8 Public Non-financial Corporations Sector

Features

- Entities in the Public Non-financial Corporations (PNFC) Sector provide essential services such as electricity supply and distribution, bulk water supply, rail, and port services.
- The Queensland Government is committed to maintaining public ownership of its assets and expects businesses to operate commercially and efficiently, and to work towards continually improving services to Queenslanders.
- The PNFC Sector is estimated to achieve earnings before interest and tax (EBIT) of $3.062 billion in 2024–25 and remain higher over the forward estimates. In 2024–25, PNFC Sector dividends are expected to be $1.048 billion, with cumulative dividends of $3.917 billion over the 4 years to 2027–28.
- The 2024–25 Budget includes a landmark capital investment of around $26 billion over the 4 years to 2027–28 to deliver on the *Queensland Energy and Jobs Plan* (QEJP). The government's publicly-owned energy businesses are leading Queensland's energy transformation investing in new wind, solar, storage and transmission.
- Government entities are progressing an investment pipeline of renewables, batteries, gas, pumped hydro energy storage and the transmission SuperGrid, including CopperString 2032 connecting the North West Minerals Province to the electricity grid.
- Increased borrowings over the forward estimates primarily reflect capital requirements to deliver the QEJP, transform the rail network, and ensure water security across the state.
- Key projects in the water sector in 2024–25 include construction of the Fitzroy to Gladstone and Toowoomba to Warwick pipelines, and dam improvement works across Paradise, Burdekin Falls, Somerset, Wivenhoe, North Pine and Lake Macdonald dams.
- Major transport sector projects in 2024–25 include continued delivery of critical rail infrastructure to support the reconfiguration of the South East Queensland rail network, the expansion of the Cairns Marine Precinct, the Channel Capacity Upgrade at the Port of Townsville and the Northern Land Expansion Project at the Port of Gladstone.
- The 2024–25 Budget delivers a record $2.965 billion in additional electricity support for Queensland households and small businesses facing cost-of-living pressures.
- All Queensland households will automatically receive $1,300 off their electricity bills from July 2024, consisting of a $1,000 Cost of Living Rebate from the Queensland Government and a $300 rebate from the Australian Government. Vulnerable households will continue to receive the $372 Electricity Rebate for a total of $1,672 support in 2024–25.
- Since 2018, all Queensland households will have received $2,425 in electricity bill rebates, including the $1,300 rebate in 2024–25.
- Around 205,000 eligible small businesses will also receive $650 off electricity bills in 2024–25, co-funded by the Queensland and Australian Governments.

8.1 Context

Entities comprising the PNFC Sector provide vital services such as electricity supply and distribution, water supply, rail, and port services.

Queensland government-owned corporations (GOCs), declared by regulation under the *Government Owned Corporations Act 1993* (GOC Act), comprise a large share of the PNFC Sector. The sector also comprises commercialised statutory entities, including Queensland Rail, Queensland Bulk Water Supply Authority (trading as Seqwater), local water boards, and other public corporations (such as Queensland Hydro and Stadiums Queensland).

GOCs are accountable for their financial performance and must operate commercially and efficiently. These requirements are legislated under the GOC Act, with similar provisions made in the enabling legislation of Queensland Rail and Seqwater.

Entities incur costs and bear commercial risks in the delivery of their services or products, and target a commercial rate of return from the sale of these services or products to sustain ongoing investment and performance. Returns from the PNFC Sector contribute to consolidated revenue and are used to pay for various government services, including investment into critical infrastructure delivered by PNFC Sector entities.

The government uses Community Service Obligation (CSO) payments to subsidise particular services, ensuring they can be offered to the community at prices lower than would otherwise be possible if full cost recovery and normal margins were applied.

An example is the CSO paid to Energy Queensland Limited (EQL) to provide electricity in regional Queensland at prices based on the costs of supply in South East Queensland, in accordance with the government's Uniform Tariff Policy. This policy ensures that electricity prices for most customers in regional Queensland are much lower than would otherwise be the case.

The commercial nature of the PNFC Sector entities ensures debt is self-supporting and net worth continues to grow over the forward estimates.

The Queensland Government has a strong ongoing commitment to maintain public ownership of the entities in the PNFC Sector. Public ownership of electricity, port, rail and water infrastructure provides the Queensland Government with opportunities to support strategic investment in a growing economy and achieve better outcomes for all Queenslanders.

Box 8.1 Delivering for the regions

The new progressive coal royalty tiers announced in the 2022–23 Budget ensure that Queenslanders receive a fair return on their limited and valuable natural resource.

In the 2022–23 Budget Update, the government committed to utilise the uplift in royalty revenue to fund $4 billion in productivity enhancing investments across regional Queensland. This is supporting investments across energy, water and ports sectors which will underpin Queensland's future economic prosperity.

In the 2023–24 Budget, the Queensland Government committed to an additional $6 billion in funding for the Borumba Pumped Hydro Energy Storage (PHES), bringing the government's total equity commitment to $10 billion for regional PNFC Sector infrastructure projects directly funded by coal royalties.

These projects are continuing to progress and deliver benefits for the regions.

- $1.06 billion towards CopperString 2032, supporting the construction of a transmission line from Townsville to Mount Isa, connecting Queensland's North West Minerals Province to the National Electricity Market. Construction is on track to begin later in 2024 with project completion in 2029.
- $7 billion towards state-owned, large-scale, long-duration pumped hydro, including $6 billion for the Borumba PHES over the construction period and $1 billion for the Pioneer-Burdekin PHES.
- $550 million supporting construction of the Fitzroy to Gladstone Pipeline, which commenced last year. The government has since committed a further $365 million to complete construction and operationalise the pipeline, improving long-term water security in the region.
- $500 million for CleanCo to develop a 2.3-gigawatt (GW) portfolio of wind and solar projects in Central Queensland. In 2023–24, CleanCo announced the Moah Creek Wind Farm, to be publicly-owned and operated, is already being progressed through its development partnership with Central Queensland Power.
- $440 million towards Sunwater's Burdekin Falls Dam Raising and Improvement Project, improving and raising the dam by 2 metres to further support water security, bringing the total funding commitment on the project to $540 million. Sunwater will continue to progress design and environmental approvals in 2024–25.
- $300 million to CS Energy towards 100 per cent public ownership of the $1.3 billion 285-megawatt (MW) Lotus Creek Wind Farm, with construction commencing mid-2024 and operations from 2027, supporting decarbonisation in Central Queensland.
- $100 million for Gladstone Ports Corporation to progress the $116 million Northern Land Expansion Project. Approvals and design have progressed with construction to commence in late 2024. The project will provide additional land at the Port of Gladstone to assist the development of renewable energy and other industries.
- $50 million for North Queensland Bulk Ports to replace the ageing Bowen Wharf. Investigations and a community-led design process have progressed throughout 2023–24.

Table 8.1 Key financial aggregates[1]

	2022–23 Outcome $ million	2023–24 Budget $ million	2023–24 Est. Act. $ million	2024–25 Budget $ million	2025–26 Projection $ million	2026–27 Projection $ million	2027–28 Projection $ million
Revenue	16,270	15,746	16,527	16,963	17,630	18,395	19,693
Expenses	15,222	15,116	15,269	16,347	17,136	18,188	19,519
EBIT[2]	**2,455**	**3,829**	**3,526**	**3,062**	**3,417**	**3,416**	**3,231**
PNFA[3]	4,497	5,849	6,366	9,410	11,269	10,029	9,568
Assets	84,526	82,492	88,870	94,090	102,484	110,330	118,034
Borrowings	49,101	45,166	46,618	47,596	52,141	56,659	60,611

Notes:
1. Numbers may not add due to rounding.
2. EBIT (earnings before interest and tax) reflects the commercial nature of the sector. Net operating balance is reported in Chapter 9.
3. PNFA: Purchases of non-financial assets.

8.1.1 Electricity networks

The government owns 2 electricity network businesses, Powerlink Queensland and EQL, which are responsible for transporting safe, reliable electricity to consumers across the state.

Revenues for the network businesses are largely derived from network services that are regulated by the Australian Energy Regulator (AER). The AER determines these revenues on a 5-yearly basis, based on the businesses' proposals and its view of the reasonable benchmark efficient costs for a network business.

Powerlink

Powerlink owns, develops, operates, and maintains the electricity transmission network in Queensland. Its network spans approximately 1,700km from north of Cairns to the New South Wales border and comprises 15,345km of transmission lines and 147 substations.

Powerlink's role in the electricity supply chain is to transmit high voltage electricity through its transmission grid to distribution networks. Powerlink also transmits electricity to high-usage industrial customers such as rail companies, mines, and mineral processing facilities, and to New South Wales via the Queensland/New South Wales interconnector transmission line.

Under the QEJP, Powerlink is delivering the Queensland SuperGrid, CopperString 2032, and Renewable Energy Zones. Powerlink will drive coordinated and efficient development of network infrastructure to connect new renewable energy generation and storage to the electricity grid.

Box 8.2 CopperString 2032

The Queensland Government is investing $5 billion in CopperString 2032 to connect Queensland's North West Minerals Province to the National Electricity Market.

Powerlink is delivering CopperString 2032, to be Australia's largest transmission project and one of the most significant investments in economic infrastructure ever seen in North Queensland. It will unlock one of Australia's largest renewable energy zones and potentially more than $500 billion in new critical minerals in North Queensland. The project has the potential to support around 800 direct jobs over its construction period (to 2029), and thousands more in critical minerals mining and renewable energy industries.

In October 2023, the government announced a $1.3 billion Delivery Launch Package to progress the project, which is supporting early works and construction later in 2024, and including 100 project jobs, procurement of electrical equipment with long lead times, completion of all site investigations, detailed planning and design, and advancement of site infrastructure works, including camps and access works.

This work package is supported by the $1.06 billion equity allocated to CopperString 2032 in the 2023–24 Budget, made available from revenues from progressive coal royalties.

As part of project delivery, Powerlink is working to maximise local employment and procurement opportunities. Powerlink has developed tailored engagement programs with Traditional Owners and First Nations stakeholders to ensure opportunities for Indigenous-owned businesses in the delivery of CopperString 2032.

Energy Queensland Limited

EQL owns and operates the low-voltage distribution network that transmits electricity from Powerlink's transmission network to households and businesses across Queensland. EQL has several operating subsidiary businesses, including Ergon Energy Network, Ergon Energy Retail, Energex and Yurika. EQL is Australia's largest, wholly government-owned electricity business with more than 8,700 employees across Queensland.

In regional Queensland, Ergon Energy Network and Ergon Energy Retail provide distribution network and customer retail services, respectively, while in South East Queensland, Energex provides distribution network services to customers.

Yurika provides a range of other service delivery functions including demand management services, large-scale connections, microgrid solutions, the provision of contestable metering services and telecommunications infrastructure.

EQL is delivering a significant capital works program to maintain a safe and reliable network and support Queensland's energy transformation. Across Queensland, EQL is also connecting network batteries to store extra energy generated from household solar and increase electricity supply during peak periods and installing electric vehicle charging stations.

8.1.2 Electricity generation

Queensland has 3 electricity generation GOCs — CleanCo, CS Energy and Stanwell. Public ownership of generation assets positions Queensland to transform the state's energy system and deliver the government's decarbonisation objectives — 50 per cent renewables by 2030, 70 per cent by 2032, and 80 per cent by 2035 — and reach net zero emissions by 2050.

CleanCo

CleanCo owns and operates a portfolio of low and no emissions generation assets, and has offtake agreements with wind and solar farms in the Western Downs, Far North Queensland, and Wide Bay – Burnett region.

CleanCo is continuing to grow its renewable energy and storage portfolio, including to build, own and operate the 250 MW Swanbank Battery and working with partners to develop a publicly-owned and operated renewable energy portfolio of up to 2.3 GW in Central Queensland. By delivering clean and reliable energy, CleanCo is supporting the sustainable energy goals of major commercial customers, including BHP, Coles, Wesfarmers, and Frucor Suntory.

CS Energy

CS Energy is a major supplier of electricity across Queensland, with an energy portfolio of around 3,500 MW, including the wholly-owned Callide B and Kogan Creek Power Stations and a 50 per cent interest in the Callide C Power Station. CS Energy is party to the Gladstone Interconnection and Power Pooling Agreement, and trades output of the Gladstone Power Station that exceeds the electricity requirements of the Boyne Island Aluminium Smelter.

CS Energy is investing in new renewable energy, storage, gas and hydrogen. The Greenbank Battery, Brigalow Hydrogen-ready Gas Peaking Plant, Boulder Creek and Lotus Creek Wind Farms in Central Queensland, and Kogan Renewable Hydrogen Project are all being supported through the Queensland Renewable Energy and Hydrogen Jobs Fund.

CS Energy provides retail services to large commercial and industrial customers across Queensland, and has a 50/50 joint venture with Alinta Energy to supply electricity to residential and small business customers in South East Queensland.

Stanwell

Stanwell is a major supplier of electricity across Queensland, with an energy portfolio of around 3,300 MW from its 3 coal-fired power stations in Queensland. Stanwell also sells electricity directly to large commercial and industrial customers in Queensland and interstate.

Stanwell is advancing a pipeline of new energy projects across Queensland, focusing on renewable generation, storage and hydrogen. Stanwell has offtake agreements with several renewable projects, including the Mount Hopeful and Clarke Creek Wind Farms in Central Queensland, and Blue Grass Solar Farm and MacIntyre Wind Farms in Southern Queensland.

Stanwell is continuing progress on Tarong West Wind Farm, Wambo Wind Farm Stages 1 and 2 (in partnership with Cubico Sustainable Investments), and the Front End Engineering Design Study of the Central Queensland Hydrogen Project near Gladstone (alongside its consortium of international partners).

Box 8.3 Queensland Energy and Jobs Plan

The *Queensland Energy and Jobs Plan* (QEJP) charts an infrastructure investment pathway to 2035, including 2 large-scale pumped hydro projects in regional Queensland, 22 GW of new renewable energy generation and major new transmission lines across the state which will form Queensland's SuperGrid.

Queensland's publicly-owned energy GOCs are leading the state's energy transformation by building, owning, and operating new renewable energy and storage, and partnering with the private sector to deliver clean and reliable energy to customers across the state.

Through direct equity or offtake agreements, our energy GOCs are cornerstone investors supporting around 5 GW of new generation and 1.15 GW of large-scale battery storage in Queensland by 2027–28, while they continue to pursue substantial further opportunities across the state. This includes CleanCo's 2.3 GW wind and solar development portfolio in Central Queensland.

Building on the momentum of the last budget, the 2024–25 Budget includes a landmark capital investment of around $26 billion over the 4 years to 2027–28 to support the QEJP, including:

- $16.5 billion for renewable energy and storage projects
- $8.5 billion for transmission infrastructure, including CopperString 2032, SuperGrid and renewable energy zone transmission works
- $500 million for distribution network storage, including EQL's Local Network Battery Plan and Local Renewable Energy Zone Pilot Projects
- $192 million for Powerlink to develop Transmission and Training Hubs in Townsville and Gladstone.

These projects are being funded by a mix of coal royalties set aside in the 2023–24 Budget, the $4.5 billion Queensland Renewable Energy and Hydrogen Jobs Fund, and GOC borrowings.

During the energy transformation, the government is ensuring energy workers at existing publicly-owned coal fired power stations and associated coal mines have access to new jobs and training or financial assistance through the $150 million Job Security Guarantee Fund. This framework will complement the conversion of publicly-owned power station sites into clean energy hubs by 2035.

8.1.3 Rail

Queensland Rail is an integrated, publicly-owned rail operator, responsible for delivery of passenger transport in South East Queensland, long distance passenger services in rural and regional Queensland, and third-party access to networks for freight transport across the state.

Rail services form a critical part of South East Queensland public transport system. The reduction of all public transport fares to 50 cents will support commuters, reduce road congestion and increase rail patronage.

The majority of services are delivered under a Rail Transport Services Contract (TSC) with the government, represented by the Department of Transport and Main Roads. The Rail TSC provides funding for rail infrastructure, Citytrain (South East Queensland passenger services) and Traveltrain (regional passenger services).

In 2024–25, Queensland Rail will continue to work with external partners and support delivery of significant new rail infrastructure to transform the Citytrain network, including the Cross River Rail project, new stations and accessibility upgrades, modern signalling equipment and additional train stabling capacity. These investments will increase rail service delivery for the state’s growing population and support local manufacturing supply chains and jobs in regional areas.

8.1.4 Ports

Queensland has a large network of ports along its coastline that are owned and run by GOCs.

These businesses — Gladstone Ports Corporation (GPC), North Queensland Bulk Ports Corporation (NQBP), Port of Townsville Limited (POTL) and Far North Queensland Ports Corporation Limited (trading as Ports North) — own and operate a range of assets from small facilities serving local communities to large, world class multi-user and multi-cargo ports, which have public and privately owned import and export facilities.

Queensland’s ports play an essential role in our supply chain networks by planning and delivering strategic projects which facilitate trade activity. Their ongoing efficient and responsible operation is critical to economic growth, job creation and sustainable development across the state.

Major port projects continuing throughout 2024–25 include:

- commissioning of the new wider shipping channel to allow access for larger ships following completion of the $251 million Port of Townsville Channel Upgrade Project
- GPC progressing the $116 million Northern Land Expansion Project involving the construction of a bund wall for a new reclamation area at Gladstone Port’s Northern Trade Precinct near Fisherman’s Landing, which supports the release of additional land at the port to assist the development of renewable energy and other industries
- expansion of the Cairns Marine Precinct with the development of a Common User Facility. The facility will include a 5,000 tonne shiplift, 3 hardstand areas, 2 blast and paint sheds and wet berth capacity to cater for vessels up to 120 metres in length. The Queensland Government has committed $180 million towards the project with the Australian Government co-contributing a further $180 million.

8.1.5 Water

The 2 largest entities in the Queensland bulk water supply industry are the Queensland Bulk Water Supply Authority (trading as Seqwater) and Sunwater Limited (Sunwater). Other water entities in the PNFC Sector include the Gladstone Area Water Board and Mount Isa Water Board.

Seqwater is primarily responsible for supplying safe, secure and reliable bulk drinking water for over 3 million people across South East Queensland. Its assets and operations are spread across a large geographic area from the New South Wales border to the base of the Toowoomba ranges and as far north as Gympie. In the future, the network will connect further west to Warwick via delivery of the Toowoomba to Warwick Pipeline.

Seqwater also provides essential flood mitigation services, manages 7 water supply schemes which provide irrigation services and provides a range of community recreation facilities.

Sunwater is the government's major bulk water supply business for regions outside of South East Queensland. It supplies untreated bulk water to approximately 5,000 customers across the industrial, mining, urban and irrigation customer segments. Sunwater oversees an extensive regional asset base, owning and managing water infrastructure assets with a replacement value of around $14 billion.

In 2024–25, the Queensland Government is delivering increased water security, fortifying the flood resilience of water infrastructure and ensuring the ongoing safety and reliability of dams through state-owned water businesses. Major projects include:

- construction of the $983 million Fitzroy to Gladstone Pipeline, enabling long term water security and economic opportunity in the Central Queensland region
- delivery of the $273.1 million Toowoomba to Warwick Pipeline, part of a more than $300 million investment for water security in the Toowoomba and Southern Downs regions
- planning and delivery works for improvements to Paradise, Burdekin Falls, Somerset, Wivenhoe, North Pine, Lake Macdonald, Awoonga and other dams, totalling $303.4 million in 2024–25.

8.1.6 Other

Queensland Hydro

Established as a publicly-owned entity in 2022, Queensland Hydro is tasked with the development, delivery, ownership, and operation of the large-scale, long-duration pumped hydro storage assets that will be the cornerstone of Queensland's future energy system. These assets will be critical to Queensland's energy transformation, supporting renewable energy and system security by absorbing excess renewable generation and dispatching it in peak demand periods.

In 2023–24, the government approved proceeding with the $14.2 billion, 2 GW, 24-hour Borumba PHES, subject to final approvals. The project is located south west of Gympie. In 2024–25, Queensland Hydro is investing $935.9 million to progress approvals, continue exploratory works and procure the main works for this project.

In 2023–24, the Queensland Government provisioned $1 billion of equity to support the assessment, feasibility and progress of the Pioneer-Burdekin Pumped Hydro Energy Storage project located west of Mackay. This work will continue in 2024–25 along with $38.5 million for early works. Staged construction is expected to commence in 2026–27 subject to a final investment decision.

8.2 Finances and performance

8.2.1 Earnings before interest and tax

Estimated total PNFC Sector EBIT of $3.526 billion for 2023–24 is $302 million lower than forecast at the 2023–24 Budget, primarily due to lower EBIT in the electricity generation sector. PNFC Sector EBIT is expected to increase from $3.062 billion in 2024–25 and remain higher over the remaining forward estimates.

The electricity network sector EBIT is estimated at $1.280 billion in 2024–25, and increasing to $1.811 billion by 2027–28, consistent with expected regulated revenue movements.

For the electricity generation sector, an estimated EBIT of $1.120 billion in 2023–24 is a material improvement on 2022–23, reflecting the value of hedging contracts as wholesale prices stabilise over time. Over the forward estimates, higher depreciation charges associated with accelerating capital investment in new renewable energy and storage assets dampen EBIT performance; however, before depreciation, earnings remain steady or rise to 2027–28.

Rail sector EBIT is forecast to increase from 2024–25 and remain stable over the forward estimates, consistent with revenue growth from the TSC.

Port sector EBIT in 2023–24 largely aligns with the 2023–24 Budget and is forecast to trend upwards over the forward estimates. This reflects the various long-term revenue contracts with customers and cost recoveries from the completion of revenue generating capital expansions.

Water sector EBIT is $428 million higher than estimated at the 2023–24 Budget mainly due to increased Queensland Government funding of $365 million to the Gladstone Area Water Board via capital grant, to complete construction of the Fitzroy to Gladstone Pipeline. Water sector EBIT is expected to decrease to $69 million in 2027–28 due to dam improvement costs.

Captured under ‘Other’, Queensland Hydro EBIT is forecast to be lower in 2023–24 than estimated at the 2023–24 Budget due to early works expenditure to progress the Pioneer-Burdekin PHES and Borumba PHES. Stadiums Queensland is the other major contributor here, and operates and maintains the state’s portfolio of major sporting stadiums and high performance and community venues. Over the forward estimates, earnings will be offset by expenses as venues continue to be updated and maintained to a contemporary standard to support ongoing events and activities as well as in the lead up to the Brisbane 2032 Olympic and Paralymic Games.

Table 8.2 Earnings before interest and tax[1]

	2022–23 Outcome $ million	2023–24 Budget $ million	2023–24 Est. Act $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million	2027–28 Projection $ million
Electricity Networks	1,087	1,185	1,114	1,280	1,424	1,662	1,811
Electricity Generation	468	1,687	1,120	1,107	899	760	753
Rail	272	315	240	452	523	495	432
Ports	241	248	258	289	315	321	334
Water	413	548	977	221	358	346	69
Other[2]	(27)	(154)	(182)	(288)	(102)	(169)	(169)
Total PNFC sector	**2,455**	**3,829**	**3,526**	**3,062**	**3,417**	**3,416**	**3,231**

Notes:
1. Numbers may not add due to rounding.
2. Includes other public corporations.

8.2.2 Borrowings

Entities in the PNFC Sector use debt financing as a source of funds for asset renewal and capital investments and to maintain an optimal capital structure. Borrowings also include derivative liabilities associated with hedging activities undertaken by GOCs.

PNFC Sector entities are required to take a prudent and sound approach to debt management, including the establishment of borrowing arrangements which are appropriate to the business risk of the organisation. These arrangements consider the proposed capital expenditure program, together with the implications of borrowings on key financial and performance related indicators.

PNFC Sector entity asset values are a relevant factor in considering PNFC Sector borrowings, with PNFC Sector entities borrowing around 51 per cent of their asset values in 2024–25 (on average). Over the forward estimates, for the PNFC Sector as a whole, the ratio of borrowings to assets stays relatively constant to 2027–28.

Total PNFC Sector borrowing for 2023–24 is estimated at $46.618 billion, slightly above what was estimated at the 2023–24 Budget due to higher capital programs.

Electricity network and generation sector borrowings increase materially over the forward estimates in line with capital expenditure, particularly for connections and construction of renewable energy projects as part of the QEJP.

Borrowings in the water sector are largely attributable to Seqwater. Its borrowings result from the large investment in water infrastructure in response to the Millennium Drought and the associated price path. Forecast borrowings reduce across the forward estimates in line with debt repayment.

Ports borrowings have contributed to the funding of major capital works in the sector and are forecast to be stable at around $950 million over the forward estimates.

Rail sector borrowings are expected to increase over the forward estimates to support a large program of capital works for network reconfiguration and Cross River Rail.

Within the ‘Other’ section, Queensland Hydro borrowings for 2023–24 are forecast to be lower than estimated at the 2023–24 Budget, however they increase over the forward estimates to support early works and construction activities for the Borumba PHES.

Table 8.3 Borrowings and total assets[1]

	2022–23 Outcome $ million	2023–24 Budget $ million	2023–24 Est. Act $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million	2027–28 Projection $ million
Electricity Networks	24,904	26,498	25,983	26,733	28,763	30,630	33,075
Electricity Generation	8,703	3,225	5,273	4,306	5,407	6,325	5,972
Rail	4,551	4,652	4,936	5,753	6,157	6,316	6,179
Ports	1,084	1,049	1,086	1,043	959	946	936
Water	9,657	9,472	9,145	8,767	8,435	8,208	8,073
Other[2]	203	271	196	993	2,419	4,234	6,377
Total PNFC sector	**49,101**	**45,166**	**46,618**	**47,596**	**52,141**	**56,659**	**60,611**
Total Assets	84,526	82,492	88,870	94,090	102,484	110,330	118,034

Notes:
1. Numbers may not add due to rounding.
2. Includes other public corporations.

8.2.3 Returns to government

PNFC Sector entities provide returns to government through dividends and tax equivalent payments.

Dividends

Dividends generated by the PNFC Sector form part of consolidated revenue used to fund a range of government services, including investment in critical infrastructure delivered by PNFC Sector entities. The GOC Act provides for the payment of dividends, with the dividend policies of GOCs determined by government. Each year, GOC boards make a dividend recommendation for government consideration.

PNFC Sector dividends are estimated at $1.021 billion in 2023–24 (which is $177 million higher than forecast at the 2023–24 Budget), with cumulative dividends of $3.917 billion over the 4 years to 2027–28.

Electricity network sector dividends for 2023–24 are slightly lower than forecast at the 2023–24 Budget. Dividend movements over the forward estimates align with assumed regulated revenue recovery and capital expenditure of network businesses, noting Powerlink’s next 5-year regulatory period commences from 2027–28.

In the electricity generation sector, dividends for 2023–24 are expected to be above the 2023–24 Budget, in accordance with approved dividend policies. Over the forward estimates, dividends moderate in line with earnings.

Rail dividends for 2023–24 are expected to broadly align with the 2023–24 Budget, increasing to 2025–26 but decreasing towards the end of the forward estimates, associated with major investments in the rail sector.

The ports sector is expected to provide reliable dividends over the forward estimates, rising from $139 million in 2023–24 to $186 million in 2027–28, with movements in line with earnings. Ports North will retain its 2023–24 dividend, estimated at $5.1 million, to support the Cairns tourism sector including Carins Marlin Marina fee relief during 2024.

In the water sector, dividends for 2023–24 are expected to be above the 2023–24 Budget due to a slightly higher-than-expected dividend from Sunwater. Dividends are expected to increase over the forward estimates in line with forecast profit.

Table 8.4 Dividends[1]

	2022–23 Outcome $ million	2023–24 Budget $ million	2023–24 Est. Act $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million	2027–28 Projection $ million
Electricity Networks	132	93	61	39	41	99	237
Electricity Generation	..	463	665	520	441	349	140
Rail	150	146	132	221	254	188	90
Ports	165	138	139	162	177	182	186
Water	51	4	25	106	130	162	192
Total PNFC sector	**498**	**844**	**1,021**	**1,048**	**1,044**	**980**	**845**

Note:
1. Numbers may not add due to rounding.

Tax equivalent payments

Tax equivalent payments (TEPs) are paid by the PNFC Sector entities to recognise the benefits derived because they are not liable to pay Australian Government tax. The primary objective of the payment is to promote competitive neutrality through a uniform application of income tax laws between government-owned businesses and their private sector counterparts.

Total forecast PNFC Sector TEPs for 2023–24 are estimated to be $529 million, slightly higher than projected at the 2023–24 Budget. Over the forward estimates, a decline in TEPs to $355 million by 2027–28 is primarily due to the electricity generation sector experiencing a modest downward trend in earnings, coupled with interest costs on new borrowings to support capital investment in renewable energy projects.

Table 8.5 Tax Equivalent Payments[1]

	2022–23 Outcome $ million	2023–24 Budget $ million	2023–24 Est. Act $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million	2027–28 Projection $ million
Electricity Networks	24	64	31	15	18	43	101
Electricity Generation	167	261	285	241	192	170	74
Rail	72	102	46	155	152	118	70
Ports	71	68	80	90	98	99	103
Water	10	2	86	1	3	7	7
Other[2]	1	0	0	0	1	1	1
Total PNFC sector	**345**	**498**	**529**	**503**	**463**	**438**	**355**

Notes:

1. Numbers may not add due to rounding.
2. Includes other public corporations

Competitive neutrality fees

Competitive neutrality policy requires that public sector businesses, including GOCs, should not have a competitive advantage (or disadvantage) over the private sector solely due to their government ownership. An application of this policy is the competitive neutrality fee (CNF).

The CNF is applied to a GOC's cost of debt to neutralise any costs of funds advantage by way of government ownership on the basis of GOCs' ability to borrow funds at a lower rate than private sector competitors, given the government's credit strength.

In general, changes in CNF payments reflect movements in borrowing amounts, interest rate spreads and the entity's stand-alone credit rating. CNF payments by the PNFC Sector are expected to increase over the forward estimates in line with increased borrowing.

Table 8.6 Competitive neutrality fee payments[1]

	2022–23 Outcome $ million	2023–24 Budget $ million	2023–24 Est. Act $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million	2027–28 Projection $ million
Electricity Networks	156	148	157	157	174	187	203
Electricity Generation	30	22	25	24	32	38	69
Rail	27	25	29	30	40	51	61
Ports	8	8	8	8	9	9	9
Water	4	6	7	5	6	10	10
Total PNFC sector	**225**	**209**	**225**	**225**	**261**	**295**	**352**

Note:

1. Numbers may not add due to rounding.

8.2.4 Community service obligation and rail transport services contract payments

For public policy reasons, the government can direct GOCs to perform activities that are not in their commercial interests. In these situations, the government can compensate the GOC through the payment of a CSO for the cost of delivering the uncommercial part of the good or service.

In line with the Queensland Government's Uniform Tariff Policy, a CSO payment is provided to EQL to compensate its retail subsidiary, Ergon Energy, for the higher cost of operating in regional Queensland. This subsidy is provided to ensure Queenslanders, regardless of their geographic location, pay a similar price for their electricity.

Seqwater and Sunwater also own and operate water supply schemes, where irrigation prices for some schemes are set below the level necessary to recover the costs of supply. The government provides a CSO to offset the reduced revenue and to ensure irrigation prices gradually transition towards cost recovery.

Prior to 2025–26, a substantial amount of Water CSO payments are due to the government's rural irrigation water price discount for Sunwater and Seqwater customers which has been extended to 2024–25. There is no CSO forecast in 2026–27 or 2027–28 because irrigation prices have not yet been set for 2025–26 and beyond.

Similarly, TSC payments are made to Queensland Rail to deliver rail passenger services at non-commercial (subsidised) prices for commuter and tourism markets.

Total PNFC Sector CSO and TSC payments for 2023–24 are expected to be $2.916 billion, in line with the 2023–24 Budget forecast. Over the forward estimates, CSO and TSC payments are expected to increase to $3.474 billion by 2027–28.

This trend is largely driven by TSC payments, reflecting a range of adjustments for growth, maintenance and safety of the rail network. This includes delivery of significant capital projects, upgrades to existing assets, and operational activities associated with the South East Queensland network and Cross River Rail.

Table 8.7 Community service obligation payments and transport services contracts[1]

	2022–23 Outcome $ million	2023–24 Budget $ million	2023–24 Est. Act $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million	2027–28 Projection $ million
Electricity Networks	621	537	599	605	618	644	684
Rail	2,082	2,306	2,291	2,662	2,790	2,790	2,790
Water	23	23	26	28	7	..	..
Total PNFC sector	**2,726**	**2,866**	**2,916**	**3,295**	**3,415**	**3,434**	**3,474**

Note:

1. Numbers may not add due to rounding.

8.2.5 Equity movements

Corporations may apply different target capital structures to optimise value and support business operations. Equity movements account for changes in contributed equity and special dividends. The Queensland Government provides new equity to support Queensland's publicly-owned businesses invest in critical new infrastructure projects across the state.

In 2023–24, total PNFC Sector net equity contributions are expected to be $2.984 billion, compared to $1.960 billion forecast at the 2023–24 Budget, due to timing of equity allocations from the Queensland Renewable Energy and Hydrogen Jobs Fund for new energy projects, as well as to fund construction of the Fitzroy to Gladstone Pipeline (Gladstone Area Water Board) and asset transfers from Cross River Rail to Queensland Rail.

Over the forward estimates, in the electricity networks and generation sectors, equity adjustments reflect new investments in renewable energy, hydrogen and storage assets, as well as to maintain target gearing ratios.

In the rail sector, equity movements primarily relate to new investments in significant capital projects associated with reconfiguration of the rail network and Cross River Rail.

In the ports sector, equity movements reflect new funding for NQBP's Bowen Wharf replacement, Ports North's Cairns Marine Precinct Common User Facility, GPC's Northern Land Expansion Project at the Port of Gladstone, and pass through of funding under existing agreements with the Australian Government, such as the Bundaberg Port conveyor under the Hinkler Regional Deal.

In the water sector, equity movements reflect government commitments to Sunwater's Paradise Dam Improvement Project and Burdekin Falls Dam Raising and Improvement Project, Seqwater's Toowoomba to Warwick Pipeline, and Gladstone Area Water Board's Fitzroy to Gladstone Pipeline.

Captured under 'Other', Queensland Hydro equity contributions are higher than the 2023–24 Budget estimates due to early works expenditure required to support a final investment decision on the Pioneer-Burdekin PHES, the voluntary acquisition of land and the carry-forward to 2023–24 of previously-committed funding for the Borumba and Pioneer-Burdekin projects.

Equity over the forward estimates will allow continued progress of the Borumba project and includes the Queensland Government's equity commitment of $1 billion towards Pioneer-Burdekin, which is subject to a final investment decision.

This category also includes the transfer of state-owned Olympic venues to Stadiums Queensland.

Table 8.8 Equity movements[1]

	2022–23 Outcome $ million	2023–24 Budget $ million	2023–24 Est. Act $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million	2027–28 Projection $ million
Electricity Networks	(91)	372	447	795	250	915	509
Electricity Generation	783	682	1,205	1,808	928	..	..
Rail	35	..	202	168	225	25	..
Ports	38	82	121	57	133	142	74
Water	21	570	683	363	207	220	419
Other[2]	1	254	327	429	1,349	1,803	2,895
Total PNFC sector	**787**	**1,960**	**2,984**	**3,618**	**3,092**	**3,105**	**3,896**

Notes:
1. Numbers may not add due to rounding.
2. Includes other public corporations.