

**HORIZON**  
POWER



**2009**  
annual report

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Our service area is vast, approximately 2.3 million square kilometres. Horizon Power services the biggest area with the least amount of customers in the world - for every 575 square kilometres of terrain, we have one customer.

Our customers range from people living in remote, isolated communities with less than 100 people, to residents and small businesses in busy regional towns, to major mining companies in the resource-rich Pilbara region.

We maintain two interconnected networks as well as more than 30, and growing, isolated or islanded systems that power towns and communities throughout regional Western Australia. The systems are exposed to intense heat and cyclonic conditions in the north, and ravaging storms in the south.

It is these challenges that drive the innovation and commitment of our agile, professional and engaged team of more than 340 employees.

Although Horizon Power is a relatively new business, we have the benefit of a long history as part of the State-owned energy company in its various forms. Horizon Power is a Government Trading Enterprise which operates on a commercial basis.

We focus on delivering the best possible set of economic, environmental and social outcomes to the communities we serve while applying a commercial discipline and focus to the way we do it.

**HORIZON POWER IS WESTERN AUSTRALIA'S REGIONAL ELECTRICITY PROVIDER. WHAT SETS US APART IS OUR PASSION AND ABILITY TO DELIVER RELIABLE, SAFE AND AFFORDABLE SERVICES IN THE MOST CHALLENGING OF ENVIRONMENTS.**

*Who we are*



# 57.5

*square km of terrain per customer*



But we are not standing still. We are constantly exploring ways of doing things better, of extending our reach, of developing new business opportunities and exploring new horizons.

At Horizon Power we are increasing our capability of delivering services other than electricity to regional Western Australia and beyond. We have developed energy systems that are capable of sustainably powering remote communities anywhere in the world.

Growing our profit by extending our suite of services and footprint will reduce our reliance on external funding and increase our ability to assist in the development of regional Western Australia.

Horizon Power currently delivers power to 41,000 customer connections, supplying more than 85,000 residents of regional towns and remote communities and more than 9000 businesses.

We operate in the Pilbara, Kimberley, Gascoyne, Mid West and the Southern Goldfields, including Esperance, Hopetoun and Norseman. Our head office is in Karratha, with administration provided out of Bentley.

**THE SUSTAINABLE DELIVERY OF SAFE, RELIABLE AND AFFORDABLE ELECTRICITY IS AT THE HEART OF WHAT WE DO AT HORIZON POWER.**

*What we do*



The service area includes two networks – the North-West Interconnected System (NWIS) in the Pilbara and a smaller regional network connecting the towns of Kununurra and Wyndham. The isolated system powering Esperance and the surrounding rural regions provides service to a third of Horizon Power's customers. Another third are supplied by the NWIS and the remainder of our customers reside in the towns and communities not connected to those main grids. Power is delivered to these communities via isolated power systems.

Almost every month more communities become Horizon Power customers through the regularisation of remote and town reserve community power systems throughout Western Australia. As a result, members of these Aboriginal communities are now receiving a level of service similar to that which many other West Australians take for granted.



# 41,000

*customer connections*

We are committed to extending the availability of reliable electricity supplies to all regional communities and ensuring the delivery of appropriate levels of service to customers, regardless of what part of the service area they live and work.

In all we do, the safety of the public and our employees is paramount.

We are focused on creating lasting value in the communities we serve and we strive to assist the development of regional and remote Western Australia.

Developing the resource-rich Pilbara region, which creates much wealth for Western Australia and the rest of the nation, is a core component of our business strategy. It is critical that industry can access reliable and efficient sources of power.

Horizon Power is playing an integral role in the development of a more sustainable electricity supply to the Pilbara through the development and execution of the Pilbara Energy Plan.

Extending our service to more communities and upgrading power supplies to improve the safety, reliability and affordability of supply is another way in which we deliver on our commitment to regional and remote Western Australia.

Connecting communities to upgraded power supplies is just part of the picture. Improving the quality of life for people in communities throughout remote and regional areas is another part.

We are focused on creating opportunities to assist in the development of communities, whether it is through providing employment opportunities, sponsoring community events and programs or education initiatives.

**HORIZON POWER IS COMMITTED TO CREATING LASTING VALUE IN REGIONAL WESTERN AUSTRALIA BY MAXIMISING THE ECONOMIC, SOCIAL AND ENVIRONMENTAL BENEFIT FOR THE COMMUNITIES IN WHICH WE OPERATE AND LIVE.**

*What we believe in*



As we go about our business, the protection of the environment and Western Australia's rich cultural heritage is at the forefront of our planning processes.

To meet all of these objectives, Horizon Power will continue to provide leadership and develop quality relationships with stakeholders to achieve the best possible outcomes for all regional West Australians.

Our success is predicated on the commitment of our staff. At Horizon Power, our employees are committed to fulfilling their duties in a safe, respectful and inclusive manner.

# 300+

*agile, professional and engaged staff*



**THE WAY IN WHICH WE GENERATE ELECTRICITY VARIES ACROSS OUR SYSTEMS, WITH MOST MAINSTREAM TOWNS SERVICED BY GAS-FIRED POWER STATIONS AND REMOTE COMMUNITIES AND OTHER TOWNS SERVICED BY DIESEL GENERATORS AND, INCREASINGLY, RENEWABLE FORMS OF ENERGY.**

### *Generation*

Horizon Power will soon provide the towns of Marble Bar and Nullagine with electricity generated by state-of-the-art solar diesel hybrid power stations and in Hopetoun, Esperance, Coral Bay, Exmouth and Denham electricity is supplied by wind farms which are connected to traditional generators.

In Karratha, Horizon Power has joined forces with its supply partners to build the most efficient gas-fired power station on the system. It will have the capacity to expand to become even more efficient and to cope with energy demand into the future.

*How we do it*



# 2.3

million square kilometre service area

- Gas
- Diesel
- Wind
- Proposed solar
- Hydro



### **Business structure**

Our business is structured to ensure we are best placed to deliver excellent service to our customers.

The operational realignment which took effect at the beginning of this financial year follows:

#### **Operations**

Delivers balanced, consistent and sustainable operational performance in each district.

#### **Islanded Systems Development**

Develops, sells and implements islanded system opportunities.

#### **Strategy and Business Development**

Leads strategy development, pursues new opportunities to grow, and commercially manages the North-West Interconnected System.

#### **Governance and Company Secretariat**

Develops and implements effective systems of governance, monitors and reports on compliance and legislative obligations, manages risk, and maintains the company's policies and procedures. The Division also provides support to the Board.

#### **People and Corporate Services**

Develops and ensures effective deployment of key corporate services such as public affairs, human resources, marketing, product development and safety and health management.

#### **Shared Services**

Develops and maintains a range of internal technical consulting and support solutions.

#### **Knowledge and Technology**

Creates, deploys and manages a strategy to position the business as an innovative and effective user of technology.

#### **Finance Services**

Leads and secures appropriate funding and ensures sound financial management and reporting.

# 85,000+

*residents of regional towns*





## Business Strategy

Our business strategy is made up of three core components:

- performance excellence in existing service delivery - providing reliable, affordable and safe electricity supplies to our customers;
- developing the Pilbara Energy Plan - improving the coordination and growth of energy supplies to the Pilbara, thereby further developing the economic strength of the region; and
- remote service extension - exploring opportunities to expand our service offerings to the regions, and remote locations offshore.

The driver of these three elements is our overriding commitment to add value to the communities we serve and the physical environment we operate in. To do this, we need to increase the value of our business.

Horizon Power's unique operational setting means that the more statutory customers we connect, the less profitable we become because the cost of supplying power to regional Western Australia is much more than the amount we charge our customers through the government energy tariff system.

In order to add lasting value to regional Western Australia, Horizon Power needs to grow its revenue by looking outside of its existing service region.

The strategy of improving the existing business and concurrently pursuing commercially profitable growth will lead to a more sustainable and commercially viable Horizon Power over time by reducing our reliance on government subsidisation and contributing to the development of regional Western Australia.

Integral to the development of regional Western Australia is the improved coordination and development of the North-West Interconnected System.





**Invested a record amount upgrading our systems**

A record \$81 million was spent on capital works designed to improve the safety and performance of the systems.

**Awarded major undergrounding project in the North-West**

Horizon Power will undertake the \$130 million network hardening/undergrounding project in the Pilbara.

**Relaunch of customer information and billing service**

Horizon Power has improved its customer service and billing system. Customers will experience a more flexible, targeted service.

**Lived our safety commitment**

We achieved an end of year Public Safety Incidents result of zero and improved our internal safety performance.

**Improved network management**

A new network management system was installed which allows operational control centre staff to see the network in "real time". ENMAC allows remote computerised access to the system, improving safety, operational response times and the reliability of the service.

**Launched our *Betterways* education campaign**

Regional Western Australia benefited from an advertising campaign designed to help our customers reduce their energy use.

**THE 2008/09 FINANCIAL YEAR SAW THE DELIVERY OF A NUMBER OF ACHIEVEMENTS AND MILESTONES BY HORIZON POWER.**

*The year in summary*  
*Our achievements*





### Work began on the new Karratha Power Station

Construction work is well underway on the new Karratha Power Station and transmission asset. The Karratha station will be a highly-efficient gas-fuelled station that will provide extra capacity on the North-West Interconnected System.

### Carnarvon Power Station upgrade

A \$5 million upgrade of the existing power station will be followed by the staged development of a new station, planning for which was in full swing this financial year.

### Town reserves regularised this year

The power systems in four Aboriginal town reserve communities have been upgraded which means the service the communities will receive is at higher standard, closer to that experienced by customers in mainstream towns.

### Remote Aboriginal communities funding approved

Horizon Power was funded by the State's Office of Energy for Aboriginal and Remote Communities Power Supply Project phase two, which will allow new power stations to be built in the communities of Kalumburu and Yungngora. Renewable energy will be harnessed with the new stations to be powered by a diesel-solar hybrid.

### Built our capacity and capability

To a total of 343 full-time permanent staff, including five new trainees, despite the pressures of an extremely tight labour market. This will improve our capacity to deliver on our expanding list of project commitments.

# \$81m

*spent on capital works*

**AT HORIZON POWER WE SET OUT TO DO THINGS DIFFERENTLY WHEN FIRST CREATED IN 2006 – TO BECOME A MAJOR SERVICE PROVIDER IN REGIONAL WESTERN AUSTRALIA WHICH GENUINELY ADDS VALUE TO THE COMMUNITIES WE SERVE AND TO DELIVER SUSTAINABLE ENERGY SOLUTIONS, REDUCE OUR IMPACT ON THE ENVIRONMENT AND REDUCE OUR RELIANCE ON EXTERNAL FUNDING BY IMPROVING EFFICIENCIES AND CREATING NEW BUSINESS OPPORTUNITIES.**



Horizon Power is now realising the results of the detailed planning and sheer hard work that has taken place over the past three years to ensure the structure of the business, the systems and the processes are in clear alignment with our business objectives.

In this, the third year of operation, Horizon Power is able to show again that it can deliver on its overriding commitment to excellence.

For example, our work in Indigenous communities, in collaboration with various government agencies, is an example of how small changes can make a very big difference in the lives of our customers, particularly in Indigenous communities where electricity supplies were traditionally ad hoc and often below standard.

During visits to the communities of Bidyadanga and Mungullah during the financial year, Board members had the great pleasure to witness first hand how the actions of Horizon Power had assisted, and made a difference in the lives, of community members.

*Chairman's report*



Community leaders in Mungullah cite the relationship between the community and Horizon Power as an example of how all communities and agencies should be working together. The fact that we genuinely engage communities and do not just pay lip service to the idea fills me with great pride.

2008-09 has also been about building the business, in particular more efficient power stations. By reducing our reliance on ageing, inefficient infrastructure, Horizon Power can continue to improve the reliability of supplies.

A challenge that lies ahead is improving the coordination and capacity of power supplies in the Pilbara. Horizon Power is working closely with the State Government to ensure the demand for energy in that region in the next decade can be met.

A critical element of delivering reliable energy supplies from the North-West Interconnected System is to protect the network as much as possible from the wild elements that are so significant in remote and regional Western Australia.

The decision by the State Government to award Horizon Power the \$130 million contract, from Royalties to Regions funding, for the undergrounding of the Pilbara network is a major win for our customers in the North-West.

It will result in more reliable electricity supplies for our customers. Sinking the infrastructure below ground will remove interruptions to service created by cyclonic and windy conditions.

At a personal and corporate level, the awarding of this major contract to Horizon Power is a source of great pride and a testament to the hard work and due diligence that has gone into building this new business into a corporation that is recognised as safe, reliable and able to deliver on commitments.

I would like to thank former Board members Alan Dundas, Peter Yu and Tony Chilvers for the valuable contribution they made to the inaugural board of Horizon Power. They assisted greatly in setting the vision for Horizon Power into the future.

We welcome Nicole Lockwood and Robert Eagle to the Horizon Power Board – both important members of their regional communities. They bring with them a combination of enthusiasm and experience and we look forward to working with them in 2009-10.

The next financial year is an exciting one for Horizon Power with major asset works taking place and the delivery of programs that will sustainably enhance life in regional Western Australia.



**Brendan Hammond**  
Chairman



**\$130m**  
*network hardening/undergrounding project in the Pilbara.*



**IN 2008-09, HORIZON POWER REMAINED COMMITTED TO FULFILLING ITS LONG-TERM STRATEGY OF BUILDING A SUSTAINABLE BUSINESS WHICH ADDS VALUE IN EVERY AREA IT OPERATES.**



## *Managing Director's report*

Horizon Power's focus over the past three years has been on improving existing services, developing new business opportunities and improving internal processes to ensure they reflect our corporate objectives.

The realignment of the business at the beginning of the financial year reinforced the business strategy and removed barriers to the successful implementation of our objectives of performance excellence in existing areas, growing and profiting from the growth in demand for energy supplies in the Pilbara and extending our services to remote communities.

A significant change that came about as a result of the restructure was the placement of a District Business Manager and a Community and Customer Relations Manager in each of our six regions. These placements provide our customers with an end to end service in their local area - with generation, network and customer service functions managed at the regional level. It also empowers local managers to make informed decisions about the operation of their systems.

At the same time, we have powered ahead with the replacement of ageing infrastructure, particularly in Esperance and the surrounding rural region, the planning and building of new, more efficient power stations and continuing to upgrade services to Indigenous communities.

The new gas-fired power station which is currently under construction in Karratha is a fundamental plank of Horizon Power's key objective of sustainably developing the Pilbara Energy Plan to best serve the interests of industry.

Despite the economic downturn, demand for energy in the Pilbara region remains very strong. With the number of major projects coming on line, it is paramount that the ongoing management and future development of the North-West Interconnected System is well coordinated, managed and delivers a sustainable power supply to the nation's economic powerhouse.

The State Government's decision to underground the network in the North-West is further evidence of the critical importance of the delivery of reliable supplies in the region.

The fact that Horizon Power has been tasked with this major project is a testament to the commitment and diligence of the Horizon Power team.

A key focus this year has been on assisting our customers to reduce their demand for energy through the use of energy-efficient appliances, behavioural change and by affording them the opportunity to power their own homes with renewable sources of energy. The two increases in energy tariffs this year by the State Government gives these projects extra importance from a customer perspective. However, efforts to reduce energy demand will not only result in lower energy bills for our customers but will reduce Horizon Power's impact on the environment and our reliance on external funding.

The importance of building the capacity of Horizon Power staff cannot be overstated. The delivery of excellent service requires engaged staff who are fully committed to the objectives of the business.

Horizon Power has attracted more than 100 new people to the business over the past 12 months - people of extraordinary quality who add to the current mix of experience, youth and above all, professionalism and agility - the hallmarks of Horizon Power employees.

The implementation of leadership training for all formal leaders at Horizon Power has consolidated existing skills and formed the foundation for Horizon Power's unique approach to delivering lasting value through effective and shared leadership.

Horizon Power heads into 2009-10 with the same level of commitment and passion to building the business and improving our service to customers with which we exited the last financial year.



**Rod Hayes**  
Managing Director





**HORIZON POWER MADE A NUMBER OF PERFORMANCE COMMITMENTS AT THE COMMENCEMENT OF THE 2008/09 FINANCIAL YEAR. THE FOLLOWING TABLE PROVIDES AN OVERVIEW OF HOW WE PERFORMED IN OUR ENDEAVOURS TO MEET THOSE COMMITMENTS.**

## *Performance overview*



Key result area	Objectives	Performance target for 2008/09	Performance results in 2008/09	Performance results in 2007/08
Customer value	Improved value to the customer through safe, improved and expanded service.	<b>Operational performance</b> SAIDI Complying towns/systems: 26/34 Number of towns/systems with outages longer than 290 minutes duration	24/34	25/34
		Operational impact on customers: Target is 80 per cent of customers not experiencing outages longer than 290 minutes	77	78
		<b>Customer satisfaction</b> Customer satisfaction survey result: >70 per cent	83	84
		<b>Public Safety</b> Number of public safety incidents related to Horizon Power performance: 4	0	0
Community social benefit	Building capacity, capability and opportunity to improve the lives of members within the communities we serve.	<b>Power supply regularisation</b> Number of remote and Indigenous communities: 11	10	7
		<b>Training</b> Number of Indigenous or local people in a Horizon Power training program: 16	19	14
Environmental benefit	Sustainably minimising the impact on the environment from both our current and future operations.	<b>Pollution</b> Pollution intensity (kg/MWh): less than 20.9	21.9	18.36
		<b>Greenhouse emissions</b> Greenhouse Intensity kgCO <sub>2</sub> /kWh sold: 0.80	0.77	.808
		<b>Renewable Generation</b> Generation from renewable sources (GWh): 82	87.56	84.2
Business value	Increasing our profitability and building the value of the business.	<b>Net Profit after Tax:</b> -\$9.5 million	-\$42.3 million	\$7.4 million
Economic benefit	Working with all stakeholders to drive and deliver value from regional development.	<b>Stakeholder satisfaction</b> Survey results: 77 per cent	75	84
Processes and knowledge	Achieving a state where we are operating at or above industry standards.	<b>Corporate reputation</b> Corporate reputation index: 70 per cent	75	73
		<b>Employee opinion of reputation</b> Mean result (per cent) of Pulse Survey questions on corporate image:	79 75	78
		<b>Safety</b> LTIFR: 0 (Lost time injuries per one million hours worked)	2	4
		AMIFR: 14 (Number of workers compensation claims per one million hours worked)	6.6	18.8
		<b>Organisational development</b> Personal development programs (per cent of modules successfully completed by designated attendees): 90	100	100
		<b>Employee perception</b> Mean result (per cent) of Pulse survey questions relating to employee perception: 79	80	79

## Our performance

The economic climate in which Horizon Power operated in 2008-09 presented more challenges than previous years but, despite the economic downturn, demand for energy supplies in regional Western Australia remained strong.

The cost of supplying energy to regional centres and isolated communities was significantly higher than the uniform tariff revenue Horizon Power received, resulting in a reported loss of \$42.3 million in 2008-09.

Increases in electricity tariffs took effect in April and July 2009 however there will remain a disparity between the cost of supplying energy and the subsidised amount received from customers.

Horizon Power spent 16 per cent more this year than last on capital works - a total of \$81 million - including 37 per cent more on projects that will make the system safer. More than \$13 million of the money spent on capital works was at the request of customers and was recouped but most of the works were funded by Horizon Power.

Horizon Power was unable to meet regulated reliability targets based on all-faults data. Once this data was normalised, which means major events such as cyclones were excluded, Horizon Power did comply with the SAIDI standard of disruptions of less than 290 minutes. Of the 34 towns and systems we service, 24 complied with the SAIDI measure. Horizon Power is dedicated to meeting our more stringent, internal target of 26 complying towns.

The main causes of these disruptions have already been rectified. The biggest cause of faults was the performance of the Independent Power Providers (private companies which own the generating facilities) from which Horizon Power buys energy. Collaborative management plans were implemented this financial year to address those problems in the future.

The Esperance rural region also experienced a high number of disruptions, some of them planned by Horizon Power. Horizon Power is three years into a major project to upgrade the Esperance network.

## Adding value to our customers and regional communities

### Major change in the delivery of customer service at Horizon Power

Since the disaggregation of Western Power in 2006, through a long-term service level agreement, Synergy has been responsible for managing the customer information and billing system used by Horizon Power to service its 41,000 customers.

Despite the reliable service it delivered, the customer profile of Synergy and Horizon Power differ markedly. Horizon Power's customers are spread over a much larger area and are fewer in number. Offering some services to Horizon Power's customers through Synergy's newly selected customer information system was cost prohibitive.

Horizon Power required the ability to deliver a more flexible and cost-effective service to its customers and embarked on Project Sunrise to bring about this change.

Gentrack was chosen as the solution provider of choice. Its flagship product Gentrack Velocity is the new software platform implemented to manage billing, customer signup, customer care, credit and collections and market messaging for Horizon Power.

Gentrack specialises in utilities and is used elsewhere in the West Australian energy market for billing and customer management solutions.

Horizon Power also partnered with Serviceworks to deliver these services using the Gentrack platform.

The successful changeover to the new system in June is a testament to the close partnerships formed between Horizon Power, Gentrack and Serviceworks in the interests of excellence in customer service.

Regional offices can now assist Horizon Power's customers directly by providing copies of their bills on the spot and connecting customers to services such as *GreenSelect* with more efficiency.

### Town Reserves Regularisation Project

The electrical networks in four town based Aboriginal communities were upgraded in the second half of the financial year under the Town Reserves Regularisation Project.

The project, like its counterpart for remote Indigenous communities – the Aboriginal and Remote Communities Power Supply Project (ARCPSP) – is not just about upgrading power supplies, it is about improving the quality of life in Indigenous communities – the power supply systems of which have been operating on an ad hoc and unreliable basis for many years.

# Review of operations

Horizon Power has been contracted to undertake the work by the WA Department of Housing to ensure better outcomes for residents of Indigenous communities.

It has been a busy year for our multi-skilled team at Horizon Power which includes project managers, retail staff and Indigenous engagement officers.

The communities of Wongatha Wongarra (near Laverton), Nambi Road (near Leonora), Bondini (near Wiluna), and Ninga Mia (near Kalgoorlie) were regularised under the project in June. Another nine town reserve communities will have a network upgrade in the next financial year.

Wongatha, Nambi Road and Bondini residents have all become direct Horizon Power customers, with access to the full range of customer services, including rebates.

Ninga Mia residents are now direct customers to Synergy because they are connected to the Western Power network. The Ninga Mia regularisation project was unique because it is outside Horizon Power's footprint and involved multiple utility agencies working collaboratively to ensure residents have a safe and reliable power supply to the same standards of that experienced in Kalgoorlie - Boulder.

Horizon Power worked closely with key stakeholders and community leaders on each project to ensure a smooth transition to upgraded power supplies in these communities. Benefits include improved reliability of power supplies because of a power system upgrade, improved street lighting and safer wiring in community housing. Pre-payment meters and related retail services are also implemented and education relating to pre-payment meter use and electrical safety is carried out.

### **Aboriginal Communities Training program**

Horizon Power received international attention for its Aboriginal Communities Training (ACT) program which was also recognised in June with a prestigious Australian Business Award.

The Aboriginal Communities Training program is an enterprise-based traineeship developed by Horizon Power to meet the specific requirements of remote Indigenous communities in Western Australia. The program was developed to support the ARCPSP, ensuring the remote communities are provided with safer and more reliable energy supplies.



# 16%

*increase in capital works spending*



Under the ACT program, members of Indigenous communities are employed full time as Horizon Power's Essential Services Officers (ESO) and commence training to carry out basic construction and maintenance tasks in their local communities.

In December, it was showcased to an international audience at the World Indigenous Peoples Conference – Education held in Melbourne. Six delegates from Horizon Power were among an audience of approximately 4000 delegates from 30 countries. Countries represented included New Zealand, the Americas, the Pacific, Asia, Africa and Northern Europe.

ACT was recognised with an Australian Business Award in June and was soon after shortlisted as a finalist for the prestigious Premier's Award which will be announced later this year.

The Australian Business Awards recognise organisations that demonstrate the core values of business excellence, product excellence, sustainability and commercial success in their respective industries. The program, along with ARCPSP, won the community contribution category.

Horizon Power's ESOs service the remote communities of Ardyaloon, Beagle Bay, Bidadanga, Lombadina/Djarindjin and Warmun. Additional officers are expected to be employed by the end of the year to service the communities of Yungngora (Noonkanbah) and Kalumburu.

Horizon Power is in the process of having the ESO training program assessed for national accreditation by EE-Oz (the National Industry Skills Training Council).

The application for accreditation has been assessed by the National Training Advisory Group - Transmission/Distribution (NTAG-T&D). This electricity supply industry based advisory group has recommended to EE-Oz that the ESO training program be considered and evaluated for registration and endorsement. EE-Oz is expected to make its decision on this application in October 2009.

EE-Oz will then make a recommendation to the Federal Department of Education, Science and Training for final approval and registration of the new national qualification.

## Reconciliation

During the course of the financial year, Horizon Power implemented a number of actions committed to when the Reconciliation Action Plan (RAP) was adopted in June 2008.

As a participating organisation with Reconciliation Australia, Horizon Power committed to completing an annual progress report for the 12 months to June 2009 and to submit a refreshed Action Plan for the 12 months to June 2010.

The annual progress report was completed in June 2009 and highlighted a number of successful actions undertaken by Horizon Power. They include:

- Code of Conduct developed which acknowledges understanding and respect for Indigenous culture;
- development and implementation of appropriate customer surveys targeted at Indigenous communities to improve service delivery;
- progress towards updating tender processes to reflect RAP principles in all tender documents; and
- development and implementation of the Aboriginal Communities Training program.

## Review of operations

Horizon Power also employed an Aboriginal Heritage and Native Title Officer this year whose role involves ensuring processes and procedures comply with relevant legislation as well as developing training and awareness programs.

Engagement with Aboriginal communities is also a core part of the business at Horizon Power – in line with our commitment to not only deliver service but to add value to all of the communities we connect with.

Horizon Power is focused on establishing positive and mutually beneficial relationships with Aboriginal organisations, groups and communities to ensure there is a true partnership.

In the year ahead, Horizon Power will continue to facilitate and develop opportunities to work with Indigenous and non-Indigenous Australians. A key focus will be to develop an Indigenous Employment Strategy. The aim is for Indigenous West Australians to see Horizon Power as an employer of choice and for Horizon Power to influence its partners and suppliers to embrace the principles of the RAP to encourage higher levels of employment, training, work experience and mentoring placements.

### Finding solutions to community issues

Horizon Power has been working with the State Government to develop strategies that assist with the payment of electricity use.

Though residents in newly-regularised town reserves pay for their own power use through the pre-payment meter system, the difficulty in collecting payment for electricity used to run services shared in the community, such as water and sewerage pumping, needed to be addressed.

Horizon Power is including a range of options including a new tariff structure which covers the cost of shared services.

### Case study

## Making a difference in Mungullah

*Horizon Power has a very close relationship with the Indigenous community of Mungullah, just out of Carnarvon.*

*In June, as part of National Reconciliation Week celebrations, Horizon Power hosted a poignant reconciliation video called "Liyarn Ngarn" to community members.*

*The same video, featuring Aboriginal elder Pat Dodson and British actor Pete Postlethwaite, was shown to Horizon Power staff in our regions and Bentley.*

*In September 2009, Mungullah is due to be incorporated in to the Horizon Power network after a major upgrade of its power supply system under the Town Reserves Regularisation Project phase two.*

*Horizon Power has been commended for its work in Mungullah by community leaders.*





### **Sponsorship support for regional communities**

Horizon Power develops and supports partnerships with community organisations that have activities, interests and values compatible with its own. Part of Horizon Power's Community Partnership/Sponsorship program is to identify and support initiatives that contribute lasting value to the communities it serves. Horizon Power seeks partnerships and sponsorships that involve the company as part of the community.

Horizon Power views community involvement as a natural part of successful business practice that must be managed as professionally as any other aspect of its business.

Horizon Power aims to support a broad range of not for profit organisations and events that encompass areas of education, environment, arts and culture, sporting development and community themes.

From July 2008 to June 2009 Horizon Power supported and sponsored the following causes and events:

#### *Education and Business*

Pegs Creek Primary School fundraiser, Constable Care, Connecting Kids Discovery Voyage TS LEEUWIN 2, Tournament of the Minds Australasian Pacific Finals, Leadership Western Australia 'Place Scholar', Regional Achievement Community Awards 'Leadership and Innovation'. Port Hedland Business of the Year Awards, Shire of Roebourne Business of the Year Awards, International Association for Energy Economics Second Asian Conference.

#### *Environment*

Esperance Incident Control Vehicle, Festival of the Wind, Yalgoo solar powered street lights project.

#### *Arts and Culture*

Cossack Art Awards, Shinju Matsuri Festival, Opera Under The Stars, Pilbara Music Festival, FORM Port Hedland Art Awards, Right to be counted exhibition, Ord Valley Muster.

#### *Sporting*

Carnarvon Golf Club Open, Burrup Mountain Bike Marathon, Gascoyne Dash, Kimberley Open Short Course Swimming Championships, Carnarvon Country Swimming Pennants, Smarter Than Smoking Esperance Open Squash Tournament, Esperance Football League and Umpire of the Year, North West Championships for Volunteer Fire Fighters, Gascoyne Football Association, Esperance Relay for Life, Esperance Soccer League, Carnarvon Speedway Super Sedan Titles, Leonora Golden Gift.

#### *Community*

Kununurra Agricultural Show, Shark Bay Arts Council Community Market Day, FeNaCING Festival, Meekatharra Festival, Exmouth Pink Bridge Project (Breast Awareness), Esperance Royal Agricultural Show, Laverton Fire Day, Yaandina Domestic Violence March, State-wide Christmas Lights Competitions, Shire of Roebourne Australia Day Awards, North West Expo, Royal Flying Doctor Service, Teddy Bears Picnic.

**55** *community sponsorship programs*

*Review of operations*





### Connecting with customers in the regions

Horizon Power's Community and Customer Relations Managers (CCRM) provide a valuable gateway into the business for regional stakeholders, acting as a point of contact for local Shires, community groups and media, in addition to providing advocacy on their behalf within the business.

In 2008/09, Horizon Power employed three additional CCRMs based in regional offices - one in Carnarvon, one in Port Hedland and one in Esperance. We already employ CCRMs in Karratha and Broome.

The role of CCRMs was also developed further this year to include an expansion of duties in respect to developing power supply contracts with customers and assisting with other local issues.

### Tariff increase management

The State Government announced increases in electricity tariffs during the year to bring the price of electricity more into line with the cost of supply.

Horizon Power undertook a major information and education campaign to ensure our customers were well informed about the increases and could attempt to reduce the impact of the increases by taking positive steps to manage energy use.

Brochures outlining the changes in tariffs were developed to accompany power bills and a major advertising campaign was undertaken to educate customers about simple energy-saving tips.

This included development of a dedicated *Betterways* website, customer competitions and tips promoting energy-efficiency.

### Overhead Customer Service Lead Replacement Program

The Horizon Power commitment to replace overhead customer service leads throughout regional Western Australia is well ahead of schedule with 3371 leads replaced this financial year, above the target of 3000.

The program began in 2005 under Western Power and was adopted by Horizon Power when it was formed in 2006.

It involves the phased replacement of all PVC-insulated and bare conductor leads and more inspections to identify faults. Every instance where leads have been identified as being compromised have been addressed in every district of Horizon Power's networks.

An inspection of all overhead connections is scheduled for later this year to establish if any further compromised connections have developed, and to ensure they are remedied urgently.



## **Building the value of the business**

### **Karratha Power Station**

Construction work is well underway on the new Karratha Power Station – a highly efficient gas-fired station which will build the capacity of the North-West Interconnected System.

Horizon Power invited Energy Minister, Peter Collier, to the Karratha site to officially mark the beginning of construction work in March this year.

In June, two transformers – weighing 60 tonnes and measuring 6.8 metres in height – were installed at the Karratha site.

The next major step was the installation of the first gas turbine in July 2009. The project is scheduled for completion in April 2010.

The Karratha Power Station is being built by ATCO Power on land owned by Horizon Power, next to our 132 kV substation – providing a direct link into the local network.

ATCO will own the station under a long-term supply contract with Horizon Power. The open cycle gas turbine power station will have an initial capacity of 86 MW but capacity can be increased as demand grows.

The new technology being used will provide greater reliability and security of power supplies, which is of critical importance to the major industrial customers on the NWIS. The power station will produce 35 per cent less carbon dioxide than the ageing thermal stations from which Horizon Power currently sources the majority of its energy.

Horizon Power is dedicated to developing the capacity and reliability of the NWIS and the Karratha Power Station is an important first step on this journey.

### **Improvements in network performance and safety in Esperance**

The overhaul of the electricity network in rural areas surrounding Esperance is a significant asset renewal project that was marked by the achievement of major milestones in this, its third year.

The Esperance Network Rural Upgrade Project has been carried out in partnership with Transfield Services.

In the past year, all work on areas identified as presenting the highest fire risk was completed. This included reducing the distance between poles to prevent sagging powerlines and clashing conductors that can lead to bush fires.

The project has had impressive results. An analysis produced in April showed there were no reported bushfires in the region in the previous 12 months resulting from a failure of the network.

The Esperance network is by far the largest regional network consisting of 3000 km of lines supported by 25,000 power poles and other structures and is frequently exposed to potential high risk weather conditions.

Other major works outside of the ENRUP project also took place in Esperance, including the undergrounding of parts of the distribution network.

### **Improvements in Carnarvon**

To ensure compliance with Department of Environment and Conservation regulations and to reduce any inconvenience for surrounding residents, Horizon Power spent more than \$5 million this year reducing noise emissions from the existing Carnarvon power station.

## *Review of operations*



Following consultation and agreement with the DEC the works program was altered to achieve managed compliance resulting in a project saving of \$2 million against the original budget.

Horizon Power is in the process of planning to completely replace the old power station with a new one at a new site on the outskirts of Carnarvon.

The new gas-fired station, which has been allocated a budget of \$70 million, will have back-up diesel generation and the flexibility to incorporate renewable energy technology in the future.

Horizon Power is currently undertaking studies to ensure the new power station meets the long-term electricity needs of Carnarvon residents and businesses. Negotiations have begun with land owners to secure land for the power station.

Horizon Power will continue to keep the community informed about the project as it progresses.

### Investing in the future

In 2008/09, Horizon Power celebrated the graduation of its inaugural group of trainees as fully qualified linespeople.

In October, six of our Distribution Workers were the first Horizon Power trainees to be awarded their Certificate III Electricity Supply Industry – Distribution qualification since Horizon Power was first formed in 2006.


In October 2009, another six trainees will graduate, with a further three trainees close to completing their training.

Five new trainees were employed this financial year and expect to graduate at the end of 2012.

Horizon Power is now giving its linespeople the opportunity to become the most skilled electrical workers in the country by upgrading their existing overhead electrical distribution skills with cable jointing and other skills required to maintain underground power networks. Approximately one year of extra training is required to upgrade the skills of existing linespeople – the completion of which will provide them with dual trade status (linesperson/cable jointer).

With the large investment in the undergrounding of the power systems in the North-West of the State, Horizon Power must ensure it has the capability of maintaining an underground network.

Within the next 12 months, all of Horizon Power's Pilbara-based distribution workers will be able to maintain both underground and overhead electrical systems.



**35%**  
*less carbon dioxide emitted  
by the new power station*



### **Building internal capability**

Over the past year, 100 Horizon Power leaders have undertaken an intensive Leadership Development Program, including group leaders, branch managers and general managers.

The program has led to measurable improvements in the quality and effectiveness of the Horizon Power leadership group, according to an all-staff survey.

The purpose of the four days Leadership Development Program training is to equip managers with the tools, techniques and support to build the desired culture of Horizon Power. It provides training on how to effectively lead people and increase their leadership capability.

In 2009-10, all staff will undertake the Personal Leadership Program to extend and embrace the notion of effective shared leadership. The two day program will focus on Horizon Power's desired key behaviours and the belief that all employees are accountable to improve interactions with formal leaders and other team members.

### **Reducing our environmental footprint**

#### **Powered by the sun**

Horizon Power is on schedule with planning for the construction of its state-of-the-art solar power stations to be built in Marble Bar and Nullagine – two of the hottest towns in Australia.

The two solar diesel hybrid stations will incorporate innovative new technology to generate and store energy provided by the sun.

The project includes the installation of 'solar farms' in Marble Bar and Nullagine to track the sun throughout the day. These solar farms will be the largest of their type in Western Australia, with 1008 panels installed in Marble Bar and 900 in Nullagine.

A flywheel energy storage system will be used to store excess energy and to stabilise power quality between the diesel power station and solar panels as well as covering solar radiation fluctuations.

The solar energy systems will generate over 1 GWh of renewable electricity per year, supplying over 60 per cent of the towns' daytime energy demand from sunlight.

This will mean a saving of up to 40 per cent of diesel and 1,100 tonnes of greenhouse gas emissions every year. The new power stations will also be significantly quieter than the current power stations, which have been operating since 1973.

Pre-construction work began this financial year with contracts for the construction of the solar farms and construction of the control room and energy storage system being let.

Horizon Power has signed a contract with Sunpower Australia, a WA-based company, to operate the solar panels in the solar farms.

PowerCorp Pty Ltd, a Darwin-based company, has been awarded the contracts to build services for the sites, such as civil works and fencing, and to supply the power stations' control room and energy storage system.

## *Review of operations*

Consultation and planning is still underway regarding land and heritage issues.

Close engagement with the Indigenous communities near Marble Bar and Nullagine – the communities of Pipunya, Goodabinya and Irrungadi – is about to begin to ensure residents are fully informed about the projects before any work begins. This will involve undertaking education programs for children and adults about energy safety and efficiency.

Construction is due to begin later this year and the project is expected to be completed by early 2010.

### **Carbon Pollution Reduction**

Horizon Power is in the process of developing a detailed position on the Federal Government's Carbon Pollution Reduction Scheme (CPRS).

The delay of the scheme by one year affords Horizon Power more time to explore low-cost abatement opportunities that are consistent with our corporate values and to better understand how we can take more control of our indirect emissions.

Under the CPRS, a company is liable for direct (scope 1) greenhouse gas emissions. Horizon Power operates only one generating facility that exceeds the threshold of 25,000 tonnes of emissions a year. Horizon Power will also bear the costs of the indirect (scope 2) emissions passed on from its independent power producers. Indirect emissions will amount to approximately 630,000 tonnes in 2010-11.

Horizon Power can meet its obligations by

- changing its generation mix;
- reducing its emissions intensity;
- reducing overall energy demand;
- purchasing emissions permits, and/or;
- generating carbon offsets.

Horizon Power already has a number of programs in place that are focused on reducing greenhouse gas emissions. We will continue to investigate further opportunities in line with our CPRS obligations, including the increasing use of renewable energy. Existing programs are detailed on the next page.

### **Demand Side Management**

The Demand Side Management (DSM) Project aims to deliver the following outcomes for Horizon Power:

- Minimised environmental impact on the environment;
- reduce operating costs;
- delayed capital expenditure requirements;
- deliver social benefit and leadership in the areas of energy efficiency, renewable energy generation and general sustainability.



# 1,100

*tonnes of greenhouse gas emissions saved every year*



The climatic conditions, the high costs of energy generation within the business' service area and our specific expertise put Horizon Power in a unique position to establish itself as a national leader in the area of DSM.

There are several DSM trials and projects underway at Horizon Power.

#### *DSM in Broome*

In order to manage demand for electricity during peak times, Horizon Power partnered with Energy Response Pty Ltd to manage peak loads in a trial project involving major business customers in Broome.

Under the trial project which took place in March 2009, major customers with their own generating capacity switched off from the network when called upon in times of peak demand.

The aim of the project was to ensure Horizon Power could meet its regulatory responsibilities in relation to the reliable delivery of power to all of its customers and to reduce the financial imposition on Horizon Power that results from providing higher levels of capacity for short-time periods.

The success of the trial has resulted in it becoming a permanent DSM tool at Horizon Power. It will be expanded in Broome in the summer of 2010 to include more businesses.

The project also gives Horizon Power the opportunity to trial smart meter technology. Smart meters provide a real-time snapshot of the customer's energy use. The technology gives Horizon Power the ability to identify the exact amount of energy used at any give time.

#### *Energy audits for businesses in the Mid-West*

Horizon Power received funding from the Sustainable Energy Development Office to assist with the facilitation of energy-efficiency audits of 20 businesses in the Mid-West region of Western Australia.

The audits revealed major changes could be made by business to reduce their energy costs and carbon footprint. Reducing the energy use of business also assists Horizon Power by lowering the costs of supplying energy.

Horizon Power was instrumental in interpreting the audit results to the businesses and, together with SEDO, offering a financial incentive to the businesses to make energy-efficient changes, such as replacing energy-intensive appliances and simple steps such as installing flyscreens so employees can open their office windows when there is a breeze rather than using energy-intensive air conditioning.

The SEDO project is now being rolled out in the Gascoyne region with the intention of the project becoming State-wide.

#### *Utilities collaborate*

Horizon Power and the Water Corporation are investigating ways of dovetailing their efforts to improve efficiencies of existing energy and water systems.

The utilities will work together on improving the design and operation of remote area water systems; it is expected that the collaborative approach will change the way energy is supplied to, and consumed by, these essential services.

#### *Energy audits for Indigenous communities throughout regional Western Australia*

Horizon Power was awarded funding by the Office of Energy to carry out energy efficiency audits and behavioural change education in 440 homes throughout 15 Town Reserve Regularisation Project communities and two Aboriginal Remote Communities of Yungngora (Noonkanbah) and Kalumburu.

The Energy Efficiency project involves engaging with residents of each home on their use of appliances, particularly those drawing a lot of energy such as air conditioning, heating, refrigeration and water heating systems.

The program involves undertaking physical audits of each home, including the measurement of existing roof and wall insulation and checking individual appliances.

Average home energy consumption by Horizon Power customers is more than 30 units a day which equates to \$5.30. For residents of Indigenous communities this means the use of one quarter of a \$20 power card a day, and possibly more depending on individual heating and cooling needs and house design.

## *Review of operations*



The aim of the program is to understand power use in Indigenous communities in order to undertake and develop culturally-acceptable energy efficiency education programs and determine the need for structural home improvements to reduce energy use, such as insulation, passive shading, tinting, and window and door seals.

Audits have been carried out in Ninga Mia (Kalgoorlie), Bondini (Wiluna), Wongatha Wongarra (Laverton). The audit program will be rolled out in communities in the Pilbara and Kimberley throughout 2009 and early 2010.

Each resident is given an audit report which explains their current use and how they can maximise the value of a \$20 ReadyPower card through reducing energy use.

Findings from the Audits will be provided to the Office of Energy and Department of Housing to establish the potential of a follow-up energy efficiency refit program. Another future benefit that could result is the development of energy-efficient housing design for Indigenous communities.

### Solar Flagships Program

In May 2008 the Federal Government announced its Clean Energy Initiative (CEI) in the May 2009 Budget.

The CEI supports the research, development and demonstration of low-emission energy technologies, including industrial scale carbon capture and storage (CCS) and solar energy.

One of the key projects announced was the Solar Flagships Program.

Solar Flagships provides funding for the support construction and demonstration of large-scale solar power stations in Australia, which may include solar thermal, photovoltaic and energy storage technologies. The target size is 1000MW of electricity generation.

As the Pilbara region of WA has an abundance of space, sunshine and comparatively high energy costs, Horizon Power will be examining the merits of installing a large scale solar power station in the Pilbara.

### Renewable Energy Buy-back Scheme

Horizon Power runs a renewable energy buy-back scheme which means residential customers can generate electricity for their own homes from renewable energy sources. They can sell the excess renewable energy back to the network through Horizon Power's Renewable Energy Buy-back Scheme (REBS).

Most home renewable energy systems, such as solar arrays, wind turbines or micro-hydro power systems, will produce more energy than is required at certain times during the day and less than is required at other times.

## Case study

# Customer Chris Boston

*The Renewable Energy Buy-Back Scheme, for residential and other eligible customers, has been of great benefit to long-time Carnarvon resident and banana plantation owner Chris Boston.*

*Mr Boston, 72, cares for his community and the environment - he has even created his own electric car to get around town in.*

*His energy needs are completely powered by the sun with panels he erected himself.*

*Horizon Power is proud to partner with customers to lower their energy costs and to assist in reducing the carbon load on the environment.*

*A renewable support package is expected to be offered to business customers in 2009.*

*Mr Boston said he was a big supporter of renewable energy and welcomed the opportunity provided by Horizon Power to make the best use of what nature offers.*

*"Horizon Power works closely with its customers in regional areas to ensure the best outcomes, not only for residents but for the environment," Mr Boston said.*



For times when the renewable energy system is not producing enough to meet demand, participants can draw power from Horizon Power's electricity grid. When the system is generating more power, Horizon Power buys the excess energy back.

REBS is available to all Horizon Power residential customers on an A2 Residential tariff. Other customers including non-profit organisations and educational institutions (schools, TAFE, universities) can choose to apply for REBS also.

#### ***Betterways of promoting efficiency***

Our consumer awareness program, *Betterways*, encourages consumers to save energy in their own homes.

There were major developments with the program this financial year, including the establishment of a dedicated *Betterways* website and the launch of a television and newspaper advertising campaign in regional Western Australia.

The increase in energy tariffs during the year highlighted the importance of the *Betterways* campaign because it will assist our 41,000 customers in reducing their power bills.

The six-month *Betterways* advertising campaign was aired on GWN and WIN Television and published in regional newspapers.

*Betterways* tips are also provided directly to our customers through the Horizon Power newsletter, *On The Horizon*, in dedicated *Betterways* brochures and on our website. *Betterways* displays were showcased around regional Western Australia during the year, including the Esperance Agricultural Show; North-West Expo and the Festival of the Wind in Esperance.

## *Review of operations*

### Green options

*GreenSelect* is the Horizon Power product which encourages customers to reduce the emissions associated with their energy use and limit their impact on climate change.

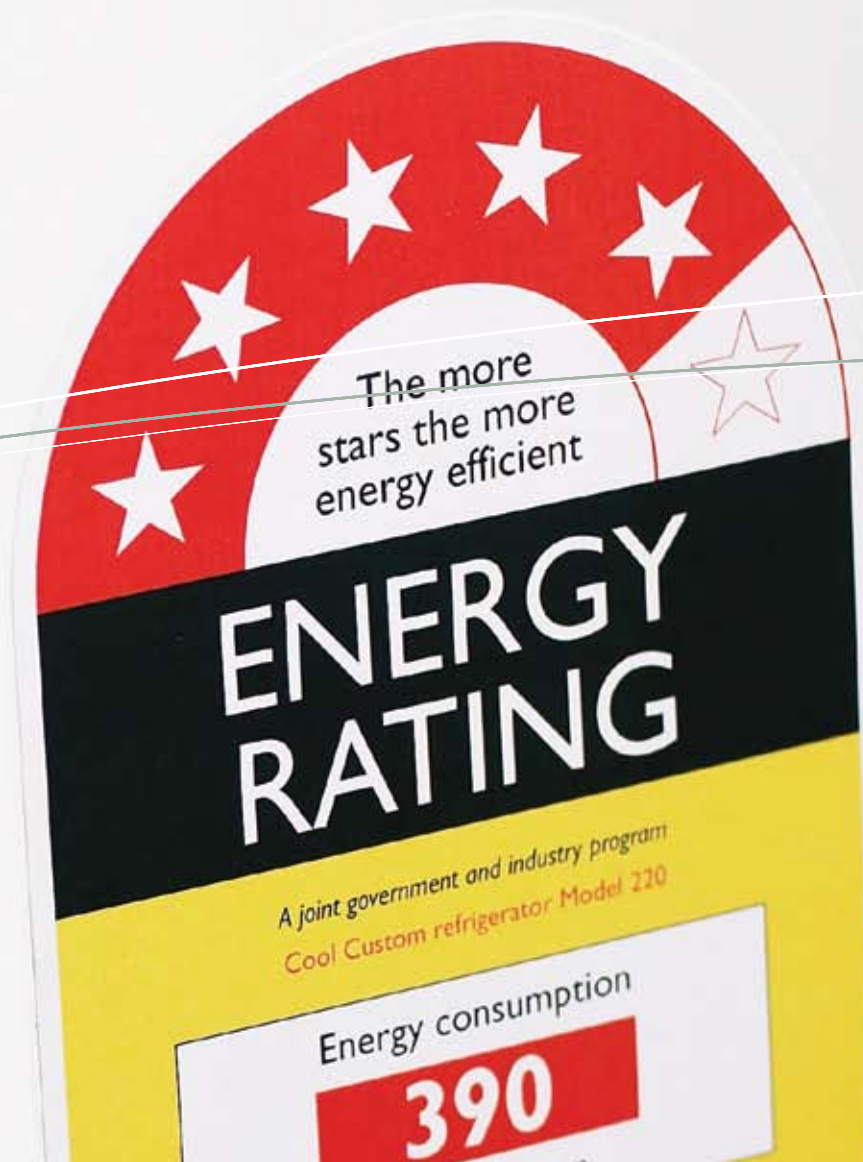
*GreenSelect* is 100 per cent accredited and audited by the National GreenPower Accreditation Program which sets stringent environmental and reporting standards. The GreenPower program guarantees that Horizon Power uses only government approved renewable sources.

For an extra 5.5 cents per unit of electricity, customers are able to ensure energy equal to half or all of their yearly consumption is generated from a renewable energy source in regional Western Australia.

The environmental benefits of delivering *GreenSelect* this way are the same as those that would be gained from delivering renewable electricity directly to a customer's home or business. The program was developed as a result of demand for green energy options from our business and retail customers.

*GreenSelect* is an easy way to help the environment, increase the demand for renewable energy and assist in the further development of renewable energy generation sources in regional Western Australia.

For commercial customers, the ability to say their energy consumption contributes to the development of renewable energy projects is a positive way of differentiating themselves from the competition.







0

*public safety incidents*

**HORIZON POWER WILL CONTINUE TO CREATE LASTING VALUE IN REGIONAL WESTERN AUSTRALIA BY SUCCESSFULLY IMPLEMENTING ITS STRATEGY OF PERFORMANCE EXCELLENCE IN EXISTING OPERATIONS, DEVELOPING THE PILBARA ENERGY PLAN AND EXTENDING BOTH THE SUITE OF SERVICES WE OFFER AND THE AREAS IN WHICH WE OPERATE.**

*Strategic focus*



## Performance excellence

### Safety Above All

The overriding priority of Horizon Power is the safety of the public and Horizon Power staff. In such a high-risk industry, it is critical that safety is the number one priority and that a significant amount of internal resources are directed at it.

Horizon Power is proud to report that there were no reported public safety incidents this financial year and that our internal safety performance also improved.

Horizon Power's corporate safety committee launched a new safety program – Safety Above All – which puts safety at the forefront of the mind of every Horizon Power employee.

The aim of Safety Above All is to ensure that safety is a priority of each and every staff member, not just a compliance issue. The intention is to ensure that our employees return home fit and well after a day's work and to ensure all work practices are safe. Unsafe work practices can also impact on public safety.

All personal protective equipment required to be worn by Horizon Power staff is adorned by the new Safety Above All logo – a visible reminder of our safety commitment.

A new internal computerised hazard reporting system – Cintellate – was implemented during the year, resulting in more immediate responses to hazards identified in the field.

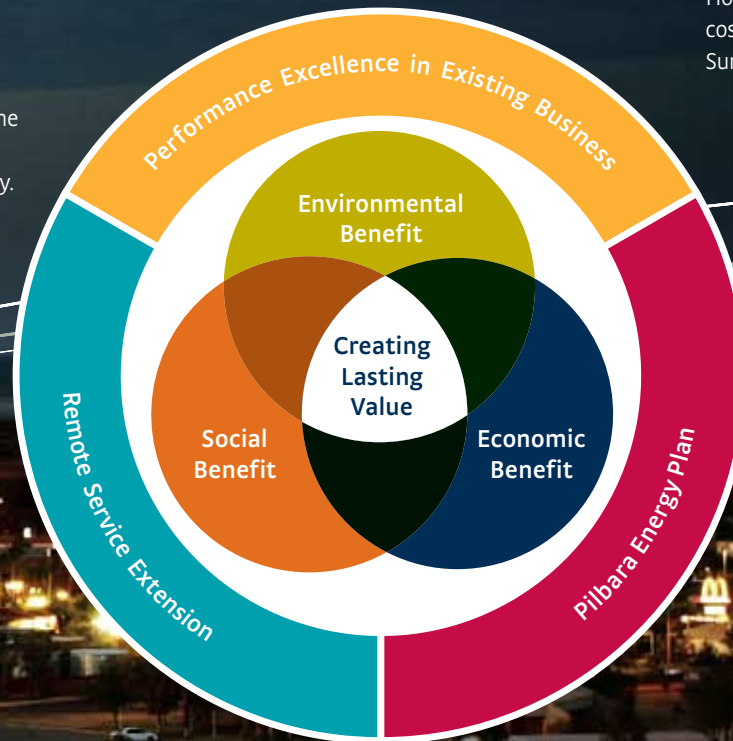
Horizon Power launched a number of public safety advertising and awareness campaigns including the cyclone and storm advertising campaign, a tree trimming and a stubble burning safety campaign.

### Major change in the delivery of customer service at Horizon Power

Since the disaggregation of Western Power in 2006, through a long-term service level agreement, Synergy has been responsible for managing the customer information and billing system used by Horizon Power to service its 41,000 customers.

Despite the reliable service it delivered, the customer profile of Synergy and Horizon Power differ markedly. Horizon Power's customers are spread over a much larger area and are fewer in number. Offering some services to Horizon Power's customers through Synergy's newly selected customer information system was cost prohibitive.

Horizon Power required the ability to deliver a more flexible and cost-effective service to its customers and embarked on Project Sunrise to bring about this change.



Gentrack was chosen as the solution provider of choice. Its flagship product Gentrack Velocity is the new software platform implemented to manage billing, customer signup, customer care, credit and collections and market messaging for Horizon Power.

Gentrack specialises in utilities and is used elsewhere in the West Australian energy market for billing and customer management solutions.

Horizon Power also partnered with Serviceworks to deliver these services using the Gentrack platform.

The successful changeover to the new system in June is a testament to the close partnerships formed between Horizon Power, Gentrack and Serviceworks in the interests of excellence in customer service.

Regional offices can now assist Horizon Power's customers directly by providing copies of their bills on the spot and connecting customers to services such as *GreenSelect* with more efficiency.

### **Revolution in the control of Horizon Power's networks**

The implementation of the leading edge network management system ENMAC went live in May at the Horizon Power Control Centre at our Karratha Head Office.

It replaces the previous manual and passive control system XA21 and comes with technology that revolutionises the way we operate on the network.

ENMAC is a management tool which allows remote access to the system, via computer, in 'real time'.

The 'real time' operation means there is now visibility to distribution network level and information can be fed back and updated instantly. Operational staff will therefore be given the latest information available to undertake their work.

Safety is improved through ENMAC's built-in intelligence which provides an additional check for proposed modifications to the networks.

In most instances, Horizon Power operational staff will know a problem has occurred on a network even before a customer reports a fault. Operational staff can see faults on their computer screens and program work to fix them immediately.

The first stage of implementation has taken place in the North West Interconnected System and will be phased in to the non-interconnected systems over the next 12-18 months, starting with Esperance.

The announcement of underground power for the Pilbara region will also usher in a new phase of automation as the latest technology is installed into the network, allowing greater remote control capabilities with ENMAC.

ENMAC is a management system capable of growing with our business; meeting our needs for greater visibility and automation of network and generation operations, improved customer service and most importantly, supporting our operational staff to complete their work in an efficient and safe way.

*Strategic focus*



### Connecting with customers in the regions

Horizon Power's Community and Customer Relations Managers (CCRM) provide a valuable gateway into the business for regional stakeholders, acting as a point of contact for local Shires, community groups and media, in addition to providing advocacy on their behalf within the business.

In 2008/09, Horizon Power employed three additional CCRMs based in regional offices - one in Carnarvon, one in Port Hedland and one in Esperance. We already employ CCRMs in Karratha and Broome.

The role of CCRMs was also developed further this year to include an expansion of duties in respect to developing power supply contracts with customers and assisting with other local issues.

### Finding solutions to community issues

Horizon Power has been working with the State Government to develop strategies that assist with the payment of electricity use.

Though residents in newly-regularised town reserves pay for their own power use through the pre-payment meter system, the difficulty in collecting payment for electricity used to run services shared in the community, such as water and sewerage pumping, needed to be addressed.

Horizon Power is including a range of options including a new tariff structure which covers the cost of shared services.

### Tariff increase management

The State Government announced increases in electricity tariffs during the year to bring the price of electricity more into line with the cost of supply.

Horizon Power undertook a major information and education campaign to ensure its customers were well informed about the increases and could attempt to reduce the impact of the increases by taking positive steps to manage energy use.

Brochures outlining the changes in tariffs were developed to accompany power bills and a major advertising campaign was undertaken to educate customers about simple energy-saving tips.

This included development of a dedicated *Betterways* website, customer competitions and tips promoting energy-efficiency.







*Strategic focus*



## *Developing the Pilbara*

### **Plans for the Pilbara**

The Pilbara region is a source of significant wealth for the state and national economy and as such presents itself as a key strategic focus for Horizon Power with electricity supply to the region a major contributor to Horizon Power's commercial viability.

Recent estimates suggest that total energy demand in the Pilbara will reach 10,500 GWh per annum by 2015, doubling current consumption. As major investment decisions relating to electricity infrastructure are being finalised at present, an urgent need exists for an effective power solution in the Pilbara.

Transmission in the Pilbara is largely serviced by the North-West Interconnected System (NWIS), though much generation in the region is isolated. Horizon Power is working with Government and Industry to ensure the integration of the NWIS is a key plank in work to underpin the sustainability of power supply to the region.

### **Pilbara Energy Plan - the next generation**

Current demand projections indicate that Horizon Power will need to invest in approximately 100 MW of new generation capacity in the Pilbara region by November 2012.

The Pilbara Generation 2012 project will ensure the development of an additional 100 MW of generation capacity. The new capacity will be sufficient to meet Horizon Power's projected demand growth and reserve margin for a period of five to seven years.

The project is expected to involve the construction of a combined-cycle power station with very high efficiency, resulting in a reduction in energy costs and carbon emissions in the Pilbara.

The construction of the power station will provide for significantly increased security to Horizon Power's load in the Pilbara, with additional reserve capacity and dual-fuel capability. Horizon Power is currently examining a number of sites in the Pilbara for this purpose.

Horizon Power envisions this high efficiency generation plant as being an integral component of a future power system in the Pilbara.

Efficient generation, alongside an integrated transmission system in the region, will meet the requirements of all stakeholders, residential and industrial alike, and provide affordable and reliable power well into the future.

# 10,500

*GWh per annum energy demand in the Pilbara by 2015*



## Extending our service

### Aboriginal and Remote Communities Power Supply Project

Comprehensive planning of the second phase of the Aboriginal and Remote Communities Power Supply Project (ARCPSP) has been underway following the successful completion of phase one last financial year (2007-08). This includes measurement of electricity loads during the summer of 2008/09.

The lessons learned and knowledge gained from the ARCPSP process has also assisted Horizon Power in developing its remote service extension model which can result in isolated energy systems being developed to suit any remote location in the world.

In each remote Western Australian community under ARCPSP, the project has improved the quality, reliability and affordability of power supplies to the communities. The project involves:

- Close liaison with the communities, their leadership groups, traditional owners and relevant stakeholders including third party land holders;
- The construction of new, efficient power stations with renewable energy to provide a major input into supply;
- An audit and upgrade of the distribution network to normal utility standards;
- Installation of new streetlights;
- Installation of pre-payment electricity meters;
- Retail services to individual customers at the uniform tariff, rather than a 'whole community' payment system; and
- Education on electrical safety, what to do in the event of a power interruption and how to use the pre-payment system.

Phase two of the project involves regularisation of power supplies in the communities of Kalumburu and Noonkanbah (Yungngora).

Tenders have been called for work in the remote community of Yungngora which is expected to be underway early next year. The Office of Energy is funding phase two of the project.

Discussions are ongoing with State and Federal Governments to obtain additional funding to regularise power supplies in other large remote communities including Billiluna, Balgo, Warakurna, Warburton, Yandeyarra, Jigalong and Burringurrah.

Phase one of ARCPSP was recognised in June with a major national award – the prestigious Australian Business Award. The project, along with the Aboriginal Communities Training program which was developed to ensure the success of the employment objectives of ARCPSP, won the community contribution category

### Horizon Metering Services

Horizon Power joined with Commonwealth and State agencies to deliver metering services to Indigenous communities which have previously had difficulty with revenue collection to meet fuel costs for community power stations.

Horizon Metering Services is Horizon Power's metering services business which assists Indigenous communities to ensure they have sufficient revenue to cover power costs by installing pre-payment meters (PPMs) for electricity in communities. With pre-payment meters, residents pay for the power before they use it by inserting a \$10, \$20 or \$50 power card.

The Ngaanyatjarra Metering Project commenced during the year with funding from the Commonwealth Department of Families, Housing, Community Services and Indigenous Affairs. The WA Department of Housing and Horizon Power have been working together since September 2008 to install the PPMs in 12 Ngaanyatjarra communities: Blackstone, Cosmo Newberry, Jameson, Kanpa, Kiwirkurra, Patjarr, Tjirrkarli, Tjukurla, Wanarn, Warakurna, Warburton and Wingellina.

Horizon Power's role was to engage with the key stakeholders including the Ngaanyatjarra Council and leaders in each of the 12 communities and residents. The scope of the project includes upgrades to internal house wiring, installation of PPMs, education on their use, and facilitation of a retail arrangement for the sale of power cards to residents. Regular updates are provided to the government agencies.

A range of communication strategies were developed and implemented to further assist residents gain a clear understanding of the new way to pay for power including educational materials translated into Ngaanyatjarra language as English is often a second or third language to people living in the Lands. In addition, radio announcements were developed and translated into Ngaanyatjarra language and set to music created by local Indigenous people.

## Strategic focus



Case study

## Lamboogunian (Koongie Park)

*Lamboogunian (Koongie Park) is an Aboriginal community on a pastoral lease 20 kilometres west of Halls Creek, with a population of 50 people.*

*Electricity was supplied to the community via a credit master meter but the community had a long history of difficulties in paying its electricity bills. In October 2008, Horizon Power called together Government agencies who deliver services to the town to resolve the ongoing problem. After close consultation with the leadership of Lamboogunian, an agreement was reached which involved splitting the outstanding debt among the parties and installing a new meter system.*

*To assist the community in meeting its future payments, Horizon Power installed pre-payment electricity meters on the houses. This means each resident is responsible for the payment of his or her electricity consumption, rather than the incorporated community body. Horizon Power's initiative has been met with a very positive response from Government stakeholders and from members of the community, with the expectation that electricity accounts for 'community' consumption will be more manageable for residents. The new system commenced in March 2009.*



Horizon Power staff and those from other agencies also had the opportunity to appreciate and learn more about the culture and language of the people living in the Lands, and to gain an understanding of the lifestyles, cost of living in remote locations, and the beauty of the country and people.

#### **Horizon Power in the space race**

We are excited to be involved in the most significant radio-astronomy 'mega science' project ever developed – the Square Kilometre Array project. Australia and South Africa are in the running to be the preferred site for an international, next generation radio astronomy project that will be 50 times more powerful than the world's largest existing telescope.

This groundbreaking initiative will enable astronomers to see the formation of the early universe, including the emergence of the first stars, galaxies and other structures. In 2006, South Africa and Australia were shortlisted as acceptable sites to host the SKA project. If Australia is chosen, it will put WA on the cosmic map and at the forefront of the world's radio astronomy industry.

As part of Australia's bid for the project, a demonstration project will be built in Western Australia. This is known as the Australian SKA Pathfinder (ASKAP) and will represent approximately one per cent of the total SKA project. It will be located at the isolated Boolardy Station within the Shire of Murchison, approximately 400 kilometres north east of Geraldton.

Horizon Power is focused on delivering the energy needs for ASKAP and the potential SKA project. A team of Horizon Power and other Australian and international energy specialists are heading to the University of Manchester in September 2009 to further analyse the energy requirements of this project, and to ensure that we are in a position to deliver a world class solution for the SKA.

#### **Curtin University collaboration**

Horizon Power has entered into a collaborative relationship with Curtin University of Technology in a variety of areas including staff exchange programs, research projects, co-operative industry projects, vacation work, graduate placements and scholarships.

# 13,383

streetlights

*Strategic focus*



### Remote water services

Horizon Power is constantly seeking opportunities to fulfil its commitment to improve the quality of life in regional Western Australia.

Power and water are both essential services. Because Horizon Power is a skilled utility provider in remote Western Australia, we are now exploring the possibility of using that capability to extend our service provision to remote communities to include the supply of water services.

A water services strategy is in the process of being developed.

### Rottnest Island

Horizon Power has submitted an Expression of Interest to provide utility services (power, water, wastewater and LPG) on Rottnest Island. Horizon Power has been shortlisted, along with another company, and will be submitting a final bid in late 2009.

Horizon Power is well placed to provide a cost effective service for the provision of utilities on Rottnest Island. The utility delivery model that will be deployed is a natural extension of our business, aligned to the remote islanded communities' strategy .

### Service without borders

With more than one billion people in the world without power, Horizon Power is exploring the possibility of assisting neighbouring developing countries with the provision of power services to their communities. Horizon Power is continuing to develop energy solutions which are fully-integrated, cost-effective and able to be used in any remote area in Australia and other parts of the world.

Horizon Power is looking to the Asia Pacific region to seek out potential new markets.





# 2461

*km high voltage overhead distribution lines*

*Key statistics*

## Electricity generation and sales

July 08 to June 09

Power Station	Generated Power (kWhs)	Generated Power-Wind	Purchases(kWhs)	Total Power Purchased / Generated (kwh)	Used in Works (kwh)	Sent Out (kWhs)
Ardyaloon	-	-	1,572,213	1,572,213	-	1,572,213
Beagle Bay	-	-	1,455,077	1,455,077	-	1,455,077
Bidyadanga	-	-	2,394,551	2,394,551	-	2,394,551
Broome	-	-	128,705,972	128,705,972	-	128,705,972
Looma	-	-	2,476,759	2,476,759	-	2,476,759
Carnarvon	48,923,768	-	-	48,923,768	2,211,868	46,711,900
Coral Bay	-	-	3,087,279	3,087,279	-	3,087,279
Cue	-	-	2,218,050	2,218,050	-	2,218,050
Denham	2,992,606	2,510,172	-	5,502,778	46,538	5,456,240
Derby	-	-	31,806,354	31,806,354	-	31,806,354
Djarindjin	-	-	1,508,094	1,508,094	-	1,508,094
Esperance	-	-	71,796,567	71,796,567	-	71,796,567
Exmouth	-	-	24,009,653	24,009,653	-	24,009,653
Fitzroy Crossing	-	-	12,156,881	12,156,881	-	12,156,881
Gascoyne Junction	-	-	531,253	531,253	-	531,253
Halls Creek	-	-	10,504,257	10,504,257	-	10,504,257
Hopetoun	-	-	5,676,921	5,676,921	-	5,676,921
Kununurra	396,069	-	57,971,516	58,367,585	920,542	57,447,043
Lake Argyle	-	-	399,851	399,851	-	399,851
Laverton	-	-	3,557,487	3,557,487	-	3,557,487
Leonora	-	-	9,399,127	9,399,127	-	9,399,127
Marble Bar	2,289,456	-	-	2,289,456	77,158	2,212,298
Meekatharra	-	-	7,063,525	7,063,525	-	7,063,525
Menzies	-	-	684,407	684,407	-	684,407
Mount Magnet	-	-	4,016,476	4,016,476	-	4,016,476
Norseman	-	-	4,796,892	4,796,892	-	4,796,892
Nullagine	1,058,739	-	-	1,058,739	25,923	1,032,816
Onslow	12,967	-	5,198,670	5,211,637	13,053	5,198,584
Sandstone	-	-	794,305	794,305	-	794,305
Warmun	-	-	2,370,913	2,370,913	-	2,370,913
Wiluna	-	-	2,675,389	2,675,389	-	2,675,389
Wyndham	223,900	-	8,035,733	8,259,633	42,536	8,217,097
Yalgoo	-	-	906,901	906,901	-	906,901
	55,897,505	2,510,172	407,771,074	466,178,751	3,337,618	462,841,133



## Performance indicators

Performance indicators (rolling 12 months)	Target	Actual
<b>Social benefit</b>		
SAIDI: System outage duration *	Less than 290	339
SAIFI: Frequency of outages	Less than 5	4.94
CAIDI: Duration of customer outages	Less than 49	62
Complying towns	Greater than 26/34	24
Corporate reputation index (per cent)	Greater than 70	75
Employee perception survey rating (per cent)	Greater than 79	80
Leadership survey rating (per cent)	Greater than 70	78
<b>Customer value</b>		
Average unit cost (cents/kWh)	25.90	29.80
Average selling price (cents/kWh)	15.66	15.87

\* System performance measured in minutes

## Network assets

Transmission lines (km)	455
Distribution lines	
High voltage overhead (km)	2461
- High voltage single phase (km)	2704
- Low voltage overhead (km)	1809
Distribution cable (underground)	
- High voltage (km)	387
- Low voltage (km)	596
Total transformer capacity (kVA)	533,426
Number of streetlights (Number)	13,383

## Employment

Division	Full time employees (FTEs)
Office of the Managing Director & Board	8
Finance Services	18
Governance & Company Secretary	18
Islanded Systems Development	19
Knowledge and Technology	27
Operations	179
Strategy & Business Development	17
People & Corporate Services	20
Shared Services	37
<b>Total</b>	<b>343</b>

## Key statistics

### Safety targets

Horizon Power monitors staff safety and measures the effectiveness of initiatives designed to ensure the safety of staff and contractors by using the traditional key performance indicators of Lost Time Injuries and Medical Frequency Rate, and Public Safety Incidents indicator for public safety risk.

<b>2007/08 financial year</b>	<b>Target</b>	<b>Actual</b>
Lost Time Injuries (LTIs)	0	2
Medical Frequency Rate	6.6	14 (equates to four LTIs and five other medical treatments)
Public Safety Incidents	4	0

### Environmental Management System

An Environmental Management System (EMS) is a structured system designed to assist the organisation to reduce its environmental impacts through targeted continuous improvement in its environmental management, leading to improvements in its overall environmental performance. Horizon Power is currently revising its Environmental Management System (EMS) and expects that the new EMS will be functional by 2010.

The EMS will be an intranet-based system predicated on the requirements of the standard for Environmental Management Systems (AS 14001) and will be accessible to all Horizon Power staff, incorporating environmental management as well as Indigenous heritage and native title management. The system will facilitate the identification and risk assessment of our environmental and Indigenous heritage impacts, with the aim of continually improving management of these issues throughout the business.

### Greenhouse gas emissions

Horizon Power was previously a member of the Greenhouse Challenge Plus Program (GCP) and used GCP methods to estimate emissions. The Greenhouse Challenge Plus Program ceased operation on 30 June 2009 following the commencement of National Greenhouse and Energy Reporting Systems (NGERS).

Horizon Power's greenhouse gas emissions are now calculated using the methodology of the NGERS Act 2007. Horizon Power is registered under the Act and will be reporting its emissions for 2008/09 to NGERS prior to October 31 2009. The emission figures presented on the next page are based on the most accurate data as of 30 June 2009.





<i>Greenhouse gas emissions by scope</i>	<i>Tonnes of CO<sub>2</sub> Equivalent</i>
Direct emissions (Scope 1)	37,190
Indirect emissions (Scope 2)	37,810
Further indirect emissions from Independent Power Provider (Scope 3)	609,760

Horizon Power's direct (Scope 1) emissions totalled 37,190 tonnes and were emitted primarily from the combustion of fuel in power stations. Minor sources of direct emissions included vehicle fleet (1040 tonnes) and leakage of sulphur hexafluoride from the transmission network (11 tonnes). Horizon Power's direct emissions have decreased by approximately 48,000 tonnes in the last year, mainly due to the replacement of a number of Horizon Power owned power stations in the Kimberley by Independent Power Providers. This has also produced a corresponding rise in Horizon Power's indirect (Scope 3) emissions.

Horizon Power's Scope 2 emissions were primarily due to losses in the transmission and distribution networks. These losses accounted for a total of 36,610 tonnes, while the remaining 1200 tonnes were associated with electricity consumed in operational areas such as depots, offices and buildings.

The Scope 3 emissions are almost entirely made up of buying electricity from Independent Power Producers (IPPs) and selling it to customers. Indirect emissions from IPPs represented an estimated 609,760 tonnes of greenhouse gas emissions.

Horizon Power's key performance indicator for greenhouse gas emissions is carbon intensity (kg CO<sub>2</sub>e/kWh). The carbon intensity of different activities can be measured and compared from year to year.

<i>Performance Indicators</i>	<i>kgs of CO<sub>2</sub> Equivalent per kWh</i>
Horizon Power power stations carbon intensity (as electricity sent out)	0.68
Retailed power carbon intensity (as electricity sold)	0.77
Transmission and distribution carbon intensity (as electricity sent out)	0.04

Horizon Power's key performance indicator measures the carbon intensity of electricity generation in its power stations. This indicator has decreased from 0.75 to 0.68 kgs of CO<sub>2</sub> Equivalent per kWh in the past year. This was mainly due to the replacement of a number of older, less efficient Horizon Power-owned power stations in the Kimberley region.

### *Atmospheric emissions*

Horizon Power's emission details are provided annually to the National Pollutant Inventory (NPI). This information can be accessed via <http://www.npi.gov.au>. The following table provides information on the main atmospheric emissions from the business' major power stations.

<i>Performance Indicator</i>	<i>Total (tonnes)</i>	<i>kgs/MWh</i>
Sulphur Dioxide emissions	0.4	0.01
Nitrogen Oxides emissions	1070	19.2

The atmospheric emission indicators used by Horizon Power have also exhibited a decreasing trend in the past year. This is primarily due to the replacement of a number of older Horizon Power owned power stations in the Kimberley region but is also linked to the general decrease in sulphur levels in diesel fuel.

### *Contaminated Sites*

Horizon Power is actively managing the 29 contaminated sites that have been reported under the Contaminated Sites Act 2003. Significant work has been undertaken to obtain a better understanding of the risks associated with Horizon Power's contaminated sites and to develop an appropriate management strategy to address these risks.

Associated with the ongoing management of contamination issues at each of these sites, numerous pieces of environmental investigation work have been undertaken in the last year to gain a better understanding of the contamination that is present.

## *Key statistics*



The investigation work completed includes:

- Detailed site Investigations of five Kimberley power station sites (Fitzroy Crossing, Halls Creek, Camballin, Lake Argyle, Kununurra);
- Groundwater monitoring and quantitative risk assessment of Esperance and Hopetoun power stations;
- Detailed site investigations of Carnarvon, Onslow and Exmouth power stations;
- Further assessment of potential off-site impacts at Meekatharra power station; and
- Groundwater monitoring and additional delineation of hydrocarbon plume at Derby power station.

A summary of the classification status of Horizon Power's contaminated sites is provided below.

*Contaminated - Remediation Required*

Derby Power Station (PS), Esperance PS, Exmouth PS, Wiluna PS and Wittenoom PS.

*Possibly Contaminated - Investigation Required`*

Broome PS, Fitzroy Crossing PS, Laverton PS, Marble Bar PS, Nullagine PS and Onslow PS

*Contaminated Restricted Use*

Yalgoo PS

*Remediated For Restricted Use*

Menzies PS

*Report Not Substantiated*

Karratha Depot

The remaining 15 reported sites have not been classified.

Horizon Power is committed to the appropriate remediation of its contaminated sites. Horizon Power's contaminated site remediation strategy is being developed and will define Horizon Power's future management of these sites. This strategy will be discussed with the Department of Environment and Conservation and their input will be sought prior to implementation. Horizon Power continues to provide for the assessment and remediation of its contaminated sites as required.



## Governance Framework

A Governance Framework provides the 'running rules' that support the business by:

- Providing a structure and consistency to the way Horizon Power does business;
- Promoting the business' values, corporate governance principles, systems and practices, including the roles, responsibilities and authorities of the Board and Executive;
- Encouraging the creation of lasting value consistent with the Business Model;
- Aligning with Horizon Power's Strategic and Business Plans; and
- Providing accountability and control systems consistent with the risks involved.

Horizon Power's governance principles are driven by the importance placed upon providing staff with the necessary knowledge (supported by structure, systems and processes) to allow them to appropriately respond to circumstances, issues and opportunities with a clear understanding of Horizon Power's context.

This 'Response within Context' means that employees are able to perform their activities in a responsible, thoughtful, knowledgeable and consistently professional manner, which contributes to the overall direction and success of the business.

## Board of Directors

In accordance with the *Electricity Corporations Act 2005*, Horizon Power must be governed by a Board of Directors, of between four and six directors appointed by the Governor on the nomination of the Minister for Energy. The Board of Directors is responsible to the Minister for Energy for the performance of the business.

The Board Members between them have a suitable source of knowledge and experience with which to guide Horizon Power in ways to continuously expand and improve its services.

## Directors

*Brendan Hammond (Chairman)*



Brendan has a wealth of experience from a career largely associated with the resources sector. He has held senior executive roles in large mining corporations, worked in and with the highest levels of government and has had a major influence on Indigenous affairs across the country.

Brendan is also Chairman of the Dampier Port Authority and a member of the State Indigenous Implementation Board. He continues to have a strong involvement in community and Indigenous activities, art, health and learning.

*Susan Bradley*



Susan's extensive business and community experience in the Kimberley has included owning and managing cattle stations, farms on the Ord Irrigation Area and a caravan park in Kununurra.

She has lived in the Kimberley for 40 years and held many public positions including the Wyndham-East Kimberley Shire President, Chair of the Ord Development Study, Inaugural Chair of the Kimberley Development Commission and Chair of the Kimberley Regional Water Resources Development Study.

Susan is presently General Manager of two North Kimberley Dunkeld Pastoral Company Pty Ltd properties and Ellenbrae Station Pty Ltd, and is a Director of the Kimberley Foundation Australia Ltd.

# Corporate Governance



*Robert Eagle*



Robert Eagle brings to Horizon Power almost 40 years of extensive and wide-ranging experience in the practice of law. He is currently a lawyer and mediator in Broome.

He has wide experience in agreements and contracts, trusts, incorporating companies, superannuation funds and corporate acquisitions.

Robert is the Public Officer of a number of Aboriginal Corporations and is a keen participant in the community life of Broome.

*Nicole Lockwood*



Nicole Lockwood has a keen interest in regional development and is committed to the sustainability of the Pilbara community. Based in Karratha, she has a background as a State prosecutor, solicitor and research assistant and has extensive experience in policy formation and community consultation.

Nicole is an elected member of the Shire of Roebourne Council, member of the Pilbara Regional Council and has consulted to the Pilbara Area Consultative Committee. In these roles she has been integral to the coordination and implementation of significant events and the development of initiatives to benefit the Pilbara region.

*Alan Dundas (Deputy Chairman)*



Alan was appointed to the Horizon Power Board as Deputy Chairman on 1 April 2006. He has also served on the Audit and Risk Management Committee.

Alan has accumulated more than 30 years of experience in the resources industry both in Australia and overseas, most recently with WMC Resources where he served in senior management and Board roles.

Alan has also held company representative roles with the Chamber of Minerals and Energy in Western Australia and the Northern Territory.

He is a non-executive Director of Westralia Airports Corporation and is non-executive Chairman of Barmenco Limited.

Alan retired from the Horizon Power Board on 31 March 2009.

*Rod Hayes (Managing Director)*



Rod has 12 years of experience in Australia's utilities sector and a record of strong and dynamic leadership.

Before joining Horizon Power, he served for more than three years as the Chief Executive Officer of the Gladstone Area Water Board, a government-owned commercialised business servicing one of Queensland's biggest coastal cities.

Rod brings previous experience in senior management roles in the electricity sector, after spending several years with Tasmanian electricity distribution and retail company Aurora Energy.

Rod is a Fellow of the Australian Institute of Management.

*Company Secretary*

*Pete Feldhusen (Company Secretary)*



Pete is also Horizon Power's General Manager, Governance and Company Secretariat.

He has held Board, Company Secretarial, Financial and Operating Management positions in a number of mining, legal and utility organisations.

The company secretary provides administrative services to the Board and oversees the corporate governance systems.

*Special Adviser to the Board*

*Angela Riley (Special Adviser to the Board)*



The Horizon Power Board has retained the services of Angela Riley as a specialist adviser to the Board to enable the Board to prudently discharge its Audit and Risk obligations.

## Attendance at Board meetings

The Board meets bi-monthly, however there were a number of additional meetings and circular resolutions during the year which are recognised as duly constituted Board meetings.

	Board Meetings	
	A	B
Brendan Hammond (Chairman)	15	16
Alan Dundas (Retired from Board 31/03/09)	14	14
Susan Bradley	15	16
Robert Eagle	15	16
Nicole Lockwood	16	16
Rod Hayes	15	16

A – Number of meetings attended.

B – Number of meetings eligible to attend during the time the Director held office during the year.

## Declarations of Interest

- Brendan Hammond:
  - Seymour Associates (Director/Owner)
- Alan Dundas:
  - Ripstone Consulting (Director)
  - Westralia Airports Corporation Pty Ltd (Non-executive Director)
  - Barmenco Limited (Non-executive Chairman)
- Angela Riley:
  - BL Riley & Co. (Co-manager)
  - MG Community Foundation Pty Ltd (Director)
  - MG Dawang Land Pty Ltd (Director)
  - MG Developments Pty Ltd (Director)

## Horizon Power Directors' Terms of Appointment

Director	Appointed	Expires
Brendan Hammond (Chairman)	1 Dec 2005	31 Mar 2009
Second Term	1 Apr 2009	31 Mar 2012
Alan Dundas (Retired)	1 Apr 2006	31 Mar 2009
Susan Bradley	1 Apr 2006	30 Jun 2007
Second Term	1 Aug 2007	30 Jun 2008
Third Term	1 Jul 2008	30 Jun 2010
Nicole Lockwood	1 Jul 2008	30 Jun 2010
Robert Eagle	1 Jul 2008	30 Jun 2010
Rod Hayes (Managing Director)	30 Jan 2006	30 Jan 2008
Second Term	1 Feb 2008	29 Jan 2009
Third Term	30 Jan 2009	29 Jan 2012
Consultants to the Board	Appointed	Expires
Angela Riley (Chair Audit and Risk Management Committee)	18 Apr 2006	31 Mar 2007
Second Term	1 Apr 2007	30 Jun 2008
Third Term	1 Jul 2008	30 Jun 2009
Fourth Term	1 Jul 2009	30 Jun 2010
Anthony Chilvers (Consulted to the Audit and Risk Management Committee)	1 Jul 2008	30 Sep 2008

Corporate  
Governance



## Audit and Risk Management Committee

The Audit and Risk Management Committee (ARMC) is a committee of the Board of Directors of Horizon Power. The ARMC's role is to assist the Board to discharge its responsibility of oversight and corporate governance of the organisation. In doing so, the ARMC is responsible to the Board.

Specialist adviser, Angela Riley, who has a strong financial and auditing background, chairs the committee. Robert Eagle joined the Committee in May 2009.

A key role of the ARMC is to provide reasonable assurance to Directors that Horizon Power's core business goals and objectives are being achieved in an efficient and economical manner, within an appropriate framework of internal control and risk management.

### Financial Reporting

The ARMC performs an overview function in financial reporting as follows:

- considers the appropriateness of Horizon Power's accounting policies and principles;
- assesses significant estimates and judgements in the financial reports;
- reviews management's process for ensuring compliance with laws, regulations and other requirements relating to the external reporting of Horizon Power;
- assesses information from the internal and external auditors regarding the quality of financial reports; and
- reviews the management of Treasury operations.

## Internal Control and Risk Management

The ARMC provides oversight of the identification of risks and threats to Horizon Power, and the processes by which those risks and threats are managed. The ARMC also assesses and adds value to Horizon Power's corporate governance, including its systems of internal control and internal audit function.

### Composition of ARMC

The ARMC comprises:

- Angela Riley, Chair
- Alan Dundas (retired 31 Mar 2009)
- Nicole Lockwood
- Robert Eagle (joined ARMC May 2009)
- Tony Chilvers (Consulted to the ARMC July 2008 to September 2008).

ARMC meetings in the 2008/09 financial year were attended by:

- Rod Hayes, Managing Director
- Amelia Yam, General Manager, Finance Services
- Pete Feldhusen, Company Secretary, General Manager, Governance and Company Secretariat/acting general manager Finance Services (until September 2008)
- Andrew Georgiades, Manager, Risk and Audit.

## ARMC Meetings Attended

<i>Audit and Risk Management Committee Meetings</i>		
	A	B
Angela Riley*	8	8
Nicole Lockwood	8	8
Robert Eagle (Joined May 2009)	2	2
Alan Dundas (Retired 31 Mar 2009)	3	3
Tony Chilvers (Consultant from 1 Jul 2008 to 30 Sep 2008)	2	2

A – Number of meetings attended.

B – Number of meetings eligible to attend during the time the Director held office during the year.

*\*Special Adviser to the Board appointed to enable the Board to prudently discharge its Audit and Risk obligations.*

## Remuneration report

### Principles used to determine remuneration

The Minister for Energy (the Minister) approves the remuneration of all non-executive Directors. The Board, subject to the concurrence of the Minister approves the remuneration of the Managing Director (also referred to as the Chief Executive Officer).

The Board, on recommendation of the Managing Director, approves the remuneration of all Executive Officers.

## Key Management Personnel Remuneration

Horizon Power's compensation policy is designed to:

- provide market competitive remuneration to employees having regard to both the level of work assigned and the personal effectiveness in its performance;
- allocate remuneration to employees on the basis of merit and performance;
- adopt performance measures that align the interests of employees with the interests of key stakeholders; and
- adopt a remuneration structure that provides an appropriate balance in 'risk and reward sharing' between the employee and Horizon Power.

## Non-Executive Directors

Payment to non-executive directors consists of base remuneration and superannuation.

## Managing Director and Executives

The Managing Director and Executives compensation framework is based upon total target remuneration that includes a total fixed remuneration structured with:

- cash;
- selection of prescribed non-financial benefits;
- superannuation; and
- cost of the fringe benefit tax.

In addition to total target remuneration, those Executives residing in remote locations are also provided housing benefits and location allowances.

## Details of compensation

(i) Non-executive directors' remuneration – year ended June 30, 2009

<i>Name</i>	<i>Cash salary and fees</i> \$	<i>Superannuation</i> \$	<i>Total</i> \$
B Hammond	95,000	8,550	103,550
S Bradley	45,000	4,050	49,050
R Eagle	43,962	3,957	47,918
N Lockwood	43,962	3,957	47,918
A Dundas	46,615	4,195	50,811
Total	274,538	24,708	299,247

*Corporate  
Governance*

(ii) Executives' remuneration – year ended June 30, 2009

<i>Name</i>	<i>Cash salary and fees</i>	<i>Performance Pay (i)</i>	<i>Non monetary benefits (ii)</i>	<i>Superannuation</i>	<i>Total</i>
	\$	\$	\$	\$	\$
R Hayes	393,962	108,614	91,881	45,232	639,689
A Yam	152,906	-	-	13,762	166,668
P Feldhusen	213,007	37,040	-	23,424	273,471
M Loughton-Smith	223,166	35,777	-	24,554	283,497
D McDonald (includes redundancy payment)	142,167	34,789	5,256	6,530	188,742
D Martin	203,641	35,875	-	21,556	261,072
F Tudor	247,142	39,229	-	25,773	312,144
Z Wilk	230,765	34,933	83,708	23,268	372,674
P Jensen	149,259	-	-	13,433	162,692
J Deacon	122,018	-	-	10,982	133,000
<b>Total</b>	<b>2,078,033</b>	<b>326,257</b>	<b>180,846</b>	<b>208,515</b>	<b>2,793,650</b>

The non-executive Directors of Horizon Power during the period were:

- B Hammond – Chairman
- A Dundas – Director (Retired 31 Mar 2009)
- S Bradley – Director
- Nicole Lockwood – Director
- Robert Eagle – Director

The other key management personnel of Horizon Power during the period were:

- R Hayes – Managing Director
- A Yam – General Manager Finance Services (Appointed on 1 September, 2008)
- M Loughton-Smith – General Manager Islanded

Systems Development

- D Martin – General Manager People and Corporate Services
- F Tudor – General Manager Strategy and Business Development
- Z Wilk – General Manager Operations
- P Feldhusen – General Manager Governance and Company Secretariat
- P Jensen – General Manager Shared Services (Appointed on 13 October, 2008)
- J Deacon – General Manager Knowledge and Technology (Appointed on 9 October, 2008)
- Darryn McDonald – General Manager Retail (Finished 29 August, 2008)

#### Indemnification of Directors

The Directors' and Officers' Liability Insurance Policy is in place to ensure that the Directors and Officers of the Corporation have adequate coverage.

The Directors' and Officers' Liability Insurance Policy forms part of the Corporation's Third Party Liability Policy.

At the date of this report no claims have been made against the Directors and Officers component of the Policy.



## Corporate compliance disclosures

### Electricity Licences

The *Electricity Act* (2004) requires participants who generate, transmit, distribute or retail electricity in the Western Australia to obtain a licence to operate. Licences are issued by the Economic Regulation Authority. Horizon Power was issued an Integrated Regional Licence on 30 March 2006.

The Integrated Regional Licence requires Horizon Power to periodically submit a Licence Performance Audit and an Asset Management System Review to the Economic Regulation Authority. The first of these were submitted in December 2008. In January 2009 the Economic Regulation Authority issued a Notice requiring Horizon Power to rectify a number of matters in order to fully comply with our Integrated Regional Licence. Horizon Power is actively addressing each of those recommendations.

### Restriction on area in which Horizon Power may operate

Within Western Australia, the performance of Horizon Power's functions relating to electricity and provision of telecommunication services is limited to electricity systems in those parts of the State that are not served by the South-West Interconnected System.

### State Records Act 2000

Horizon Power maintains and supports quality record-keeping practices in its day-to-day business activities. The function of managing records resides within the Knowledge and Technology Division of Horizon Power. Horizon Power's Record-Keeping Plan is reviewed annually to ensure currency and any updates are submitted to the Minister for Energy for approval. The approved plan is then presented to the State Records Office.

The record-keeping plan ensures all records are managed according to the requirements of the State Records Act 2000 and demonstrates an ongoing commitment to the training of staff in record-keeping principles and practices.

### Western Australian Electoral Act 1907

In accordance with the requirements of Section 175ZE of the Western Australian Electoral Act 1907, the following information in respect to expenditures (excluding GST) incurred by, or on behalf of, Regional Power Corporation during the financial period ended 30 June 2009 is as follows:

Advertising agencies	\$562,776
Market research organisations	\$11,621
Direct mail organisations	\$37,246
Media advertising organisations	\$79,964

### Rebates

Horizon Power administers various tariff and supply charge concessions for seniors and concession card holders. The value of the rebates has increased in line with increases in electricity tariffs. The rebates include:

Account Establishment Fee Rebate – The fee for establishing a new electricity account is waived for eligible customers. The rebate increased from \$29.80 to \$32.10 after July 1 2009.

Energy Rebate – Eligible customers are entitled to a subsidy of 32 cents per day for their primary metered residence on the electricity supply charge.

Dependent Child rebate – Customers with dependent children, who are eligible for supply charge rebates, are also entitled to a rebate on a proportion of the energy charge.

Reduced Meter Test Fee – If a meter is tested and found not to be faulty, Horizon Power will charge a fee for that testing. Eligible customers can apply for a rebate for that fee.

Air Conditioning Rebate – Eligible seniors and dependent child rebate recipients are entitled to a rebate to offset the electricity costs associated with running an air conditioner.

### Freedom of Information Act 1992

The Freedom of Information Act 1992 requires Horizon Power to publish an Information Statement. Our Information Statement is available online at [http://www.horizonpower.com.au/general/foi\\_statement.html](http://www.horizonpower.com.au/general/foi_statement.html)

### Disability Access Disclosures

Horizon Power has a current Disability Access and Inclusion Plan in accordance with the Disability Services Act 1993. The plan facilitates the provision of accessible services, facilities and information for people with disabilities.

Corporate  
Governance

## Public Interest Disclosures

Horizon Power complies with various corporate obligations of the *Public Interest Disclosure (PID) Act 2003*.

The PID Act enables employees to make disclosures about improper conduct within the organisation and aims to ensure openness and accountability in government by encouraging people to make disclosures and protecting them when they do. Horizon Power supports the principles of this plan.

There were no Public Interest Disclosures during the year.

## Sustainable Practice Framework

The sustainability of our business, our network and our relationship with our customers is a principle guiding factor at Horizon Power. Every action taken is guided by the principle of sustainability.

Horizon Power has this year committed to the Sustainable Practice Framework developed by Energy Supply Association of Australia which sets out a map for achieving sustainability in the energy supply sector.

The nine principles in the framework that Horizon Power has committed to are set out below:

- maintain good corporate governance practices;
- deliver value to shareholders, customers and the community;
- provide a safe, secure and reliable energy supply;
- engage key internal and external stakeholders on significant sustainability matters;
- maintain and enhance workforce health, safety, wellbeing and development;
- develop and implement climate change responses;
- improve environmental performance and resource efficiency;
- foster and support community programs; and
- promote measurement and reporting of sustainability performance.

## Observance of the Code of Conduct for Horizon Power

Section 33 of the *Electricity Corporations Act 2005 (WA)* (Act) requires the Board of Horizon Power (Board) to provide to the Minister for Energy, at the same as delivering its Annual Report, a separate report on the observance of its Code of Conduct by members of staff.

The Board confirms that consistent with Section 31 of the Act, Horizon Power's Code of Conduct was developed after consultation with staff and the Commissioner for Public Sector Standards and was adopted by the Board at its meeting on 18 October 2006. The Code of Conduct was revised and signed off by the Board in August 2009.

The Code of Conduct has been circulated to employees of Horizon Power and is available on the Horizon Power website for reference.

The Board and the Managing Director, under delegated authority, assign accountability to Managers in the organisation to ensure observance of the standards of conduct and integrity by members of staff.

There were no reported incidents that breach the Code of Conduct for the 2008-09 financial year.

## Environmental regulations

Horizon Power acts responsibly to ensure compliance to all State and Federal environmental Acts and regulations that apply. The main environmental legislation that impacts on its operation is the *Environmental Protection (EP) Act 1986*. This is an Act of the Western Australian Parliament and gives rise to many regulations with the main ones referred to below.

*EP (Controlled Waste) Regulations 2004* specify that certain wastes (used lube oil, transformer oil, interceptor wastes, oil filters, lead-acid batteries, etc) are carried only by licensed carriers and that any facility that regularly produces them has a generator identification number. Horizon Power employs a regular systematic program to dispose of controlled wastes.

*EP (Native Vegetation Clearing) Regulations 2004* are designed to maintain the remaining native vegetation in the State. They specify the need to gain a permit from the Department of Environment and Conservation prior to the clearing of any native vegetation during a non-exempt activity.

Other State and Federal legislation that Horizon Power operates under, but which have a smaller impact on the business, includes:

- *EP (Unauthorised Discharge) Regulations 2004*;
- *EP (Noise) Regulations 1997*;
- *Contaminated Sites Act 2003*;
- *Dangerous Goods Safety Act 2004*;
- *National Greenhouse and Energy Reporting Act 2007*; and
- *Environmental Protection and Biodiversity Conservation Act 1999*.

Horizon Power has a site-specific license to operate the existing power station at Carnarvon. This licence contains specific requirements that must be met in order to continue operating. The conditions include reporting air emissions, testing stacks annually for emissions, guidelines for storing liquid fuels and chemicals and supplying an annual report to the Department of Environment and Conservation on power station operations.

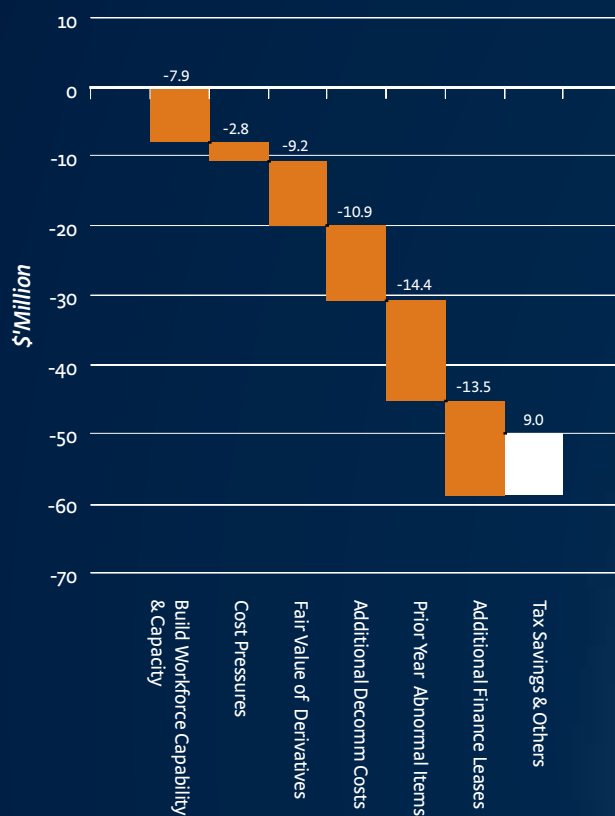
### Key Drivers for change in reported net profit (loss) – 2007/08 to 2008/09

Horizon Power ended the financial year with a Net Loss of \$42.3 million down from the prior year's restated profit of \$7.4 million. The 30 June 2008 Net Profit after tax was restated from \$1.5 million to \$7.4 million to take into account distribution assets from subdivisions, "gifted" to Horizon Power as part of its "day to day" operations.

The key drivers for the variance are shown in the graph below.

#### Key Drivers for Change to NPAT 2007/8 to 2008/9

■ Negative Variance ■ Positive Variance



During the year, Regional Western Australia continued to experience increased economic activity which has led to Horizon Power incurring additional labour costs to grow and expand its networks. Horizon Power has also had to embark on a capability build as support services such as information technology, fleet management, insurance and technical services, previously performed by Western Power under service level agreements since disaggregation in April 2006 have been withdrawn or are gradually being withdrawn. As a result, Horizon Power has increased its workforce from 251 to 343 and wages and related costs have risen. In addition to an increase in workforce numbers, the average cost per employee has risen by approximately 2 per cent.

The average cost of supply increased from last year due mainly to higher gas requirements to meet additional electricity sales in the North-West Interconnected System. The additional gas purchased was at market prices.

Horizon Power has a policy to manage oil price fluctuations using forward hedge contracts. The overall downward trend of world oil prices resulted in losses to hedge contracts this financial year.

Further environmental assessment and a review of decommissioning costs for Horizon Power's stations have led to a change in provision of \$10.9 million.

## Financial Performance



Non-recurring transactions and accounting adjustments from the prior year has also been a contributor. These include the reversal of a finance lease and revenue from a legal settlement.

A number of new Power Purchase Agreements supplying the West Kimberley region were recognised as Finance Leases in the latter half of 2007/08. The full year impact of these Agreements as finance leases contributed to the \$13.5M of additional interest and amortisation this year.

Capital employed was \$736.8M, an increase of \$98.6M compared to the prior year. Capital employed includes interest bearing liabilities of \$571.7M, reflecting an increase of \$63.6M against the prior year, mainly as a result of an increase in debt to fund capital works. In addition, Horizon Power received \$35M equity injection for the Pilbara Underground Project.

#### **Dividends**

No dividends have been paid nor recommended for this financial year.

#### **Significant changes in Horizon Power's state of affairs**

In the opinion of the Directors, there were no significant changes in the Corporation's state of affairs during the reporting period.

#### **Significant Events after Balance Date**

There were no significant events after Balance Date.



In accordance with a resolution of the Directors of Regional Power Corporation (trading as Horizon Power), we state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the Corporation are in accordance with Schedule 4 of the Electricity Corporations Act 2005, including:
  - i. giving a true and fair view of the Corporation's financial position as at 30 June 2009 and of its performance for the 12 month period ended on that date; and
  - ii. complying with Accounting Standards, AASB Interpretations and Corporations Regulations; and
- (b) there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

On behalf of the Board



**Brendan Hammond**  
Chairman

10 September 2009

*Director's  
Declaration*







[www.horizonpower.com.au](http://www.horizonpower.com.au)