

ICN HELPS ERGON ENERGY POWER QUEENSLAND

The Company

Queensland's Ergon Energy owns and manages the electricity distribution network in Queensland's regional areas. It services a one million km² area with a power-line network that extends more than 150,000km. Ergon Energy has more than 4,500 employees and owns assets worth more than \$7.6 billion. About 650,000 residential, industrial and commercial Queenslanders rely on Ergon Energy for power.



Eclipse Switchboard

The Opportunity

Ergon Energy required a reliable supplier of medium voltage metal-enclosed switchboards to control the company's power supply at substations throughout regional Queensland. Ergon Energy envisaged an increased requirement for switchboards because of the high rate of population and economic growth in the state. The company currently has more than 20 regional substation construction or upgrade projects in progress to cope with demand.

To achieve an adequate supply of switchboards, Ergon Energy needed reliable suppliers that would agree to five-year contracts worth up to \$10 million. Ideal suppliers would be technically compliant, occupational health and safety conscious, have a good track record and a strong ability to regularly produce quality work. Ergon Energy required suppliers that could provide warranties for their work, have good supplies of spare switchboard parts and that offered commercially competitive deals. The contract Ergon Energy sought was for design, manufacture, testing and supply of switchboards.

Ergon Energy approached Industry Capability Network Queensland (ICN) in July 2006 with a request that ICN use its extensive database and expertise to find suppliers who could meet the switchboard supply criteria.

ICN Queensland Chief Engineer Ben Matthews said ICN conducted research into switchboard suppliers across Australia and nominated eight companies that could do the job effectively. "We looked at Ergon Energy's specifications, searched to see what companies could meet those requirements, and gave a short brief to Ergon Energy on the options."

Ergon Energy selected Areva T&D Switchgear Australia, based in Rocklea, Brisbane, and Hawker Siddeley Switchgear, based in Narangba, 30km north of Brisbane. Five-year contracts were signed with the two companies, starting in mid-2007. Ergon Energy Contract Services Coordinator Richie Woods said both companies had performed well so far. "We haven't had any problems and we don't envisage any. They have been able to supply switchboards as and when we need them."

Areva T&D Switchgear Australia Managing Director Robert Bagnell said ICN's heads up on the project had been a great help. "We've been supplying 36kV indoor GIS switchgear panels for Ergon Energy's pre-fabricated substations at Banyo and we just finished supplying an 11 panel 36kV switchboard for the Dalby substation [near Toowoomba] in May, worth about \$970,000." The five-year supply contract was worth about \$2.5 million to Areva, which equated to nearly 5% of the Australian company's turnover. Areva T&D Australia employs about 450 people and supplies switchgear panels to Australian, New Zealand and some overseas markets.

Hawker Siddeley Switchgear Business Development Manager Wally Dekker said Hawker Siddeley's five-year contract with Ergon Energy was for the supply of 11kV Eclipse fixed switchboards. The Eclipse brand switchboards, manufactured by Hawker Siddeley, had won accolades in the United Kingdom and the awards were one reason Ergon Energy had chosen Hawker Siddeley for the project, he said.

"We import the components from the UK and assemble them in Narangba to Ergon Energy's specifications." In the last 12 months the contract had earned Hawker Siddeley \$500,000 for the supply of two switchboards and that would increase if Ergon Energy's demand increased, Mr Dekker said.

Mr Woods said ICN's assistance had saved Ergon Energy time and money and helped continue its tradition of buying Australian-made whenever possible. "If ICN knows of an outstanding company they think should be bidding on a project, they will let us know, which is a win-win situation. By identifying Australian companies they have helped us to buy Australian products."

The Results

Having five-year contracts has allowed Ergon Energy to continue supplying reliable energy services to its Queensland customers. The contracts provide Areva T&D and Hawker Siddeley with significant revenue streams and have helped the businesses continue to grow. Mr Matthews said the project illustrated how ICN could save project owners time and money and assist Queensland manufacturers to find opportunities to grow their businesses.

According to the *Manufacturing Sector Impacts Report 2007*, compiled by ICN and Australian Economic Consultants Group, every \$1 million of manufacturing business retained in Australia or freshly generated by Australian companies creates 12 full-time jobs. Every \$1 million of manufacturing business retained or generated by Australian manufacturers also generates \$394,000 in taxes and charges, which benefits Australians as the government can reinject it into the economy. Using those figures, Areva and Hawker Siddeley's supply contract with Ergon, worth up to \$10 million, could generate up to 120 jobs and \$3.94 million in taxes and charges.

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