnett Media Inquiry

Why is the Government considering mergers of its electricity businesses?

Proposed response information:

As part of the Fiscal Strategy and Debt Action Plan, the Government announced the consolidation of the three network businesses, Energex, Ergon Energy, and Powerlink into a single network business. The Government also announced plans to merge the two generation businesses, CS Energy and Stanwell into a single generation business, with the final structure being subject to consultation with the ACCC.

The Government expects that approximately $150 million each year in efficiencies will be achieved from the merger processes for the network and generation businesses, with this money used to reduce debt.

In addition to achieving efficiencies within the businesses, the Government is committed to ensuring that electricity prices do not continue to increase at the rates that have been experienced in recent years. Making these businesses more efficient is an important step towards achieving this goal.

What is Government proposing for the generation businesses?

Background:

The Government’s announced policy is to merge the two generation businesses into a single generation business retaining separate wholly owned subsidiary corporations. The final structure of the merged business will be developed in consultation with the ACCC.

Proposed response information

The policy to merge CS Energy and Stanwell is about making the businesses more efficient, including by making operational savings through consolidating corporate costs.

Whilst the Government has a plan to merge the generation businesses the preferred structure will be developed in consultation with the ACCC to ensure that competition is maintained in the electricity market and that it will not put any upward pressure on electricity prices.

What is the expected timing, if the merger is to proceed?

Proposed response information:

Once a preferred structure is identified by Government, actions which form part of the merger process for both the network and generation businesses will be undertaken progressively. The Government expects the benefits of these efficiencies to begin flowing through in 2015-16 as stated in the Government’s Fiscal Strategy and Debt Action Plan. The timing of any merger activities will be subject to a robust analysis of detailed options, including modelling of efficiency savings, and Government approvals.
What will this mean for the employees of Tarong and Tarong North Power Stations?

Background:

The Government has stated that there may be cost savings to be gained by removing duplication across areas in the corporate offices of the generation businesses, including administration, human resources, industrial relations, boards, management and legal.

The Government has announced that there will be no forced redundancies and any staff transition would be managed through natural attrition and a voluntary separation process.

Proposed response information:

The policy to merge CS Energy and Stanwell is about achieving efficiencies and this may include consolidating corporate costs in areas such as management, boards and administration. It is about making the business more efficient and using these savings to pay down debt.

The workforces at Tarong and Tarong North have already implemented improvements which have delivered savings in the cost of producing power from these stations. The Government can confirm that there will be no forced redundancies as a result of the merger.

What would be the impact on electricity prices if the generation businesses are merged?

Proposed response information:

The Government is committed to relieving the pressures of rising cost of living, particularly electricity prices, and is establishing the Queensland Productivity Commission (QPC). A priority for the QPC is to conduct an independent review into electricity prices.

The objective of these mergers is to create more efficient businesses, to allow reduction of State debt which, will benefit Queenslanders.

Is it certain that electricity prices will increase from a merger?

Proposed response information:

No. The State-owned generation businesses operate within a national competitive market where wholesale electricity prices are driven by supply and demand factors.

Maintaining effective competition in the energy market is a key consideration for the Government and we have begun consultation with the ACCC to identifying structural options which will allow the achievement of efficiencies within the businesses, while ensuring that the ACCC’s concerns around energy market competition are addressed.

The Government is committed to delivering efficiency savings whilst not doing anything to drive up electricity prices.
Pages 118 through 162 redacted for the following reasons:

- Exempt - Cabinet Matter - Sch.3(2)(1)(a)&(b)
- Exempt - Legal Professional Privilege - Sch.3(7)
Good afternoon,

Due to unforeseen circumstances the meeting this afternoon will have to be rescheduled to tomorrow. I would like to schedule for 10am. Would you please let me know ASAP if this is suitable.

Regards

Liz

Elizabeth Slender
Team Leader/Executive Assistant
Business Support Team – Level 8
Queensland Treasury and Trade
Level 8, Executive Building
100 George Street, Brisbane
Phone: (07) 3035 1906
Email: Elizabeth.Slender@treasury.qld.gov.au
OTT BST 100G Level8@treasury.qld.gov.au
Web: www.treasury.qld.gov.au

Queensland Government
Pages 164 through 166 redacted for the following reasons:  

Exempt - Cabinet Matter - Sch.3(2)(1)(b)
Hi Mary-Anne
Any update from the Treasurer’s meeting yesterday? Also, CLLO is seeking the sub attachments Adam emailed yesterday – Eva has reviewed the comms plan and the version emailed to you includes her comments.
Thanks, Leah
Hi Mary-Anne
As discussed on Wednesday, we would like to set up workshops with the businesses to discuss merger options. We have prepared the attached document for the businesses to prepare for the workshop. Can you please let me know if you have any comments or are ok us to start booking meetings, with the attachment to follow.
Thanks, Leah
Pages 169 through 172 redacted for the following reasons:

Contrary to public interest
Hi Leah,

We didn’t get a chance to meet with the Treasurer yesterday. I’d like to get some feedback on the sub and our proposed approach to the work (I’ll raise the proposed workshops in this context). Can you hold off on booking the workshops until I have the opportunity to have this discussion.

Mary-Anne

Mary-Anne Curtis
A/Deputy Under Treasurer
Queensland Treasury
Level 9, 100 George Street
Phone: 3035 1856 (dial full number)
Mobile: Contrary to Public Interest
Email: mary-anne.curtis@treasury.qld.gov.au
Web: www.treasurv.qld.gov.au

Hi Mary-Anne

As discussed on Wednesday, we would like to set up workshops with the businesses to discuss merger options. We have prepared the attached document for the businesses to prepare for the workshop. Can you please let me know if you have any comments or are ok us to start booking meetings, with the attachment to follow.

Thanks, Leah
Hi Mary-Anne
Apologies for not attaching.
Regards, Leah

From: Mary-Anne Curtis
Sent: Monday, 30 March 2015 2:48 PM
To: Leah Kelly
Subject: RE: Merger process - documents for review

Leah,

This Part Out of Scope of Application

The BN on the directions wasn’t attached – can you resend? I’ll have a look at the letter and consent with that brief.

Sch. 3(2)(1)(b)

Thanks

M-A

Mary-Anne Curtis
A/Deputy Under Treasurer
Queensland Treasury
Level 9, 100 George Street
Phone: 3035 1856 (dial full number)
Mobile: Contrary to Public Interest
Email: mary-anne.curtis@treasury.qld.gov.au
Web: www.treasury.qld.gov.au

Queensland Government
2) Draft brief to shareholding Ministers re directions, and a sample letter, business consent and direction – for review prior to discussion with DEWS and submission on CWS

Please let me know if you have any questions or would like to discuss. Brian and I would like to meet with you on Wednesday to discuss the networks merger process and timeframes so will call Debbie to find a time. We are still working on the advisor briefing note but will have for review mid-week. Tomorrow morning I’ll also send through the draft Steering Committee agenda and TOR so we can circulate ahead of Thursday’s meeting.

Thanks, Leah
BRIEFING NOTE

FROM Treasury and Department of Energy and Water Supply

FOR Treasurer, Minister for Employment and Industrial Relations
     Minister for Aboriginal and Torres Strait Islander Partnerships
     Minister for Main Roads, Road Safety and Ports
     Minister for Energy and Water Supply

SUBJECT Directions to Electricity Entities

Contact Officer: Leah Kelly, SSPD, 303 51841
Record No
Approval Required
D/MM/YY

Requested by: N/A
Reason: N/A

Approved by: Gregory Tonks
Approved by: Mary-Anne Curtis

PURPOSE

The purpose of this submission is for you to:

• sign the attached directions to the Queensland Electricity Corporation Limited (Powerlink), Energex Limited and Ergon Energy Corporation Limited, Ergon Energy Queensland Pty Ltd, CS Energy Corporation Limited and Stanwell Corporation Limited (Electricity Entities) (Attachments 1 to 6) under section 299 of the Electricity Act 1994;

• sign the attached letters to the Electricity Entities (Attachments 6 to 12); and

• note that the Under Treasurer will write to the Electricity Entities requesting they agree the State accepts information previously provided to it under former directions as being provided to it under the new directions.

BACKGROUND

This Part Out of Scope of Application
Pages 298 through 299 redacted for the following reasons:
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This part out of scope of application
RECOMMENDATION

28. That you:

- sign the attached directions under section 299 of the *Electricity Act 1994* to the Electricity Entities;
- sign the attached letters to the Electricity Entities; and
- note the Under Treasurer will write to the Electricity Entities requesting they agree the State accepts information previously provided to it under former directions as being provided to it under the new directions.

Mark Gray
Under Treasurer

Dan Hunt
Director-General
Department of Energy and Water Supply

☐ Approved  ☐ Not approved  ☐ Noted

Comments

HON. CURTIS PITT MP
Treasurer
Minister for Employment and Industrial Relations
Minister for Aboriginal and Torres Strait Islander Partnerships

☐ Approved  ☐ Not approved  ☐ Noted

Comments

HON. MARK BAILEY MP
Minister for Main Roads, Road Safety and Ports and
Minister for Energy and Water Supply

☐ Approved  ☐ Not approved  ☐ Noted

Comments
Mark,

I've listed below some points/questions that we may want to cover at this morning's update meeting (depending on how the conversation goes):

1. QTC's role – financial/commercial advisor to the project team or responsible for implementing the merger on behalf of the State (i.e., acting as our agent). Financial/commercial advisor role would allow them to consider innovative financing and structuring options, etc.
2. Issues with second option (in 1 above) given large number of policy and shareholding Minister decisions, interactions, recommendations re Board members, etc.
3. Linkages back to the Department – reporting directly to the Treasurer or reporting through the department to the Treasurer. Would advocate that Treasury needs to continue to have a strong role, particularly given policy and shareholding Minister decisions.
4. If acting as our agent (see 1 above), need clear agency agreement between QTC and Treasury outlining roles, responsibilities, treatment of information, IP, etc. LSU will prepare the agency agreement based on learnings from previous process.
5. Who is responsible for appointing consultants – QTC or Treasury?

I'm sure there are other issues that we’ll need to work through, but these are the key ones that come to mind now.

Mary-Anne

Mary-Anne Curtis
A/Deputy Under Treasurer
Queensland Treasury
Level 9, 100 George Street
Phone: 3035 1856 (dial full number)
Mobile: Contrary to Public Interest
Email: mary-anne.curtis@treasury.qld.gov.au
Web: www.treas.gov.qld.gov.au

Queensland Government
Hi Mark

In case you feel like some light reading over the weekend (!) attached is a first draft of the paper we discussed yesterday. I have only just received this and will review over the weekend. Happy to discuss next week.

Mary-Anne

Sent from my iPhone

Begin forwarded message:

From: "Leah Kelly" <Leah.Kelly@projectsqueensland.qld.gov.au>
To: "Mary-Anne Curtis" <Mary-Anne.Curtis@treasury.qld.gov.au>
Cc: "Eddie Leow" <Eddie.Leow@treasury.qld.gov.au>, "Trent Stephens" <trent.stephens@treasury.qld.gov.au>, "Adam Pennicott" <Adam.Pennicott@treasury.qld.gov.au>, "Julian Morrow" <julian.morrow@treasury.qld.gov.au>, "Tanya Mills" <Tanya.Mills@treasury.qld.gov.au>
Subject: Energy merger - discussion paper and presentation

Hi Mary-Anne

Attached is a paper on the mergers (and other GOC considerations) as well as a merger presentation. I’ll be checking emails if you have any questions and the team will be able to assist on Tuesday and Wednesday if you have changes or require further information.

Thanks, Leah
Thanks. Enjoy your break.

Sent from my iPhone

On 2 Apr 2015, at 5:25 pm, Leah Kelly <Leah.Kelly@projectsqueensland.qld.gov.au> wrote:

Hi Mary-Anne
Attached is a paper on the mergers (and other GOC considerations) as well as a merger presentation. I’ll be checking emails if you have any questions and the team will be able to assist on Tuesday and Wednesday if you have changes or require further information.
Thanks, Leah

<Discussion paper GOC merger and cap structure.docx>
<Merger Considerations 2 April 2015.ppt>
Hi Mary-Anne

Attached is a paper on the mergers (and other GOC considerations) as well as a merger presentation. I’ll be checking emails if you have any questions and the team will be able to assist on Tuesday and Wednesday if you have changes or require further information.

Thanks, Leah
Energy Business Mergers – key points for discussion

This Part Out of Scope of Application
This Part Out of Scope of Application

Contrary to Public Interest
Contrary to Public Interest
Hi John,

As discussed this afternoon, this is the latest version of the submission. It needs to be updated to reflect QTC's involvement. Happy to discuss any comments/changes you have. As I mentioned, I haven’t spoken to any of the team yet re change of arrangements, although Greg Tonks is aware. I can speak to them Friday when I’m back, although if you need it to happen earlier, Greg can speak to the team. I would like to be able to explain to them what will be happening, when I do talk to them, so may be best if we can scope out how it will work. I’m on phone/email over the next two days if you need to chat.

I’ve spoken to John O’Connell re CBRC/Budget dates. The meetings are currently scheduled for:

- 12 May – this meeting could be used to flag the work we are going to do, but not discuss numbers etc.
- 9 June – this meeting is getting fairly late and would only really be to follow up issues from earlier meeting or refine options.

I would need to discuss in more detail with Dennis but these are the high level dates to work to. Can you have a think about how workable this would be?

Mary-Anne

Mary-Anne Curtis
A/Deputy Under Treasurer
Queensland Treasury
Level 9, 100 George Street
Phone: 3035 1856 (dial full number)
Mobile: Contrary to Public Interest
Email: mary-anne.curtis@treasury.qld.gov.au
Web: www.treasury.qld.gov.au
Hi Rosemary,

Can you please send me an electronic copy of the latest version of the Electricity GOC merger submission.

Thanks

Mary-Anne

Mary-Anne Curtis
A/Deputy Under Treasurer
Queensland Treasury and Trade
Phone: (07) 303 51856 Mobile: Contrary to Public Interest
Jennifer Kindt

From: Gregory Tonks  
Sent: Wednesday, 15 April 2015 9:29 AM  
To: Mark Gray  
Subject: RE: Energy GOCs

No worries Mark – just digging those out of latest annual reports now. Though to you shortly. Greg

A/Assistant Under Treasurer  
Shareholder and Structural Policy Division  
Queensland Treasury and Trade  
Level 8, Executive Building, 100 George Street, Brisbane  
Phone: (07) 3035 1487  
Mobile: Contrary to Public Interest  
E-mail: gregory.tonks@treasury.qld.gov.au  
Web: www.treasurv.qld.gov.au

Queensland Government

From: Mark Gray  
Sent: Wednesday, 15 April 2015 9:23 AM  
To: Gregory Tonks  
Subject: Energy GOCs

Hi Greg,

In the context of the merger of the energy GOCs, what are the remuneration levels for the CEOs of Energex and Ergon?

Regards
Mark

Mark Gray  
Under Treasurer  
Queensland Treasury  
Level 9, 100 George Street, Brisbane  
Phone: (07) 303 51930  
Mobile: Contrary to Public Interest  
Email: mark.gray@treasury.qld.gov.au  
Web: www.treasury.qld.gov.au

Queensland Government

RTI Document No.382
Hi Mark

Here’s the CEO remuneration for the three networks (from 2013-14 annual reports):

<table>
<thead>
<tr>
<th>Network GOC CEO Remuneration</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CEO</strong></td>
<td><strong>Base Salary ($'000)</strong></td>
</tr>
<tr>
<td>Ian Mcleod - Ergon</td>
<td>754</td>
</tr>
<tr>
<td>Terry Effeney - Energex</td>
<td>589</td>
</tr>
<tr>
<td>Merryn York - Powerlink</td>
<td>544</td>
</tr>
</tbody>
</table>

Rimu – I’ve got to go to a ports mtg in a moment – can you pls send the remuneration for the gencos through to Mark as well?

Thanks

Greg
Hi Adam,

Copy of sub and attachment 4 – as discussed with Mary-Anne Curtis.

Regards
Rosemary

Rosemary Holley
Manager – Cabinet Legislation Liaison Office
Office of the Under Treasurer
Queensland Treasury
Level 9, 100 George Street
Phone: 303 51927 (dial full number)
Email: rosemary.holley@treasury.qld.gov.au
Web: www.treasury.qld.gov.au
Pages 391 through 423 redacted for the following reasons:

- Exempt - Cabinet Matter - Sch.3(2)(1)(a)
- Exempt - Cabinet Matter - Sch.3(2)(1)(b)
Hi Leah

High level key tasks doco for initial discussion. I am also pulling together a higher level objectives document. As always seems to be the case generation is not going to be as clear cut as networks.

Happy to discuss. Also have you had any feedback re Jo – the more I look at what needs to be done the more convinced I am that I need someone else with generation/retail experience. I am happy to hit Richard up for Stanwell to wear the costs if dollars are an issue.

Cheers

Tanya
KEY TASKS FOR REVIEW & RECOMMENDATION OF GENERATION MERGER OPTIONS

Stage 1 - Development and Assessment of Options
Seek approval from cabinet for proposed process, including appointment of advisors and issuing of Directions
Define objectives
Engage legal, and competition/market advisors
Define options
Issue Directions to businesses to provide information
Initial consultation with businesses
Obtain Competition advice
Outline regulatory/policy issues
Model high level synergies and implementation costs
  Compile Data template
  Obtain data from GOCs
  First stage modelling of synergies (cost/benefit model)
  Modelling of potential VI synergies (generation + EEQ)
Preparation of options paper for internal comment
ACCC initial consultation
Refine options based on competition advice/discussions with ACCC/discussions with businesses
Preparation of final options paper for internal approval
Preparation of briefing notes/cabinet submission for approval of preferred option

Sch. 3(2)(1)(b)
Leah Kelly

From: Leah Kelly <Leah.Kelly@projectsqueensland.qld.gov.au>
Sent: Wednesday, 20 May 2015 11:10 AM
To: Leah Kelly
Subject: FW: Meeting to discuss merger process - agenda
Attachments: 20140305_Agenda_CSEnergy merger process.docx

From: Leah Kelly
Sent: Wednesday, 11 March 2015 4:59 PM
To: seneray.com.au; cseenergy.com.au; Eddie Leow; gayle.leaver@dews.qld.gov.au; LEGGATE Shaun; Trent Stephens
Cc: Gregory Tonks; Tanya Mills
Subject: Meeting to discuss merger process - agenda

Hi all
Agenda attached for Friday's meeting. Please let me know if there are any further items that you would like to add.
Thanks, Leah

Leah Kelly
Project Director
Queensland Treasury and Trade
Level 6, 100 George St Street
Phone: 3035 1841 (dial full number)
Mobile: Contrary to Public Interest
Email: leah.kelly@projectsqueensland.qld.gov.au
Web: www.treasurv.qld.gov.au
Queensland Treasury

AGENDA

NAME OF MEETING  Merger Process Discussion – CS Energy

DATE OF MEETING  FRIDAY 13 MARCH, 2015

PLACE OF MEETING  Queensland Treasury, Level 8, 100 George St

TIME OF MEETING  3:00PM – 4:00PM

ATTENDEES  Martin Moore, Owen Sela

Mary-Anne Curtis, Leah Kelly, Gregory Tonks, Tanya Mills, Eddie Leow, Trent Stephens (Treasury) Gayle Leaver, Shaun Leggate (DEWS)

AGENDA TOPICS

1. WELCOME
2. POLICY AS PUBLISHED
3. GOVERNANCE
4. TIMING AND PROCESS
5. SOURCE OF QUOTED SAVINGS
6. HIGH LEVEL POTENTIAL STRUCTURES
7. OTHER OBJECTIVES FROM THE CONSOLIDATION
8. PROVISION OF DATA
9. USE OF CONSULTANTS
10. REQUIREMENT FOR CONSULTATION
11. IMPACT ON BUSINESS DECISIONS
12. ANY OTHER BUSINESS/ISSUES
13. ACTIONS
Leah Kelly

From: Leah Kelly <Leah.Kelly@projectsqueensland.qld.gov.au>
Sent: Wednesday, 20 May 2015 11:10 AM
To: Leah Kelly
Subject: FW: Electricity merger process - meetings with GOCs

From: Leah Kelly
Sent: Tuesday, 10 March 2015 12:20 PM
To: benn.barr@dews.qld.gov.au
Cc: gayle.leaver@dews.qld.gov.au; Tanya Mills; Brian Carrick
Subject: Electricity merger process - meetings with GOCs

Hi Benn

Further to our discussion yesterday, meetings with the electricity businesses are scheduled at the following times:

Ergon – Thursday 12 March, 4.00pm-5.00pm Level 8 Executive Building
Energex – Friday 13 March, 2.00pm – 3.00pm Level 6 Executive Building
CS Energy – Friday 13 March, 3.00pm – 4.00pm Level 8 Executive Building
Stanwell – Friday 13 March, 4.00pm – 5.00pm, Level 8 Executive Building

Please let me know who you would like to attend from DEWS and we will send agendas shortly.

Thanks, Leah

Leah Kelly
Project Director
Projects Queensland
Queensland Treasury and Trade
Level 6, 100 George St Street
Phone: 3035 1841 (dial full number)
Mobile: Contrary to Public Interest
Email: leah.kelly@projectsqueensland.qld.gov.au
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**********************************************************************************************************************************************
Hi all
Agenda for Friday's meeting attached. Please let me know if there are any further items you would like to add.
Thanks, Leah

Leah Kelly
Project Director
Queensland Treasury and Trade
Level 6, 100 George St Street
Phone: 3035 1841 (dial full number)
Mobile: Contrary to Public Interest
Email: leah.kelly@projectsqueensland.qld.gov.au
Web: www.treas.gov.au

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AGENDA

NAME OF MEETING  Merger Process Discussion – Stanwell

DATE OF MEETING  FRIDAY 13 MARCH, 2015

PLACE OF MEETING  Queensland Treasury, Level 8, 100 George St,

TIME OF MEETING  4:00PM – 5:00PM

ATTENDEES  Richard Van Breda

Mary-Anne Curtis, Leah Kelly, Gregory Tonks, Tanya Mills, Eddie Leow, Trent Stephens (Treasury) Gayle Leaver, Shaun Leggate (DEWS)

AGENDA TOPICS

1. WELCOME
2. POLICY AS PUBLISHED
3. GOVERNANCE
4. TIMING AND PROCESS
5. SOURCE OF QUOTED SAVINGS
6. HIGH LEVEL POTENTIAL STRUCTURES
7. OTHER OBJECTIVES FROM THE CONSOLIDATION
8. PROVISION OF DATA
9. USE OF CONSULTANTS
10. REQUIREMENT FOR CONSULTATION
11. IMPACT ON BUSINESS DECISIONS
12. ANY OTHER BUSINESS/ ISSUES
13. ACTIONS
Hi Mary-Anne
We have developed weekly reports for the merger activities (attached). Please let me know if you are happy to continue receiving these.
Thanks, Leah

Leah Kelly
Queensland Treasury and Trade
Level 6, 100 George St Street
Phone: 3035 1841 (dial full number)
Mobile: Contrary to Public Interest
Email: leah.kelly@projectsqueensland.qld.gov.au
Web: www.treasury.qld.gov.au

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**Project Weekly Report**

**Reporting Period (week ending – 13/03/2015)**

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Electricity Merger Unit - Generation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Manager</td>
<td>Tanya Mills</td>
</tr>
<tr>
<td>Project Director</td>
<td>Leah Kelly</td>
</tr>
</tbody>
</table>

**Project Delivery Status**

- Green
- Amber
- Red

- Establish team, engage with GOCs on process and data

**Key Risks & Issues**

- Green
- Amber
- Red

Sch. 3(2)(1)(b)

**Key Activities (This week)**

- Preparation of generation merger objectives presentation for steering committee meeting
- High level modelling of corporate labour costs, efficiencies and synergies
- Initial meeting with CS Energy and Stanwell to discuss merger process and seek views
- Preparation of Request for Information (RFI) register to be provided to the businesses (CS Energy, Stanwell and EEQ)
- Discussion of RFI with the businesses (CS Energy, Stanwell and EEQ)
- Contribution to EMU briefing notes/project management documents:
  - Steering Committee Terms of Reference
  - Cabinet submission
  - Stakeholder Engagement Protocols and Stakeholder Relations Strategy
  - PPQ
  - Key contacts list

**Key Activities (Next week)**

Sch. 3(2)(1)(b)

**Notes**

- Key
- Green: No concerns
- Amber: For information of Project Board/Steering Committee
- Red: For action/decision by Project Board/Steering Committee

RTI Document No.432
Project Weekly Report

Reporting Period (week ending - 13/03/2015)

Project Name Electricity Merger Unit – Networks
Project Manager Brian Carrick
Project Director Leah Kelly

Project Delivery Status

- Establish team, engage with GOCs on process and data, determine approach

Key Risks & Issues

Sch. 3(2)(1)(b)

Key Activities (This week)

- Preparation of network merger objectives presentation for steering committee meeting
- Commenced high level modelling of corporate labour costs, efficiencies and synergies
- Initial meeting with LSU and feedback on implementation activities
- Initial meetings with Powerlink, Ergon and Energy to discuss merger process and seek views
- Preparation of Request for Information (RFI) template and initial RFI meeting with Powerlink
- Contribution to EMU briefing notes/project management documents:
  - Steering Committee Terms of Reference
  - Cabinet submission
  - Stakeholder Engagement Protocols and Stakeholder Relations Strategy
  - PPQ
  - Key contacts list

Key Activities (Next week)

Sch. 3(2)(1)(b)

Notes

Key
Green : No concerns
Amber : For information of Project Board/Steering Committee
Red : For action/decision by Project Board/Steering Committee
From: Mark Gray
Sent: Monday, 16 March 2015 5:04 PM
To: Jason.humphreys@ministerial.qld.gov.au; lachlan.smith@ministerial.qld.gov.au
Cc: Mary-Anne Curtis; Leah Kelly
Subject: FW: Energy Mergers

Jason/Lachlan,

Just so that you are aware, DPC and Premier’s office have been asking questions about the energy mergers this afternoon.

See message below from Leah Kelly re this.

Let me know if you need anything further, or feel free to contact Leah directly.

Regards
Mark

Mark Gray
Under Treasurer
Queensland Treasury
Level 9, 100 George Street, Brisbane
Phone: (07) 303 51930
Mobile: Contrary to Public Interest
Email: mark.gray@treasury.qld.gov.au
Web: www.treasury.qld.gov.au

Queensland Government

From: Leah Kelly
Sent: Monday, 16 March 2015 4:55 PM
To: Mark Gray; Mary-Anne Curtis
Subject: Energy Mergers

Hi Mark and Mary-Anne
Thanks, Leah

Leah Kelly
Queensland Treasury and Trade
Level 6, 100 George St Street
Phone: 3035 1841 (dial full number)
Mobile: Contrary to Public Interest
Email: leah.kelly@projectsqueensland.qld.gov.au
Web: www.treasurv.qld.gov.au

Queensland Government

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*****************************************************************************
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Hi Mary-Anne

As discussed this afternoon, attached is the briefing note for the Treasurer on potential competition issues for the generation merger process. The brief has been submitted on the CWS.

Please give Tanya or me a call if you have any questions or wish to discuss.

Regards, Leah
BRIEFING NOTE

FROM  Treasury

FOR  Treasurer, Minister for Employment and Industrial Relations
Minister for Aboriginal and Torres Strait Islander Partnerships

SUBJECT  Engagement with the ACCC regarding the proposed merger of the electricity GOCs

Contact Officer: Tanya Mills, Electricity Merger Unit, 30353341
Record No 00815-2015  Approval Required N/A

Requested by: Lachlan Smith  Reason N/A
Approved by AUT  Approved by DUT

PURPOSE

1. To advise you of the process for engagement with the Australian Competition and Consumer Commission (ACCC) regarding the proposed merger of the electricity network Government Owned Corporations (GOC), and the electricity generation GOCs.

BACKGROUND

2. As part of its Fiscal Strategy and Debt Action Plan ('Fiscal Strategy'), the Government committed to consolidate the three network businesses:
   • Energex Limited (Energex);
   • Ergon Energy Corporation Limited (Ergon); and
   • Queensland Electricity Transmission Corporation Limited (Powerlink), into a new single network business.

3. Similarly, the Government also committed to merge the two generation GOCs:
   • CS Energy Limited (CS Energy); and
   • Stanwell Corporation Limited (Stanwell), into a single generation business, with the final structure being subject to negotiation with the ACCC.

4. As identified in the Fiscal Strategy, the proposed merger of the generation GOCs presents significant competition issues which will need to be resolved with the ACCC prior to implementation of any merger activities.

5. To progress the Government’s merger proposal, an Electricity Merger Unit (EMU) has been formed within Queensland Treasury. One of the functions of this team is to identify and resolve policy issues associated with the proposed mergers, including competition issues.

ISSUES

6. The Queensland generation sector is the most highly concentrated in Australia, other than Tasmania, with the two generators of CS Energy and Stanwell accounting for 65 per cent of output. Initial indications are that the ACCC may have concerns with the impact of competition on any further consolidation of the generation sector.

Competition and Consumer Act 2010

7. In Australia, mergers are prohibited if it can be demonstrated that they will have the effect or likely effect of substantially lessening competition in a market (section 50 of the Competition and Consumer Act 2010 (Cth)).

8. It is noted that the State cannot authorise a merger by State legislation.
9. However, it is possible to obtain clearance (formal or informal) or authorisation for proposed mergers. Clearance will be granted only if the ACCC does not believe the merger will substantially lessen competition. Authorisation, on the other hand, may be granted by the Australian Competition Tribunal even where the merger will substantially lessen competition if it can be demonstrated that the merger would lead to such a benefit to the public that it should be allowed to occur.

ACCC Consultation

15. Treasury is proposing to work closely with the ACCC in the consideration of merger structures. Following an initial discussion, an introductory meeting with the ACCC is occurring on Friday 20 March 2015. The purpose of this meeting is to obtain ACCC’s preliminary views on the potential competition issues associated with a merger of the Queensland GOC generators announced in the Fiscal Strategy.
RECOMMENDATION

18. That you note that Treasury officers have commenced initial consideration of competition issues and the process of consultation with the ACCC.

Mark Gray
Under Treasurer

☐ Approved  ☐ Not approved  ☐ Noted

Comments

HON. CURTIS PITT MP
Treasurer
Minister for Employment and Industrial Relations
Minister for Aboriginal and Torres Strait Islander Partnerships

/ /
Hi Matthew

Apologies for the delay in getting back to you. Below are dot points included in our PPQs. Please let me know if you have any questions or would like any further information.

Regards, Leah
Hi Mary-Anne and Greg

Attached are the weekly reports for the merger projects.

Regards,
Leah

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Project Weekly Report

Reporting Period (week ending - 20/03/2015)

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Electricity Merger Unit – Networks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Manager</td>
<td>Brian Carrick</td>
</tr>
<tr>
<td>Project Director</td>
<td>Leah Kelly</td>
</tr>
</tbody>
</table>

Project Delivery Status

- Establish team, engage with GOCs on process and data, determine approach
- Engage with GOCs and other stakeholders on structural options and issues

Key Risks & Issues

<table>
<thead>
<tr>
<th>Green</th>
<th>Amber</th>
<th>Red</th>
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<tbody>
<tr>
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</table>

Key Activities (This week)

- Visit to Sydney to meet Gilbert+Tobin, NSW Treasury and NSW Networks Chairman
- Workshop with KPMG on key findings from NSW merger process
- Continued high level modelling of corporate labour costs, efficiencies and synergies
- Meeting with LSU regarding implementation activities
- Meeting with DPC regarding progress and submission
- Meeting with PSC regarding industrial relations issues
- Follow up meetings with Powerlink, Ergon and Energy to discuss RFIs and seek input
- Drafted briefing notes (for submission week commencing 23/03) for Treasurer on:
  - holding company structure and potential directors
  - capital structure, dividend policy and efficiency savings
  - Cabinet submission
- Contribution to EMU briefing notes/project management documents:
  - Cabinet submission

Key Activities (Next week)

- Follow up Ergon, Energex and Powerlink regarding RFIs
- Proposed joint meeting with Energex and Ergon
- Steering Committee meeting (Thursday 4:00pm)
- Teleconference with NSW Networks CEO (tbd)
- Steering Committee meeting
- Schedule weekly catch ups with businesses
- Lodge advance (draft) submission with CLLO Support (12pm Monday)
- Circulate draft submission to DPC and DEWS for comment
- Circulate draft communications protocols to businesses for comment

Notes

Key

- Green : No concerns
- Amber : For information of Project Board/Steering Committee
- Red : For action/direction by Project Board/Steering Committee

RTI Document No.457
# Project Weekly Report

**Reporting Period (week ending – 20/03/2015)**

<table>
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<tr>
<th><strong>Project Name</strong></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Project Manager</strong></td>
<td>Tanya Mills</td>
</tr>
<tr>
<td><strong>Project Director</strong></td>
<td>Leah Kelly</td>
</tr>
</tbody>
</table>

**Project Delivery Status**

- Engage with GOCs on process and data

**Key Risks & Issues**

**Key Activities (This week)**

- Preparation for and introductory meeting with ACCC to seek initial views on generation merger
- Briefing note on competition issues, PPQ and Q&As prepared
- Consideration of alternative distribution models in the NEM and internationally identifying historical trends and ability of models to respond to emerging market trends
- Meeting with CS Energy and Stanwell regarding Request for Information
- Consideration of previous ACCC undertakings (Loy Yang A, Macquarie Generation)
- Developed EMU Gantt chart template
- Meeting with Treasury communications area

**Key Activities (Next week)**

**Notes**

**Key**

- **Green**: No concerns
- **Amber**: For information of Project Board/Steering Committee
- **Red**: For action/decision by Project Board/Steering Committee
Hi Mary-Anne
Attached are some documents for your review, which are:

2) Draft brief to shareholding Ministers re directions, and a sample letter, business consent and direction – for review prior to discussion with DEWS and submission on CWS

Please let me know if you have any questions or would like to discuss. Brian and I would like to meet with you on Wednesday to discuss the networks merger process and timeframes so will call Debbie to find a time. We are still working on the advisor briefing note but will have for review mid-week. Tomorrow morning I’ll also send through the draft Steering Committee agenda and TOR so we can circulate ahead of Thursday’s meeting.

Thanks, Leah

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RTI Document No.459
Pages 460 through 464 redacted for the following reasons:

Exempt - Cabinet Matter - Sch.3(2)(1)(b)
Contrary to Public Interest
SHAREHOLDING MINISTERS FOR

ENERGEX LIMITED

Our Reference: XXXXX

4 March 2015

The Honourable Shane Stone AC QC
Chairman
Energex Limited
GPO Box 1461
BRISBANE  QLD  4001

Dear Mr Stone

We write to you regarding the Queensland Government’s fiscal strategy and debt action policy which outlines a number of changes to government-owned corporations (GOCs). Central to this policy is the potential consolidation of the three electricity network businesses, Energex, Ergon and Powerlink (Network Entities).

Queensland Treasury has established the Electricity Merger Unit (EMU) to conduct a review of operations, business optimisation activities, and to progress work to establish a holding company to effect the proposed merger of the Network Entities. The project team will require assistance and access to information from your organisation in order to conduct a comprehensive cost-benefit analysis of options for the proposed merger.

The enclosed direction is issued in accordance with section 299 of the Electricity Act 1994, requiring Energex to provide all necessary information and assistance in relation to the EMU program of work. In addition, Leah Kelly, Project Director, EMU, will make contact with your chief executive to discuss the process in further detail.

To avoid unnecessary duplication and delay, the Under Treasurer has written to your chief executive requesting that Energex agree that the State accepts the information already provided to the State under previous Ministerial directions in relation to a potential lease of Energex’s business as being provided to it under this Direction.

As any decision to proceed with a potential restructure will be subject to the outcomes of this process, we ask you to assume a business as usual approach, and to continue to implement business improvements and efficiency measures to assist Government in achieving its savings targets.

Ref Num: RTI Document No.491
As an exception to the above, we request that any planned capital investment and advisor engagements be immediately brought to the attention of the Project Director, EMU in order to limit any duplication during this process.

Yours sincerely

CURTIS PITT

The Hon. Curtis Pitt MP, Treasurer, Minister for Employment and Industrial Relations and Minister for Aboriginal and Torres Strait Islander Partnerships
Level 9 Executive Building
100 George Street, Brisbane
GPO Box 611, Brisbane
Queensland 4001 Australia
Telephone +617 3719 7200
Encl.

MARK BAILEY

The Hon. Mark Bailey MP, Minister for Main Roads, Road Safety and Ports and Minister for Energy and Water Supply
Level 15 Capital Hill Building
85 George Street, Brisbane
GPO Box 2644, Brisbane
Queensland 4001 Australia
Telephone +617 3719 7300
Consent

Stanwell Corporation Limited (Stanwell) agree that the State accepts the information in relation to the operations of Stanwell, provided to the State under previous Ministerial directions about the potential issue of a hybrid instrument in relation to, or a potential lease of, Stanwell's business (Previous Information) as being provided to it under this Direction.

Chief Executive

Date: / /
Electricity Act 1994

Section 299

Direction to Energex Limited

1. Definitions

In this Direction:

(a) **Act** means the *Electricity Act 1994* (Qld);

(b) **Board** means the board of directors of Energex;

(c) **Business** means the assets, liabilities and instruments of Energex, its Subsidiaries and SPARQ;

(d) **Energex** means Energex Limited (ACN 078 849 055);

(e) **Network Entity** means each of the following entities:
   (i) Energex;
   (ii) Queensland Electricity Transmission Corporation Limited (ACN 078 849 233); and
   (iii) Ergon Energy Corporation Limited (ACN 087 646 062);

(f) **Personal Information** and **Sensitive Information** have the meanings given in the *Privacy Act 1998* (Cth);

(g) **Project** means the project involving:
   (i) a review of the Business and operations of each of the Network Entities and their Subsidiaries;
   (ii) the implementation of business optimisation activities;
   (iii) a Restructure;
   (iv) any action necessary, incidental or consequential to facilitate the continuing operation of:
      (i) all or part of the Business of each of the Network Entities or their Subsidiaries; and/or
      (ii) each of the Network Entities or their Subsidiaries.
   (v) anything else to deal with matters in relation to the Network Entities or their Subsidiaries arising because of a Restructure;
   (vi) anything else necessary, incidental, consequential or convenient to facilitate or support the matters mentioned in paragraphs 1(g)(i) to (v); and
   (vii) any due diligence, preparatory or investigatory activities in relation to the matters mentioned in paragraphs 1(g)(i) to (vi) above,
   which will be the subject of reports to Cabinet from time to time;

(h) **Project Director** means the following persons:
(i) Leah Kelly (Project Director, Electricity Merger Unit, Queensland Treasury); or
(ii) any other person from time to time nominated as such by the Under Treasurer in relation to the Project;

(i) **Restructure** means:

(i) all or part of the Business of any or all of the Network Entities or their Subsidiaries; and/or

(ii) any or all of the Network Entities or their Subsidiaries,

(including a potential transfer or transfer to the State or another government entity of all or part of the Business of, or all or some of the shares in, the Network Entities or their Subsidiaries);

(j) **SPARQ** means SPARQ Solutions Pty Ltd (ACN 110 073 400);

(k) **State** means the State of Queensland and Queensland Treasury (including the Electricity Merger Unit established within Queensland Treasury);

(l) **Subsidiary** has the meaning given in section 2 of the *Government Owned Corporations Act 1993 (Qld)*;

(m) **Under Treasurer** means the chief executive of the department responsible for administering the *Government Owned Corporations Act 1993 (Qld)* and includes any person acting in this office from time to time.

Other words and expressions used in this Direction which are defined in the Act have the same meaning as in the Act.

Words in the singular include the plural and vice versa, unless the context otherwise requires.

2. Pursuant to section 299 of the Act, and to the extent that the Project relates to Energex, its Subsidiaries or SPARQ, we direct Energex:

(a) to give effect to a written request of the Under Treasurer or the Project Director for the purposes of this Direction;

(b) to provide full cooperation and assistance to the State and its advisors to implement the Project;

(c) to use their best endeavours to require the employees, servants, agents and contractors of Energex, its Subsidiaries and SPARQ to provide full cooperation and assistance to the State and its advisors to implement the Project;

(d) as part of, but without limiting, clauses 2(a), 2(b) and 2(c) above:

(i) that they are authorised and required to disclose and cause Energex to disclose to the State and its advisors such documents and information of Energex, its Subsidiaries and SPARQ or such classes of documents and information of Energex, its Subsidiaries and SPARQ as requested by the Under Treasurer or the Project Director from time to time for the purposes of the Project, and to retain copies of any documents disclosed pursuant to such a request for such period as required pursuant to the *Public Records Act 2002* or any longer period specifically required by the Under Treasurer or Project Director;
(ii) to assist and cause Energex to assist the State and its advisors with the identification of the assets, liabilities and instruments that are used or incurred by, or relate to, Energex, its Subsidiaries and SPARQ, for the purposes of implementing the Project;

(iii) to permit and cause Energex to permit access by the State and its advisors to all premises, assets, documents and records of Energex, its Subsidiaries and SPARQ as requested by the Under Treasurer or the Project Director for the purposes of the Project;

(e) to execute such instruments as required by the Under Treasurer or the Project Director for the purposes of implementing the Project;

(f) to continue operating under business as usual until a final decision is made by the State about a Restructure, with the exception of notifying the Project Director of any plans to undertake capital investments or engage consultants;

(g) to carry out any other tasks or take such other actions for the purposes of the Project as required by the Under Treasurer or the Project Director;

(h) that where documents or information may contain Personal Information and/or Sensitive Information, they are authorised and required to do all things necessary to disclose the Personal Information and/or Sensitive Information to the State and its advisors as requested by the Under Treasurer or the Project Director from time to time; and

(i) that where there is an ambiguity or doubt about the meaning or intent of this Direction, they follow the interpretation of the Under Treasurer about the matter as advised to them in a written clarifying statement.

Dated at Brisbane this day of 2015

______________________________
Curtis Pitt
Treasurer, Minister for Employment and Industrial Relations and Minister for Aboriginal and Torres Strait Islander Partnerships

______________________________
Mark Bailey
Minister for Main Roads, Road Safety and Ports and Minister for Energy and Water Supply
Pages 497 through 498 redacted for the following reasons:

Exempt - Contrary to public interest
From: Leah Kelly <Leah.Kelly@projectsqueensland.qld.gov.au>
Sent: Wednesday, 20 May 2015 11:20 AM
To: Leah Kelly
Subject: FW: Energy mergers - Steering Committee
Attachments: Shareholder O

From: Leah Kelly
Sent: Tuesday, 24 March 2015 2:07 PM
To: Mary-Anne Curtis
Cc: Tanya Mills; Brian Carrick
Subject: Energy mergers - Steering Committee

Hi Mary-Anne

Attached is the agenda and TOR for the Steering Committee meeting on Thursday. Please let me know if you have any comments and we can circulate.

Also attached are the presentations for agenda item 3 – we can circulate these in advance or provide hard copies at the meeting. Happy to discuss preferred approach tomorrow.

Thanks, Leah

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AGENDA

NAME OF MEETING  
Energy Mergers Steering Committee – Meeting 1

DATE OF MEETING  
Thursday 26 March, 2015

PLACE OF MEETING  
Executive Building, Level 8, Room 8.30, 100 George St

TIME OF MEETING  
4:00PM – 5:00PM

ATTENDEES  
Mary-Anne Curtis, Gregory Tonks, Leah Kelly, Brian Carrick, Adam Pennicott (Treasury), Craig Wilson (DPC), Benn Barr, Kathie Standen (DEWS).

Apologies: Catherine Cussen (DEWS)

AGENDA TOPICS

1. WELCOME

2. TERMS OF REFERENCE – STEERING COMMITTEE

3. PRESENTATIONS ON NETWORK AND GENERATION MERGER PROJECTS

4. COMMUNICATIONS STRATEGY

5. CABINET SUBMISSION AND PROCESS

6. OTHER ISSUES
Hi Mary-Anne

As discussed on Wednesday, we would like to set up workshops with the businesses to discuss merger options. We have prepared the attached document for the businesses to prepare for the workshop. Can you please let me know if you have any comments or are ok us to start booking meetings, with the attachment to follow.

Thanks, Leah
Pages 535 through 566 redacted for the following reasons:

Access deferred - third party objection
Exempt - Cabinet Matter - Sch.3(2)(1)(a)
Exempt - Cabinet Matter - Sch.3(2)(1)(a)&(b)
Exempt - Contrary to public interest
Exempt - Legal Professional Privilege - Sch.3(7)
Good afternoon,

Due to unforeseen circumstances the meeting this afternoon will have to be rescheduled to tomorrow. I would like to schedule for 10am. Would you please let me know ASAP if this is suitable.

Regards

Liz

Elizabeth Slender
Team Leader/Executive Assistant
Business Support Team – Level 8
Queensland Treasury and Trade
Level 8, Executive Building
100 George Street, Brisbane
Phone: (07) 3035 1906
Email: Elizabeth.Slender@treasury.qld.gov.au
QTT BST 100G Level8@treasury.qld.gov.au
Web: www.treasury.qld.gov.au
Hi Leah

I’ve just seen the Courier Mail. My DG has just also mentioned the importance of DPC being across this. I won’t be able to be there, but can you have accommodate 1 or 2 DPC people?

C

---

Hi Craig

Prior to this media interest, we had an introductory meeting scheduled with the ACCC at 9am tomorrow. Happy to give you an update after this meeting. We should be finished by 10.30am – happy to discuss at a time that suits you. We are also preparing a PPQ and some Q&As – we will share these tomorrow.

Regards, Leah

---

Hi again Adam

In particular, if you have time between 7 and 9.30am tomorrow glad to talk about what options there are to respond to the ACCC’s likely views on the generator merger

C
Hi Craig,

Leah asked me to email you a couple of documents relating to the energy GOC restructure following your discussion this morning.

Attached is some information Contrary to Public Interest Please note this is commercial-in-confidence.

I have also attached the Independent Review Panel’s report into Queensland network costs, which recommended a holding company be established over Energex and Ergon (Recommendation 30).

Thanks Craig. Very happy to discuss.

Cheers,

Adam Pennicott
Principal Treasury Analyst – Energy Team
Shareholder and Structural Policy Division
Queensland Treasury
Level 8, 100 George Street
Phone: (07) 3035 1914 (dial full number)
Email: adam.pennicott@treasury.qld.gov.au
Web: www.treasurv.qld.gov.au

Queensland Government

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Hi Mary-Anne
I'm putting some edits in the sub now, and will forward you a copy in track changes later this evening. I'm trying to capture a few additional points from our recent meetings.
Thanks, Leah

From: Mary-Anne Curtis
Sent: Wednesday, 18 March 2015 5:31 PM
To: Adam Pennicott
Cc: Leah Kelly; Brian Carrick; Tanya Mills
Subject: RE: Draft of the Proposed merger of Energy GOCs Cabinet submission

Thanks Adam. I'm still reviewing but had the opportunity to speak briefly to the Treasurer’s office this afternoon re this sub. They have indicated that they would like to have a look at the draft submission prior to it being circulated to other agencies for consultation.

Once I have reviewed the sub, I will forward a copy to the Treasurer’s office and will advise any input they may have.

Thanks

Mary-Anne

Mary-Anne Curtis
A/Deputy Under Treasurer
Queensland Treasury
Level 9, 100 George Street
Phone: 3035 1856 (dial full number)
Mobile: Contrary to Public Interest
Email: mary-anne.curtis@treasury.qld.gov.au
Web: www.treasur.qld.gov.au

From: Adam Pennicott
Sent: Thursday, 12 March 2015 3:08 PM
To: Mary-Anne Curtis
Cc: Leah Kelly; Brian Carrick; Tanya Mills
Subject: Draft of the Proposed merger of Energy GOCs Cabinet submission

Hi Mary-Anne,

Leah has asked me to email you a copy of the latest version of the submission.
When you’re happy with it, we’d like to circulate to DEWS and DPC for comment, with a targeted Cabinet date of 20 April.

FYI we are still doing some work throughout the body of the submission to reflect some recent changes to the cover sheet.

Very happy to discuss.

Thanks,

Adam Pennicott
Principal Treasury Analyst – Energy Team
Shareholder and Structural Policy Division
Queensland Treasury
Level 8, 100 George Street
Phone: (07) 3035 1914 (dial full number)
Email: adam.pennicott@treasury.qld.gov.au
Web: www.treasurer.qld.gov.au

Cabinet-in-confidence
Cheers Adam

And you’re spot-on, DEWS have got those others in hand. Jeanette just wanted to double check if there were treasury briefings.

Didn’t think there would be for the electricity specific ones.

Thanks again mate

Andrew Thomsen
Senior Policy Officer
Economic Policy Unit
Department of the Premier and Cabinet
Phone: (07)300 39325
Ext: 39325
Email: andrew.thomsen@premiers.qld.gov.au

From: Adam Pennicott [mailto:Adam.Pennicott@treasury.qld.gov.au]
Sent: Wednesday, 18 March 2015 1:43 PM
To: Andrew Thomsen
Subject: RE: PPQ for Energy GOC mergers

Mate,

As a start – here are a couple of draft briefs.

We haven’t done PPQs on the others sorry. DEWS should be more help on those I would have thought.

Very happy to discuss. Good luck!

Adam Pennicott
Principal Treasury Analyst – Energy Team
Shareholder and Structural Policy Division
Queensland Treasury
Level 8, 100 George Street
Phone: (07) 3035 1914 (dial full number)
Email: adam.pennicott@treasury.qld.gov.au
Web: www.treasury.qld.gov.au

Queensland Government

From: Andrew Thomsen [mailto:Andrew.Thomsen@premiers.qld.gov.au]
Sent: Wednesday, 18 March 2015 11:20 AM
To: Adam Pennicott; ARMSTRONG Anne
Subject: RE: PPQ for Energy GOC mergers
Morning Anne and Adam,

This morning we received the request for the Premier’s parliamentary briefs and unsurprisingly electricity mergers is on the wish list!! FYI, our briefing request for the mergers does reference yesterday’s Brisbane Times article ([http://www.brisbanetimes.com.au/queensland/power-mergers-move-at-glacial-pace-20150316-1m0nac.html](http://www.brisbanetimes.com.au/queensland/power-mergers-move-at-glacial-pace-20150316-1m0nac.html)).

Thought I should check whether the briefs you guys sent through last week had changed at all? If I could get the latest drafts you guys have that would be much appreciated. Aiming to get DPC drafts approved by the director by COB.

Thanks for your help guys 😊

Andrew Thomsen  
Senior Policy Officer  
Economic Policy Unit  
Department of the Premier and Cabinet  
Phone: (07)300 39325  
Ext: 39325  
Email: andrew.thomsen@premiers.qld.gov.au

From: Adam Pennicott [mailto:Adam.Pennicott@treasury.qld.gov.au]  
Sent: Wednesday, 11 March 2015 8:46 AM  
To: ARMSTRONG Anne; Andrew Thomsen  
Subject: RE: PPQ for Energy GOC mergers

Hi Anne,

A draft PPQ attached. Not yet approved by anyone.

Very happy to discuss.

Cheers,

Adam Pennicott  
Principal Treasury Analyst - Energy Team  
Shareholder and Structural Policy Division  
Queensland Treasury  
Level 8, 100 George Street  
Phone: (07) 3035 1914 (dial full number)  
Email: adam.pennicott@treasury.qld.gov.au  
Web: www.treasury.qld.gov.au

From: ARMSTRONG Anne [mailto:Anne.Armstrong@dews.qld.gov.au]  
Sent: Tuesday, 10 March 2015 4:23 PM  
To: Adam Pennicott; andrew.thomsen@premiers.qld.gov.au  
Subject: PPQ for Energy GOC mergers

Hi Adam and Thomo,
We have been asked to prepare a PPQ for the energy GOC mergers and Benn has asked that we liaise with QTT and DPC as you guys are likely to be preparing exactly the same thing. We just really want to make sure we are all on the same page, giving the same messaging etc.

Therefore would you be able to send me copies of what you have prepared (if you have)? I've attached my draft one – this hasn’t been through Catherine yet or Gayle (GM), but will give you an idea of how I was thinking of approaching it.

Appreciate any advice!

Tks
Anne

Anne Armstrong  
Manager  
Networks and Energy Regulation  
Department of Energy and Water Supply  
L.5, 41 George Street, Brisbane, Qld 4000  
PO Box 15456, City East Qld 4002  
Phone: 07 3199 4915 Short Dial: x 74915  
Email: anne.armstrong@dews.qld.gov.au
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Hi Nicole

The purpose of the meeting is to talk through our data request, so it may not be something Ian would want to attend in any case. We’re fine either way, though it would be good to get the meeting organised soon to give Ergon as much time as possible to get the info together.

If Ian would like to meet separately to talk about the project, we’d be happy to arrange a time.

Regards
Brian

Sent from my iPhone

On 17 Mar 2015, at 11:30 am, TAYLOR Gordon (Ergon) wrote:

Good Morning Brian

Thank you for your email to Gordon Taylor.

We are currently awaiting on a reply from Ian McLeod’s office as to his availability at 3.30pm this Thursday or anytime Friday. Ian is apparently in Melbourne and would need to dial into a meeting via teleconference and/or send another Ergon representative in his place.

Once we hear back directly we will confirm with you.

Gordon is holding 3.30pm on Thursday and is available between 8.30am – 2pm on Friday.

Kind regards

Contrary to Public Interest

Executive Assistant to Gordon Taylor – Executive in the Office of the CEO
Ergon Energy
Level 11, 825 Ann Street
FORTITUDE VALLEY QLD 4006
PO Box 264, FORTITUDE VALLEY QLD 4006

Contrary to Public Interest

<image001.png>
Hi Gordon

Just following up on meeting times. Energex have taken the Wednesday spot, and we’re not available from 10:00 to 3:00 on Thursday. We could do 3:30 on Thursday or any time Friday.

Regards
Brian

From: TAYLOR Gordon (Ergon)  
Sent: Saturday, 14 March 2015 12:27 PM  
To: Brian Carrick  
Cc: Leah Kelly; Adam Pennicott; Julian Morrow  
Subject: RE: Contact details

Hi Brian

It was an interesting discussion. Thanks for the contact details. My full contact details are as below.

Gordon

Gordon Taylor  
Executive in the Office of the CEO  
Strategy Revenue & Transformation  
Ergon Energy  
825 Ann Street, Fortitude Valley QLD 4006  
PO Box 294, Fortitude Valley QLD 4006

From: Brian Carrick  
Sent: Friday, 13 March 2015 1:44 PM  
To: TAYLOR Gordon (Ergon)  
Cc: Leah Kelly; Adam Pennicott; Julian Morrow  
Subject: Contact details

Hi Gordon

As promised, the contact details for the networks merger team are:

Leah Kelly  
Project Director (networks and generation mergers)  
Phone: 3035 1841  
Email: Leah.kelly@treasury.qld.gov.au

Brian Carrick  
Team Leader (Networks)  
Phone: 3035 3436 / 0411 983 483
It would be good to arrange a time with you and your team next week to discuss our initial Request for Information. We’ll send you out a draft RFI before the meeting. We’re planning to talk through the RFIs with each of the network businesses, to explain what we’re looking for and why, whether the information is readily available, or if there are better ways of analysing the issues using information already to hand. In that vein, we’re hoping to use the Reset RIN information on the AER website as much as we can, but we want to make sure that we’re using the information correctly, especially if comparing data between networks. It would help if we could arrange a separate session (maybe even back to back with the RFI meeting) with somebody who is familiar with the RIN data and can talk us through the numbers.

At this stage, we’re available Wednesday between 11:00 and 1:30, Thursday (all day) or Friday (all day), if you’d like to suggest some times. We’re happy to come out to your office this time.

Regards
Brian

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To report this email as spam, please forward to asa@websense.com
Hey mate,

Andrew Thomsen
Senior Policy Officer
Economic Policy Unit
Department of the Premier and Cabinet
Phone: (07)300 39325
Ext: 39325
Email: andrew.thomsen@premiers.qld.gov.au

Hey mate, you’ve come to the right place.
I’ll see who wants to come from our side. Will it be Jeanette and you?

What sort of information was the Prem’s office looking for?

Adam Pennicott
Principal Treasury Analyst – Energy Team
Shareholder and Structural Policy Division
Queensland Treasury
Level 8, 100 George Street
Phone: (07) 3035 1914 (dial full number)
Email: adam.pennicott@treasury.qld.gov.au
Web: www.treasury.qld.gov.au

Queensland Government

From: Andrew Thomsen <Andrew.Thomsen@premiers.qld.gov.au>
Sent: Monday, 16 March 2015 11:12 AM
To: Adam Pennicott
Cc: Jeanette Miller
Subject: RE: GOC mergers
Hey mate,

Jeanette would like to set up a meeting with Treasury to discuss a few GOC Merger issues the Premier’s advisor would like some information on. I thought you might have had a bit to do with this once upon a time i.e., a few weeks ago....

If you’re not the right person to talk to would you mind providing me with a name to chase up?

ta mate

Andrew Thomsen  
Senior Policy Officer  
Economic Policy Unit  
Department of the Premier and Cabinet  
Phone: (07)300 39325  
Ext: 39325  
Email: andrew.thomsen@premiers.qld.gov.au

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Pages 583 through 584 redacted for the following reasons:

Exempt - Cabinet Matter - Sch.3(2)(1)(b)
I can give him a call.

Andrew Thomsen from DPC 3003 9325 would like an update on an independent committee about the mergers (he mentioned ‘IDC’). I asked whether this was the steering committee, but he wasn’t sure.

Regards,

Eddie Leow
Queensland Treasury
100 George Street
Phone: +61 7 3035 3366
Email: Eddie.Leow@treasury.qld.gov.au
Web: www.treasury.qld.gov.au
Good afternoon,

As you know, as part of its Fiscal Strategy and Debt Action Plan ('Fiscal Strategy'), the Government committed to consolidate the three network Government owned corporations (GOCs) - Energex Limited (Energex), Ergon Energy Corporation Limited (Ergon), and Queensland Electricity Transmission Corporation Limited (Powerlink) - into a new single network business.

The Government also committed to merge the two generation GOCs - CS Energy Limited (CS Energy) and Stanwell Corporation Limited (Stanwell) - into a single generation business with separate wholly owned subsidiaries, with the final structure to be negotiated with the Australian Competition and Consumer Commission (ACCC).

The amalgamation of these entities represents a significant reform and will require resolving major legislative, commercial and policy issues. This committee will play a key role in managing these issues.

The first Steering Committee for the proposed merger of Energy Government Owned Corporations will be held this Thursday 19 March 2015.

Relevant papers for this meeting will be issued at a later date.

Kind regards,
Adam Pennicott

From: Adam Pennicott
Sent: Friday, 13 March 2015 10:28 AM
To: Brian Carrick
Subject: RE: Townsville Contentious Issues Brief - Mergers

Thanks Brian.

Adam Pennicott
Principal Treasury Analyst – Energy Team
Shareholder and Structural Policy Division
Queensland Treasury
Level 8, 100 George Street
Phone: (07) 3035 1914 (dial full number)
Email: adam.pennicott@treasury.qld.gov.au
Web: www.treasurv.qld.gov.au

From: Brian Carrick
Sent: Friday, 13 March 2015 10:21 AM
To: Adam Pennicott; Tanya Mills
Subject: RE: Townsville Contentious Issues Brief - Mergers

Looks good to me. Thanks

From: Adam Pennicott
Sent: Friday, 13 March 2015 9:52 AM
To: Tanya Mills; Brian Carrick
Subject: RE: Townsville Contentious Issues Brief - Mergers

Thanks Tanya. I like that change.

Adam Pennicott
Principal Treasury Analyst – Energy Team
Shareholder and Structural Policy Division
Queensland Treasury
Level 8, 100 George Street
Phone: (07) 3035 1914 (dial full number)
Email: adam.pennicott@treasury.qld.gov.au
Web: www.treasurv.qld.gov.au

From: Tanya Mills
Sent: Friday, 13 March 2015 9:44 AM
To: Adam Pennicott; Brian Carrick
Subject: RE: Townsville Contentious Issues Brief - Mergers

Thanks Adam – just one suggested change from me
The Government has also made a commitment for the headquarters of the merged network business to be located in Townsville. This will support job creation and recognises the importance placed on the continued development of regional Queensland.

Cheers
Tanya

From: Adam Pennicott
Sent: Friday, 13 March 2015 9:38 AM
To: Tanya Mills; Brian Carrick
Subject: Townsville Contentious Issues Brief - Mergers

Hi guys,

Would appreciate your review of the Townsville community cabinet brief before going to Leah.

From my time at DPC my advice for these community cabinets briefs is that, at least for the response section, less is definitely more.

Very happy to discuss.

Thanks,

Adam Pennicott
Principal Treasury Analyst – Energy Team
Shareholder and Structural Policy Division
Queensland Treasury
Level 8, 100 George Street
Phone: (07) 3035 1914 (dial full number)
Email: adam.pennicott@treasury.qld.gov.au
Web: www.treasurv.qld.gov.au

Queensland Government
BRIEFING NOTE

FROM | Treasury
--- | ---
FOR | Treasurer, Minister for Employment and Industrial Relations and Minister for Aboriginal and Torres Strait Islander Partnerships
SUBJECT | Merger of Energy Government Owned Corporations

Contact Officer: Adam Pennicott, SSPD, 303 51914
Requested by: N/A
Record No: 00373-2015
Approval Required: N/A

KEY POINTS

1. The purpose of this briefing note is:
   - for you to note Treasury officers have begun preliminary analysis of merger options and process; and
   - to seek your approval for

   Sch. 3(2)(1)(b)

BACKGROUND

2. As part of its Fiscal Strategy and Debt Action Plan ('Fiscal Strategy'), the Government committed to consolidate the three network Government owned corporations (GOCs) - Energex Limited (Energex), Ergon Energy Corporation Limited (Ergon), and Queensland Electricity Transmission Corporation Limited (Powerlink) - into a new single network business.

3. The Government also committed to merge the two generation GOCs - CS Energy Limited (CS Energy) and Stanwell Corporation Limited (Stanwell) - into a single generation business.

4. The Government's Fiscal Strategy identifies $150 million in efficiency savings from removing duplication across business areas, including administration, human resources, industrial relations, boards, management and legal costs.

ISSUES

6. The amalgamation of these entities represents a significant undertaking, and will require the resolution of major legislative, commercial and policy issues. Key issues for consideration include industrial relations, competition law issues, and implications for the Australian Energy Regulator's (AER) regulation of the network businesses.

Industrial Considerations

7. Any changes to the structure of the businesses will need to occur in accordance with the Enterprise Bargaining agreements within the organisations. For the three network businesses, these agreements nominally expired in late 2014, and negotiations for new agreements are ongoing. The expired agreements will continue until they are replaced or terminated. Similarly, the generation businesses' various enterprise agreements are either expired or nearing expiry.

8. As with the previous agreements, it is likely the new network Enterprise Bargaining agreements will include staff and union consultation requirements for any major workplace change.

Contrary to Public Interest

RTI Document No.589
Competition Implications

9. As noted in the Government’s Fiscal Strategy, consultation with the Australian Competition and Consumer Commission (ACCC) will be required regarding the merger of the generation businesses, given its expected strong interest in the effect a merger of two large market entities may have on generation competition.

10. A straight merger of the generation businesses could potentially reduce competition, impact wholesale electricity prices, and be subject to close scrutiny by the ACCC. Consideration will also need to be given to the effect of different merger structures on new generation or retail businesses entering the generation market.

11. Close engagement with the ACCC and detailed analysis of competition implications was a key part of implementation planning and preparation for the consolidation of then three Government-owned generators into two in 2010.

Other Regulatory and Policy Issues

12. While not crucial to be resolved prior to implementation of a merger, there will also be policy issues requiring consideration through the process.

13. For instance, the approach and methodology of providing the Uniform Tariff Policy (UTP) will likely need to be adapted to operate within a merged business environment. Consideration may also be given to the treatment and management of the Ergon retail business (EEQ), which is currently managed through the larger Ergon network business.

14. Each of the network businesses currently receives a separate regulatory determination from the AER. Powerlink’s next five-year regulatory period begins on 1 July 2017, while Energex and Ergon are due to begin a new regulatory period on 1 July 2015. The AER will need to be consulted on their approach to regulating a merged network business and the best way to resolve technical implementation issues, as it is unclear how this would change after a merger of the network businesses.

Project Governance and Business Engagement
22. Powers are available in the GOC Act to facilitate provision of information. The direction powers in section 158 of the GOC Act provide for direction and investigative powers.

23. This section provides for the shareholding Ministers of a GOC to request the Chief Executive (the Under Treasurer) to investigate and report on any matter relating to a GOC. In this case, it would be the investigation of structures for a merger.

FINANCIAL IMPLICATIONS

26. As noted above, the Government's Fiscal Strategy identifies $150 million in efficiency savings from removing duplication across boards, management and corporate services functions.

27. In 2012, the Independent Review Panel (IRP) on Network Costs also identified significant synergy and efficiency savings from combining the network distribution businesses, Energex and Ergon. The options examined were: a holding company over the top of the two businesses; and a full merger of the two businesses. The identified savings are shown in the below table.

<table>
<thead>
<tr>
<th></th>
<th>Efficiency savings</th>
<th>Synergy savings</th>
<th>Cost to implement</th>
<th>Net Benefit</th>
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<tbody>
<tr>
<td>Holding Company</td>
<td>$353M</td>
<td>$98M</td>
<td>$168M</td>
<td>$283M</td>
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<tr>
<td>Full Merger</td>
<td>$353M</td>
<td>$305M</td>
<td>$307M</td>
<td>$351M</td>
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</table>
30. As part of the merger project, the working group will examine options relating to capital structure, dividend policy and other ways of crystallising value in the businesses to support the Government’s debt reduction strategy.

31. While it is expected that a majority of the merger analysis and implementation can be undertaken within existing agency resources, it is expected that expert advice may need to be sought on specific issues (for example, commercial and legal advice on merger structures, industrial relations implications and competition issues, and IT advice on complex system integration issues).

32. More detailed information on the need, scope and estimate of fees will be provided to you and your approval sought prior to engagement of any consultants.

RECOMMENDATION

33. That you:
   - note that Treasury officers have begun preliminary analysis of merger options and process; and
   - approve a

Sch. 3(2)(1)(b)

Mark Gray
Under Treasurer

☐ Approved   ☐ Not approved   ☐ Noted

Comments

Curtis Pitt
Treasurer, Minister for Employment and Industrial Relations and Minister for Aboriginal and Torres Strait Islander Partnerships

Name: Greg Tonks  (Initials)  OUT: (Initials)  Branch/Division: SSPD  DUT

Name: Mary-Anne Curtis  (Initials)
<table>
<thead>
<tr>
<th><strong>Cecelia Christensen</strong></th>
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<tbody>
<tr>
<td><strong>Subject:</strong> Discussion re legal adviser scope and timeframes</td>
</tr>
<tr>
<td><strong>Location:</strong> Rainforest Room, Lvl 6</td>
</tr>
<tr>
<td><strong>Start:</strong> Tue 31/03/2015 10:00 AM</td>
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<td><strong>End:</strong> Tue 31/03/2015 11:00 AM</td>
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<td><strong>Meeting Status:</strong> Accepted</td>
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<td><strong>Organizer:</strong> Trent Stephens</td>
</tr>
<tr>
<td><strong>Required Attendees:</strong> Cecelia Christensen; Tanya Mills; Eddie Leow</td>
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<tr>
<td><strong>Optional Attendees:</strong> Leah Kelly</td>
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<tr>
<td>Subject:</td>
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<td>---------------------</td>
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RTI Document No.636
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<tr>
<th><strong>Cecelia Christensen</strong></th>
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<tbody>
<tr>
<td><strong>Subject:</strong> Initial discussion with ACCC - proposed Qld generation merger competition issues</td>
</tr>
<tr>
<td><strong>Location:</strong> ACCC Brisbane office - Level 24, 400 George Street.</td>
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<tr>
<td><strong>Start:</strong> Fri 20/03/2015 9:00 AM</td>
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<td><strong>Required Attendees:</strong> Leah Kelly; Eddie Leow; Trent Stephens; Cecelia Christensen; <a href="mailto:tom.leuner@accc.gov.au">tom.leuner@accc.gov.au</a></td>
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<tr>
<td><strong>Cecelia Christensen</strong></td>
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<tr>
<td>------------------------</td>
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<tr>
<td><strong>Subject:</strong> GOC Merger legislative process and preliminary issues</td>
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<td><strong>Optional Attendees:</strong> Brian Carrick; Tanya Mills; Adam Pennicott; Julian Morrow</td>
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