ENERGY NETWORKS

AGL's interests in gas and electricity distribution networks comprise two regulated wholly-owned businesses: Gas Networks in NSW and Electricity Networks in Victoria. Both own energy infrastructure and contract capacity to energy retailers who use our infrastructure to transport energy to their customers.

AGL's infrastructure management and services company, Agility, provides operational and maintenance services to Energy Networks.

The Energy Networks division contributed $212.1 million to profit before borrowing costs, tax and significant items, a decrease of $31.3 million from the corresponding period last year.

The financial performance of both Gas and Electricity Networks was adversely affected by warmer than anticipated weather in the latter period of winter 2001 and the start of winter 2002, as well as the negative impact of the first full year of revised regulatory arrangements. These arrangements were introduced in NSW in October 2000 by the Independent Pricing and Regulatory Tribunal (IPART), and in Victoria in January 2001 by the Office of the Regulator General, now replaced by the Essential Services Commission (ESC).

Gas Networks

Gas Networks contributed $151.3 million to profit before borrowing costs, tax and significant items, which is a decrease of $21.4 million from the corresponding period last year. Prior year profit included a part-year profit of $10.3 million from the three months operations prior to the sale of the gas assets into the ActewAGL joint venture and a profit of $4.6 million from the sale of network assets in the south-west slopes of NSW. The 2001/2002 performance was achieved despite the negative impact on contract revenue of $18.0 million as a result of the implementation of the revised Access Arrangement. Return on funds employed before borrowing costs, tax and significant items was 15.5%.

After adjusting for these significant year-on-year variances the underlying Gas Networks' business has returned a profit growth before borrowing costs and tax of $11.5 million, an improved result of more than 8.2% on the previous year. Use of the former Gas Customers' Reserve Account (GCRA) declined to $17.2 million from $27 million in the prior year.

Gas transported was 97.2 PJ to 860,564 sites, a decrease of 6.0 PJ compared to last year. This reflected the loss of the BHP Sithe distribution load and the warmest winter in Sydney since 1988. However, the loss was offset by Gas Networks' continued strong growth. New site growth, mostly in new housing, saw a further 33,373 sites added to the network. These new sites have extended the distribution network by a further 229 km, bringing the total length to 22,763 km.

New prices for all tariff and contract delivery points were introduced on 1 July 2001 resulting in an average rise in tariffs of 2% based on the revised Access Arrangements.

Gas Networks transports natural gas (in accordance with non-discriminatory third-party arrangements) to licensed gas retailers including: Energy Australia, Citipower, Origin Energy and Country Energy, in addition to AGL's own retail businesses, which remain the largest shippers.

The Ministry of Energy and Utilities introduced changes in gas distribution licensing which required Gas Networks to develop system changes to facilitate the introduction of full retail contestability. Gas Networks' business systems were modified accordingly and the associated costs are being recovered through a price increase that came into effect on 1 January 2002 and the use of $4.6 million of the GCRA provision during the year. The remaining $4.9 million balance in the GCRA will be extinguished by 30 June 2004.

Electricity Networks

Electricity Networks contributed $60.8 million profit before borrowing costs and tax, a decrease of $9.9 million on its contribution for the corresponding period last year. The reduction was principally due to the impact on revenue of the Distribution Price Review that became effective in January 2001. Return on funds employed before borrowing costs and tax was 5.9%.

Electricity transported was 3,983 GWh to 265,753 sites, in line with last year's result. This reflects milder than anticipated winter weather and reduced activity by

Energy Networks	Gas Networks	Electricity Networks	Agility
$212.1 MILLION	33,373 NEW SITES	4,827 NEW SITES	9,000 KM
The Energy Networks division contributed $212.1 million to profit before borrowing costs, tax, and significant items.	New site growth saw a further 33,373 sites added to the network. These new sites have extended the distribution network by a further 229 km, bringing the total length to 22,763 km.	New site growth saw a further 4,827 sites added to the network. These new sites have extended the distribution network by a further 82 km, bringing the total length to 7,123 km.	Agility services and manages 9,000 km of high-pressure gas transmission pipelines.

major businesses, offset by continued growth of the network. New site growth saw a further 4,827 sites added to the network. These new sites have extended the distribution network by a further 82 km, bringing the total length to 7,123 km.

During the year each electricity distributor was required by the ESC to develop a Use of System Agreement, which was subsequently introduced in early 2002. This agreement establishes a baseline contract between each distributor and the retailers seeking to use its infrastructure.

In September 2001 the ESC released its annual report comparing the performance of Victoria's five electricity distributors for the calendar year 2000. The ESC reported that AGL Electricity Networks had shown the most improvement of all distributors, the most consistent performance in supply reliability and was the only distributor to achieve improvement in both unplanned interruption frequency and duration.

On 9 November 2001, SPI Powernet suffered a transformer overload at its West Melbourne Terminal Station. The resultant blackout of the Melbourne CBD subsequently affected Electricity Networks' substations at Footscray and Flemington. We have lodged an application with the ESC to discount the effect of this incident from performance assessment criteria that may otherwise misrepresent Electricity Networks' system reliability.

Full retail contestability was introduced in January 2002 and we have continued to develop the systems and procedures necessary to support and facilitate the new arrangements. The cost of these changes was factored into the Distribution Price Review.

REGULATORY ISSUES

There were no major regulatory reviews affecting AGL's gas or electricity network assets during the year. There was however considerable activity by various authorities in reviewing or modifying regulatory frameworks at both state and national levels.

The Productivity Commission conducted a review of the National Access Regime and published a position paper in March 2001. A final report was submitted to the Federal Treasurer in October 2001, but has not yet been made public. However its recommendations are not expected to depart radically from the position paper. At a conference in March 2002 the Commission's Chairman has reiterated its views on regulation:

"The Commission's recent inquiries have revealed a need to re-balance the emphasis in infrastructure regulation away from achieving immediate gains for users and consumers from existing assets.....to a regulatory framework that will also facilitate efficient investment in new facilities. In this way, pro-competition regulation is more likely to ensure that Australia has modern infrastructure which is developed and used efficiently, with long-term benefits to the Australian community".

The Commission's consistent view is that, while there is an important continuing role for access regulation, refinements are necessary to reduce the risks of deterring investment in infrastructure facilities.

Infrastructure owners have strongly endorsed the Commission's conclusions and have urged release of the final report. Additionally, the gas industry has sought an urgent review of the National Gas Code based upon the regulatory refinements proposed by the Commission.

Another major initiative was the Council of Australian Governments' sponsored review of Australian energy market directions. This was formally launched in March 2002 with the release of a discussion paper. The review committee noted that one of its priority issues would be regulatory approaches that effectively balanced incentives for new supply investment, demand responses and benefits to consumers. The committee is currently evaluating submissions and undertaking extensive public consultation.

AGILITY

Since its establishment in 2000, Agility's contribution to AGL's profit has continued to grow reflecting, in part, its successful attainment of third-party market opportunities. In the year ended June 2002, the business' revenue increased 10.0% to $272.6 million, while profit before borrowing costs, tax and significant items increased 63.7% to $46.5 million. This exceptional result was achieved in an environment of strong competition in the infrastructure services market and during a cyclical downturn in major construction opportunities.

Agility services and manages 9,000 km of high-pressure gas transmission pipelines. Our significant management contracts with the Australian Pipeline Trust (APT), ActewAGL, Country Energy, as well as AGL's own gas and electricity distribution networks, provides it with significant recurring revenues, whilst at the same time saving costs for its infrastructure customers.

Agility also services and manages 26,000 km of gas distribution networks and 7,100 km of electricity distribution network. It provides a range of efficient services (including metering and emergency response), using a highly skilled and experienced workforce, as well as a suite of services, ranging from planning and approvals, through to engineering, procurement, construction and commissioning.

Highlights during the year included:

- Securing a 15-year contract with Melbourne Airport to construct, own, operate and maintain a new 66/22 kV electricity substation;
- Commissioning of Stages 4B and 5 of the looping project on the Roma to Brisbane pipeline in Queensland on behalf of APT, eight weeks ahead of schedule. Stage 6, due for completion in October 2002, commenced in May 2002 following successful negotiation, on behalf of APT, for additional gas transportation arrangements to major industrial users in the Brisbane area;
- Securing a 15-year contract with ActewAGL to manage and service the Nowra gas distribution network;
- Completion of construction and commissioning of the Singleton lateral in NSW for AGL Gas Networks;
- Completion of the Wiluna compressor station on the Goldfields Gas Pipeline in Western Australia for the Goldfields Gas Trust;
- Continuing rollout of the TransACT broadband fibre-optic telecommunications local area network in the ACT. Agility has installed 580 km of various-sized cable in over 16 suburbs and a further rollout of 880 km of broadband cable has commenced; and
- Commencement of construction of the Mornay Tank compressor station on the Queensland Carpentaria Gas Pipeline for the Roverton joint venture. Agility will operate and maintain the station following commissioning of the compressor.

Looking forward, Agility will continue to focus on developing its business by targeting infrastructure services to energy utilities and continue to develop alliances to provide infrastructure services to non-energy customers.

In a major endorsement of Agility's focus and emphasis on safety, the Agility Simulation Manual won the NSW Post-Disaster Private Sector Stream Award from 31 other entrants in NSW, including emergency services such as Police, Fire Brigade and Ambulance.

ENERGY SALES & MARKETING (ES&M)

ES&M contributed $102.2 million to profit before borrowing costs, tax and significant items compared with $110.4 million for the corresponding previous year. Return on funds employed before borrowing costs, tax, significant items and including guarantee support was 16.1%.

Included in last year's results was a contribution of $4.4 million from the ACT/Queanbeyan gas business for the three months prior to its sale to the ActewAGL joint venture. Consequently, the like-for-like decrease in profitability was $3.8 million. Factors which impacted the underlying operating result were the Victorian Government's decision to cap retail electricity prices and the very mild summer weather experienced in South Australia and Victoria.

Superior service has been a key focus in achieving a competitive advantage against other retailers in the residential and small business markets. Our Contact Centres continued to achieve outstanding results in the National Customer Service Benchmarking Australia surveys. The NSW and ACT Contact Centres were named as the leading service providers for the July to December 2001 period.

January 2002 marked the opening of gas and electricity markets in NSW and electricity markets in Victoria, giving all customers the ability to choose their energy retailer. This required a comprehensive programme for the start of customer choice. The programme involved the design, testing and implementation of new processes, systems and organisational changes to allow for the efficient and timely transfer of customers between the various retailers.

Supported by the 'Mimi the Mouse' advertising campaign, reinforcing the message of 'Comfort Darlinks, Comfort'

Energy Sales & Marketing	Natural Gas	Electricity	Energy Services
$102.2 MILLION	110.5 PJ	10% GROWTH	158,000 TONNES
The ES&M division contributed $102.2 million to profit before borrowing costs, tax and significant items.	Total natural gas sales were 0.5 PJ higher than last year's 110.0 PJ due to additional wholesale sales, particularly in South Australia.	Increased electricity volumes in the Victorian retail electricity industrial and commercial markets.	Energy Services projects will result in emission reductions totalling 158,000 tonnes per annum through methane destruction.

– AGL was ready to offer both gas and electricity to NSW customers. The Victorian gas market will open for competition from October 2002.

Interestingly, the advent of contestable mass markets for gas and electricity in NSW and for electricity in Victoria has not produced significant levels of customer switching, with customers choosing to stay with their existing retailer. In Victoria, this was due in part to decisions made to cap mass market electricity retail prices at levels which do not enable retailers to make offers sufficiently different to tempt large numbers of customers to switch to another energy retailer. That having been said, as at 30 June 2002, AGL had achieved a net gain of approximately 4,000 gas and electricity residential customers across NSW and Victoria. Importantly AGL has made excellent progress in securing its customer base.

Natural Gas

As a retailer and wholesaler providing natural gas and associated services to industrial and commercial businesses and homes around Australia, the total natural gas sales were 0.5 PJ higher than last year's 110.0 PJ due to additional wholesale sales, particularly in South Australia. This increase was offset by competition from the Eastern Gas Pipeline which commenced supplies from Victoria to NSW in October 2001.

The acquisition of 35,457 new residential and small business customers in NSW resulted in an increase in sales from 29.3 PJ to 30.6 PJ. This increase has been adjusted for the effect of customer volumes transferred to ActewAGL in the previous year.

Our entry into the natural gas market in WA was highly successful. In WA's industrial and commercial market, national contracts were extended and new customers acquired whose demand levels currently approach 1.0 PJ per annum.

With the current natural gas supply contract for the NSW market expiring in 2006, considerable focus has been given to securing new sources of gas beyond that time. Negotiations have commenced with producers in Cooper Basin, Undan/Bayu Timor Sea, Papua New Guinea, Gippsland and the Otway Basin.

Electricity

Retail electricity results in the industrial and commercial markets of Victoria and NSW demonstrated strong growth levels, with a 10% and 112% growth respectively, in total load supplied over the prior year. Strong growth rates are expected to continue in the immediate future.

However, residential market sales declined 4.0% (214 GWh) in South Australia and 2.0% (24 GWh) in Victoria due to very mild summer weather conditions which lowered electricity demand.

Energy Services

Energy Services provides business customers with innovative solutions to their total energy requirements by supplying value adding products and services that extend beyond the sale of energy. Examples include energy monitoring, programmed maintenance, power factor correction, power quality analysis and energy management advisory services. This also extends to building, owning and operating energy plant and equipment for customers.

An office providing a full suite of energy services was also established in Perth during the year.

Revenue potential has continued to improve with the commissioning of the cogeneration plant at Werribee Sewerage Plant (Melbourne Water), a 'landfill gas-fuelled' generation facility completed at West Nowra and with development underway on a further three facilities. This will bring the total capacity of these projects for emission reductions to 158,000 tonnes per annum through methane destruction, while contributing to the growth of the AGL renewable generation capacity by 54,000 Renewable Energy Certificates per annum. To comply with the Federal Government's mandatory renewable energy target, the first tranche of certificates were registered and the first carbon credits trade was completed with the Commonwealth Bank of Australia.

During the year, development commenced on the third phase of the Coopers Brewery project in South Australia. In addition to the high voltage facility and the boiler, a 4.4 MW cogeneration facility will provide electricity and steam to the new brewery site. In WA, Energy Services commenced development of two new landfill projects at Rockingham and Gosnells.

The conversion of a further 150 buses to natural gas fuel for the NSW State Transit Authority, and the construction of appropriate refuelling facilities were completed.

Power Generation

AGL has continued to develop its power generation capabilities through the construction of two peaking generation plants. A 150 MW gas-fired plant is being constructed at Somerton in Victoria and a 180 MW dual-fuel plant is being constructed at Hallett in South Australia. Both plants are expected to be fully commissioned in time for the summer peaks of 2002/2003. These plants will provide AGL with a natural hedge against volatility in electricity spot prices during periods of peak electricity demand. The partially commissioned Hallett plant has already benefited AGL during recent periods of high spot prices on the National Energy Market, earning generation revenue and containing market price increases.

In addition, AGL also owns gas-fired power generation and cogeneration plants, mainly in WA's mining and minerals processing regions.

In WA, AGL also has a 20 MW plant operating at Cawse (60 km north-west of Kalgoorlie) and through the Southern Cross Energy business (AGL 15%), 250 MW of plants over four sites between Mt Keith and Kambalda. A 13 MW plant has also been operating at Windimurra (AGL 50%), 70 km east of Mt Magnet. The single customer nature and remote location of these plants do not fit AGL's current strategy and, as a result, their continuing ownership is currently under review.

INVESTMENTS

AGL's share of equity accounted profits from its 30% investment in Australian Pipeline Trust was $16.3 million for the year ($10.5 million in 2000/2001).

The ActewAGL distribution and retail joint venture (AGL 50%) contributed $43.1 million compared to $26.3 million in the previous year. The significant increase was the result of both increased revenues and cost efficiencies. In addition, AGL earns revenue by providing services to ActewAGL through both the ES&M and Agility businesses.

During the year ActewAGL acquired Integral Energy's gas distribution and retail business in Nowra, NSW for which AGL businesses also provide ongoing support services. Return on funds employed before borrowing costs, tax and significant items from the investments was 17.5%.

INTERNATIONAL

New Zealand

The financial turnaround of Natural Gas Corporation Holdings Limited (NGC), following its exit from the volatile electricity retailing businesses, was swift with the company returning to profitability within the first half of the 2001/2002 financial year.

NGC's contribution to AGL profit before borrowing costs, tax, outside equity interests and significant items, was $132.8 million compared with $86.1 million for the corresponding previous year.

Two significant items affected the result. The first was $43.2 million before tax, incurred in July 2001 from abnormally high wholesale electricity prices prior to NGC exiting the electricity retail business from 1 August 2001. NGC reached agreement to sell its North Island commercial and residential customers to Genesis Power from that date. The sale of the South Island electricity customer base to Meridian Energy was completed in mid July 2001.

The second was a receipt of $10.0 million before tax, paid by Contact Energy following early termination of former Enerco gas supply contracts.

Excluding the discontinued business of electricity retailing, earnings from the ongoing businesses substantially increased. Gas sales volumes were up 12.6%, transported gas volumes up 7%, generated electricity sales up 4.6%, gas liquid sales up 15.7% and sales increased from the expanded energy metering business by 12.1%. Following the acquisition of 160,000 electricity meter installations from Genesis Power in August 2001, NGC now holds 41% of the metering market, with nearly 800,000 installations nationwide.

In addition, NGC continued to work on important issues for repositioning its business including a review of generation activities, participation in the New Zealand Government's review of the gas sector and pursued operational efficiencies to improve profitability.

Power Generation

330 MW

A 150 MW gas-fired plant is being constructed at Somerton in Victoria and a 180 MW dual-fuel plant is being constructed at Hallett in South Australia.

Investments

$43.1 MILLION

The ActewAGL distribution and retail joint venture (AGL 50%) contributed $43.1 million compared to $26.3 million in the previous year.

New Zealand

$132.8 MILLION

NGC's contribution to AGL profit before borrowing costs, tax, outside equity interests and excluding significant items was $132.8 million compared with $86.1 million for the corresponding previous year.

Elgas

$11.3 MILLION

Elgas' (AGL 50%) contribution to profit before borrowing costs and tax increased by $6.5 million to $11.3 million primarily as a result of lower international prices for LPG.

AGL also maintained its continuing interest of 20.5% in the retail and generation company, TrustPower Limited. The company is a regional electricity retailer and generator with 280,000 customers and 424 MW of power generation. Like NGC, TrustPower was also adversely affected by the dislocation in the retail trading market last year. As a result, TrustPower contributed to AGL $4.8 million profit before borrowing costs, tax and significant items, down $0.7 million from last year.

Returns on funds employed before borrowing costs, tax and significant items for the New Zealand businesses was 9.1%.

Chile

Gas Valpo contributed $2.9 million profit before borrowing costs and tax compared with a loss of $1.4 million last year.

The business now has 33,720 customers and operates in a region which contains some of the largest energy users in the country including a copper smelter, an oil refinery, a cement plant and the Chilean Navy.

Gas Valpo won a 15-year gas supply and conversion contract with the El Teniente copper mine and Caletones processing facility, owned by the Chilean Government business Codelco. The facility's conversion to natural gas from fuel oil and diesel will increase Gas Valpo's sales by 2.4 PJ to 4.9 PJ a year and provide significant environmental benefits. The contract will also enable Gas Valpo to sell gas outside Region V into the populous capital of Santiago, as well as into Gas Valpo's developing supply areas in Region VI.

TELECOMMUNICATIONS

Telecommunications contributed a loss of $13.5 million before borrowing costs, tax and significant items compared with a loss of $11.2 million for the previous year.

In December 2001 a strategic decision was taken that direct telecommunications retailing would not be part of AGL's core business. Consequently the decision was taken to exit the Dingo Blue business resulting in a write-off of AGL's investment of $42.4 million. AGL continues to pursue a number of contractual matters with Optus relating to the original purchase.

COMindico (AGL 24%) is a national internet protocol based convergent voice and data network. As announced earlier this year AGL invested a further $22.5 million in COMindico. The company is performing satisfactorily against its business plan and as it moves from a greenfields development to fully operational AGL will consider its position. The present belief is that COMindico will not form part of AGL in the future.

A further $20.7 million in TransACT (AGL 21%) enabled the continued rollout of the network. Rollout of the TransACT network continues on schedule with customer numbers significantly ahead of plan. The entire network, able to service around 110,000 residential and commercial customers, is contracted for completion in late 2003, and uses the poles and easements of ActewAGL's existing electricity network.

LPG BUSINESSES

Elgas

Elgas' (AGL 50%) contribution to profit before borrowing costs and tax increased by $6.5 million to $11.3 million primarily as a result of lower international prices for LPG. World LPG prices which in the past few years have been highly volatile, stabilised during 2001/2002. The lower average prices were brought about by reduced world economic activity and consequently weaker world oil prices. At the same time, the Australian dollar declined in value, which partly offset the lower US dollar price. However since the beginning of 2002, the Australian dollar has appreciated against the US dollar, with a consequential benefit to the Australian cost of LPG.

In addition, increased volumes through the Elgas Cavern resulted in higher returns from the midstream business. Retail sales benefited from lower, more stable prices. At the same time, one of the cooler summers on record helped to stimulate demand. Winter demand in 2001 was disappointing but early winter demand in 2002 has been encouraging. Although LPG has suffered competitively against other fuels over recent years, its demand continues to grow.

In August 2001, Elgas sold 50% of its autogas assets to Unigas, a joint venture partnership with Wesfarmers Kleenheat Gas, resulting in a one-off contribution of $1.4 million. The new partnership will provide scale in the very highly competitive autogas market.

Return on funds employed before borrowing costs, tax and significant items was 10.9%.

H C Extractions
H C Extractions conducted major maintenance during the financial year including replacing the turbine. The resultant higher maintenance charges and lower production volumes (down 17.1% from the previous year) saw profit before borrowing costs and tax decrease by $5.0 million to $3.8 million. Additionally, LPG prices were lower than last year due to the weaker global economy which resulted in lower world oil prices.

PROPERTY

Remediation of AGL's former gasworks site at Breakfast Point, formerly known as Mortlake, was completed during the year. However, additional work on some minor adjustments to ground levels adjacent to the existing wharf is being undertaken on behalf of the purchaser.

Settlement of Lot 3 for an amount of $26.9 million took place on 6 September 2001. The next settlement, Lot 5, is scheduled for December 2002.

Other properties sold during the year included a property at Singleton in NSW, which sold for $362,000 and an industrial property surplus to operational requirements at Heidelberg in Victoria, which sold for $1.35 million. Contracts were exchanged with Macquarie Goodman Industrial Trust for the sale of vacant land in the Sydney suburb of Frenchs Forest for $3.25 million.

An option to purchase the former gasworks site at Steel and Ravenshaw Streets in Newcastle for $3.15 million was exercised by the purchaser in August 2001. Remediation of this site is now being carried out to permit settlement by October 2002.

PEOPLE

AGL has always been a market leader from our very early days as the first gas provider in NSW. We now face a truly exciting future as opportunities for growth emerge in the Australasian energy marketplace.

In this remarkable and often challenging period of change and transformation in the energy industry, we are changing the way we operate and compete. By combining our efforts, energy and experience, we are working together to build a strong and vibrant future, consistent with our AGL Values.

Our people strategy is focused on developing a high performance culture underpinned by our commitment to health, safety and the environment.

Our approach is multi-faceted and ambitious. We are refreshing our performance planning and review process to create closer alignment between our business objectives and individuals' objectives. This will drive how we remunerate and reward people's performance. Our emphasis will increasingly be on rewarding for both individual and business performance.

In addition, this year we launched a new awards programme called 'Winning Ways', which is an opportunity for us to acknowledge people who have made an outstanding contribution to our success.

We are pursuing a talent management strategy to attract and retain high performers and building our leadership capability through a range of leadership development opportunities and programmes.

We also recognise that people are more capable and productive at work when they have flexibility and support to manage significant events in their personal lives, such as the birth or adoption of a child, or an illness.

This is why we've recently introduced two new benefits – paid parental leave and salary continuance (insurance protection) for all our permanent employees across Australia.

Life Guard
With all this activity, we have not lost our focus on work/life balance. That's why Life Guard, our health, safety and environment (HS&E) programme which focuses on the health and safety of our people and the ongoing protection of the environments in which we operate, remains a priority for everyone in AGL.

Everyone within the AGL Group is required to identify the hazards in our workplace and implement suitable controls to prevent incidents. Life Guard gives our people the skills, resources and tools to be able to do this.

This tailored approach to health and safety continues to result in the reduction of workplace incidents.

Property

$26.9 MILLION

Settlement of Lot 3 at Breakfast Point for an amount of $26.9 million took place on 6 September 2001. The next settlement, Lot 5, is scheduled for December 2002.

Environment

13 MILLION TONNES

AGL's Goldline programme began in 1988 and has reduced natural gas leakage, to the extent that Goldline has now saved in excess of 13 million tonnes of Co_2 equivalent greenhouse gas emissions.

Life Guard

2.0 LTIFR

We have come a long way and our performance is continually improving. For example, if we use the industry standard of Lost Time Injury Frequency Rate (LTIFR), our current rate is 2.0, compared to 2.5 for 2000/2001.

Social Responsibility

7,000 STUDENTS

AGL's Sustainable Living Competition attracted over 7,000 students from more than 900 high schools across Australia, who completed projects about a sustainable future.

We have come a long way and our performance is continually improving. For example, if we use the industry standard of Lost Time Injury Frequency Rate (LTIFR), our current rate is 2.0 compared to 2.5 for 2000/2001. We believe that this positions us at best practice in the energy industry. As our systems mature, we are increasing our focus on the behavioural aspects of our approach to health, safety and environment.

Earlier this year, Life Guard was introduced into our joint venture, ActewAGL, and the improvements to date are promising. The implementation of the Life Guard programme into NGC in New Zealand continues to flourish, with significant improvements in the reduction of incident rates, notably in the LPG business.

AGL has also introduced better processes for managing contractors and for measuring contractor safety and environmental performance. More than 240 people in NSW attended awareness and information sessions resulting from recent amendments to the NSW OH&S Regulations.

In addition to our Life Guard programme, we offer a broad range of alternative working opportunities, support and health services to our people. For example, in the last twelve months we have seen an increase in the number of people teleworking – or working from home. We now have eleven people working from home, primarily Contact Centre staff. Each person must undergo ergonomic training and assessment before they can work from home on a regular basis. The Equal Opportunity for Women in the Workplace Agency formally recognised and complimented AGL for this development.

Once again, our flu vaccination programme saw more than 600 people being vaccinated prior to the beginning of the winter season and we continue to offer 'Coping with Change' information sessions.

Social and Environmental Responsibilities

As a Company, AGL takes it social and environmental responsibilities seriously. This is reflected in a wide range of programmes and sponsorships. For example, we undertake a schools programme, where an AGL employee visits schools and community groups to teach about electricity. We sponsor SA Great, which undertakes to promote South Australia as a business destination.

We provide administration for the South Australian discount electricity scheme for pensioners and unemployed, a scheme which helps the less fortunate members of society deal with the costs of energy.

Through the AGL 150th Anniversary Foundation $138,500 was donated to charities during the year including the Mary McKillop Foundation, Salvation Army, Australian Cancer Research Foundation and the Starlight Children's Foundation of Australia.

The $400 million Goldline programme inserting nylon pipes into the existing cast iron mains inside the low-pressure natural gas distribution systems servicing Sydney, Newcastle and Wollongong is nearing completion. The programme began in 1988 and has reduced natural gas leakage to the extent that Goldline has now saved in excess of 13 million tonnes of Co_2 equivalent greenhouse gas emissions and continues to save a further 1.6 million tonnes each year.

During the year AGL became Australia's first energy company to offer electricity certified as 'Greenhouse Friendly' by the Australian Greenhouse Office. The Federal Greenhouse Friendly Program enables independently verified certification for products or services whose greenhouse emissions have been balanced by associated greenhouse abatement activities. This cost effective electricity can be purchased by customers with the knowledge that all emissions have been offset on a 'cradle to grave' basis as the methane fuel for its generation has been sourced from accredited landfill sites.

AGL's Sustainable Living Competition is an environmental project design competition for high school students across Australia. The competition encourages students to work towards a sustainable future through classroom projects. In 2001 the competition attracted over 7,000 students from more than 900 schools across Australia and it is expected that 1,000 schools will participate before the competition closes late in 2002.