



# PERFORMANCE REPORT

July – September 2010

*This report has had matters deleted from it under section 109 of the Electricity Corporations Act 2005 (WA)*

**HORIZON**  
POWER

## Overview

This performance report covers the 3-month period ending on 30 September 2010. For statistics prepared on a rolling 12-month basis, data prior to 1 July 2010 is used.

### Business Results

Horizon Power reported a YTD September 2010 NPAT of \$8.4M compared to the mid year review (MYR) budget of \$2.6M, resulting in a positive variance of \$5.6M due to savings from efficiencies in overheads and materials.

Capital expenditure to date is \$27.9M with customer-driven projects comprising \$4.9M.

Total debt of \$317.5M contributed to a debt/equity ratio of 66:34.

### Corporate Citizenship

#### **Safety**

Horizon Power's Head Office (Karratha) and Port Hedland reached safety milestones this quarter with Karratha reaching 11 years LTI free and Port Hedland reaching 12 years LTI free. This is a tremendous results bearing in mind the nature of our industry.

The Industrial Foundation for Accident Prevention (IFAP) performed a WorkSafe Plan assessment of the business with Horizon Power receiving a assessment rating of 87.5%. This result makes Horizon Power eligible for a Gold Award with WorkSafe WA.

#### **Project Delivery**

The Marble Bar Pippunyah power station (named Pippunyah by the Njamal people after the river that runs below the power station) was launched in August 2010. As a solar diesel power station, Pippunyah incorporates a single axis tracking solar farm with diesel technology and a fly wheel energy storage system. This combination of technology is the first of its kind in the world and ensures a very high level of solar energy penetration and a reliable supply of power to the town.

The station began powering the town of Marble Bar in May this year, but the rigorous testing period was only completed at the end of July. In the middle of summer, when the demand for energy and temperatures are high, the solar panels will meet up to 89 per cent of the load.

### Stakeholder Service

Horizon Power recorded no negative Ministerials during the first quarter.

## Safety & health

Horizon Power will build a SAFETY ABOVE ALL culture where the safety and health of our employees, contractors and the public is paramount and central to everything we do.

EMPLOYEE SAFETY – No employee or contractor will suffer injury at work						
Performance Outcome	Units	Frequency	Status	Target	Actual	Variance
LTIFR (12 Month rolling average)	Rate	Monthly	<b>R</b>	0	1.3	<b>-1.3</b>
AMIFR (12 month rolling average)	Rate	Monthly	<b>G</b>	10.5	5.3	<b>+5.2</b>
PUBLIC SAFETY – No injury occurs to the public due to substandard assets or work practices						
Performance Outcome	Units	Frequency	Status	Target	Actual	Variance
Public Safety Incidents	Each	Monthly	<b>G</b>	2 (yr)	<b>1</b>	<b>+1</b>



## Electricity delivery

Deliver a quality product meeting customer expectations.

RELIABILITY – By end of financial year 2014/2015, all individual systems will meet our service standards and will be maintained to such standards						
Performance Outcome	Units	Frequency	Status	Target (YTD)	Actual	Variance
<b>Performing Systems</b> (total of 36 systems / normalised reliability)	#	Monthly	<b>G</b>	31	33	<b>+2</b>
Change Programmes	Status	Status Update				Completion
<b>®PUPP (Pilbara Network Hardening)</b> Provide cyclone affected north west towns with a safe and reliable power supply, by replacing ageing overhead networks with underground networks.	<b>G</b>	<p>The tender recommendation submitted on 18 August 2010 was endorsed by the HP Board. The Minister signed the Section 68 document on 4 October 2010 pertaining to the recommendation of O'Donnell Griffin.</p> <p>A Letter of Intent was issued to O'Donnell Griffin. Site establishment will commence 4 October 2010. Civil works are scheduled to commence 18 October 2010.</p>				December 2012
SUMMARY						
The System Performance measure, SAIDI, dropped to 190 minutes for all faults and 150 minutes for normalised faults with continued good performance for 2010.						
Overall performance of HP's systems has improved where 33 out of 36 systems have achieved performance despite the disruption in the NWIS.						

QUALITY AND CAPACITY – Quality and capacity of power supply will comply with all applicable service standards						
Performance Outcome	Units	Frequency	Status	Target	Actual	Variance
Systems exceeding generation capacity	#	Monthly	<b>G</b>	0	0	<b>+0</b>
Change Programmes	Status	Status Update				Completion
<b>Fairway Drive Substation</b> Ensure sufficient distribution capacity to meet Broome load growth.	<b>G</b>	<p>Stage 1 of the project completed.</p> <p>Stage 2 commenced, Design on a 33 kV Bus at Frederick Street Substation.</p>				Project complete Feb 2014
SUMMARY						
There were four Quality Complaints received during the quarter. All were resolved.						

## Customer service

As part of the community, we want to be the supplier of choice because we care and we deliver products and services that our customers want.

<b>SERVICES – Ensure customers value the experience provided by Horizon Power</b>						
Performance Outcome	Units	Frequency	Status	Target	Actual	Variance
Volume Phone Calls	#	Monthly	<b>G</b>	8190	5942	-2248
Respond to Customer Complaints within 4 Business Days	%	Monthly	<b>G</b>	100%	100%	0%
Resolve complaints within 15 Business Days	%	Monthly	<b>G</b>	98%	100%	2%

<b>PRODUCTS – Provide products that meets the customers' needs and wants</b>						
Performance Outcome	Units	Frequency	Status	Target	Actual	Variance
Customer Satisfaction Survey	%	Yearly	<b>A</b>	80	77	-3

## Regularisation

Deliver improved quality of life by providing sustainable utility services that meet individual community needs.

REGULARISATION						
Performance Outcome	Units	Frequency	Status	Target (YTD)	Actual	Variance
Remote & Indigenous Communities Regularised	Community	Yearly	<b>G</b>	5 (for 2010/11)	0	<b>0</b>
Change Programmes	Status	Status Update				Completion
<b>ARCPSP 2.1A Kalumburu &amp; Yungngora</b> Remote service extension. Upgrade power stations and network distribution systems and implement retail services, with aim to provide full supply arrangements to new communities.	<b>Kalu.</b> <b>G</b>  <b>Yung.</b> <b>G</b>	Works are progressing well in Kalumburu, with the internal house wiring and network construction on track to be completed in November. Interconnection of the existing power station with the new network is expected to occur shortly after. There has been a delay in obtaining the final heritage report for Yungngora from the anthropologist; however this has not prevented applications for relevant approvals to be lodged.				Gate 4 Oct 2011

## Business value

**BUSINESS VALUE – Cost Management, Improved Tariff & TEF and Capital Efficiency : Deliver value for money in everything we do, continue to improve our average unit sales prices, and projects delivered to budget and schedule.**

Performance Outcome	Units	Frequency	Status	Target	Actual	Variance
Normalised EBITDA	\$M	Monthly	G	20.3	25.9	5.6
Average Unit Costs *	Cents/kWh sold	Monthly	A	37.0	37.6	-0.6

### SUMMARY

The positive variance for YTD EBITDA of \$5.6M. The savings will be redeployed to cover increased costs identified in the MYR reforecast such as: IT service costs from Western Power; additional Pole inspections; increased project engagement and scoping of the Business Transformation program; and additional temporary (hire) sets for the Summer Readiness Program.

Actual YTD average unit cost is higher than budget by 1.6%. This is driven by the reduced volume sold particularly in NWIS (-26%). The MYR will address this with a revised sales forecast.

Debt is at \$317.6M which includes PUPP funding of \$17.8M.

\* Note: Average unit costs include electricity purchases, fuel oil, gas, operating labour, overheads and operating materials but exclude finance lease adjustment for electricity purchases, depreciation and interest.

## Business value

### A.2 Business Results -- Profit & Loss Summary (in \$M) - REPORTED

	Month - September 2010			Year to Date		
	ACT	BUD	VAR	ACT	BUD	VAR
Income	31.7	35.5	-3.8	97.0	103.7	-6.7
Fuel and Electricity Purchases	10.0	11.9	1.9	28.8	35.6	6.8
Operating Labour, Overheads & Materials	10.4	11.8	1.4	28.7	33.1	4.4
<b>EBITDA</b>	<b>11.3</b>	<b>11.8</b>	<b>-0.5</b>	<b>39.5</b>	<b>35.0</b>	<b>4.5</b>
Depreciation & Amortisation	4.0	4.6	0.6	11.3	13.8	2.5
<b>EBIT</b>	<b>7.3</b>	<b>7.2</b>	<b>0.1</b>	<b>28.2</b>	<b>21.2</b>	<b>7.0</b>
Interest	5.3	5.8	0.5	16.2	17.5	1.3
Income Tax (Benefit)	0.6	0.4	-0.2	3.6	1.1	-2.5
<b>PROFIT/(LOSS) AFTER TAX</b>	<b>1.4</b>	<b>1.0</b>	<b>0.4</b>	<b>8.4</b>	<b>2.6</b>	<b>5.8</b>

The above are the actual reported results and include the following:

1. Finance leases - positive \$0.13M was recorded for finance lease adjustments.



## Environment

Abate Emissions and Reduce Consumption – Create a better outcome for the environment through reduced emissions and improved customer energy efficiency.

POWER SYSTEM EFFICIENCY – Improve efficiency by producing more electricity for less fossil fuel						
Performance Outcome	Units	Frequency	Status	Target	Actual	Variance
Greenhouse Gas Intensity	kg CO <sub>2</sub> /kWh (Sent Out)	Monthly	<b>G</b>	0.71	0.56	<b>-0.15</b>

### SUMMARY

- The Greenhouse Gas Intensity has decreased further from 0.59 to 0.56 kg CO<sub>2</sub>e/kWh.
- Two environmental incidents were reported for the quarter.
  - Horizon Power contractor undertook ground disturbance without Aboriginal heritage clearance at Wongatha Wonganarra.
  - Horizon Power contractor undertook ground disturbance without Aboriginal heritage monitor at pole NF49/1 Fairfield Street, Esperance.
- A Near Hit was reported following inspection of the Onslow - Tubridgi high pressure gas skid pressure control valve. The inspection found cracks in the valve body which could lead to a leak or spill of hydrocarbon to the environment.
- Horizon Power was notified of a mercaptan (fuel odorant) leak at the EDL Broome Fuel Storage Facility.
- The Regulation 17 Noise Variation for Carnarvon Power Station was approved by the Environment Minister and published in the Government Gazette on 31 August 2010.

## Glossary

Term	Definition	Formula	Unit
<b>Social Benefit</b>			
<b>Customer Service</b>			
Customer Survey Rating	Customer satisfaction will be measured by an annual survey undertaken by an external agency.	Average measurement of survey response on a scale of 0 to 10 of HP overall performance expressed as a percentage.	%
Volume of Calls	Describes the number of calls taken by our customer call centre and customer care provider.	Number of calls	#
Respond to Customer Complaints within 4 Business Days	Describes the percentage of customer complaints that have had responses within 4 business days.	Percentage of customer complaints that have had responses within 4 business days.	%
Resolve complaints within 15 Business Days	Measure of the number of customer complaints that have been resolved within 15 business days.	Measure of the number of customer complaints that have been resolved within 15 business days.	%
<b>Reliability</b>			
Performing Systems	<p>Achievement of SAIDI and SAIFI system reliability performance (as agreed or per the Reliability Code) for each System.</p> <p>The measures are defined as:</p> <ul style="list-style-type: none"> <li>• <b>SAIDI:</b> The sum of the duration of each sustained customer interruption (in minutes) divided by the total number of distribution customers over a 12 month average.</li> <li>• <b>SAIFI:</b> The total number of sustained customer interruptions divided by the total number of distribution customers over a 12 month average.</li> </ul> <p>(These measures exclude momentary interruptions (one minute or less))</p> <p>SAIDI / SAIFI events are <b>normalised</b> to exclude incidents due to:</p> <ul style="list-style-type: none"> <li>Customer equipment</li> <li>Planned work</li> <li>Vehicle / Mobile equipment</li> <li>Water / Flood</li> <li>Wilful damage</li> <li>Major events</li> </ul> <p>These events are outside the control of HP.</p>	Performing systems count.	#

Term	Definition	Formula	Unit
Reliability Delivery	This measure uses project milestones to assign a value for percentage complete for each CAPEX project with the primary driver of Reliability. The average percentage complete is then calculated for all CAPEX projects with the primary driver of Reliability.	Average of percentage delivery of all CAPEX Reliability projects.	%
<b>Quality and Capacity</b>			
Systems Exceeding Generation Capacity	This is formally know as "Generation Capacity Exceeding Limits". The number of Power Systems where the load in the coming 12 months is forecast to exceed generation capacity.	Count of Systems where 12 month Forecast Peak Load > Generation Capacity	#
Quality Complaints	The number of verified Power Quality complaints received in the month divided by the total number of customers divided by 10,000.	# verified PQ complaints/ (#customers/ 10,000)	#
<b>Public Safety</b>			
Public Safety Incidents	A Public Safety Incident comprises of 3 elements <ul style="list-style-type: none"> <li>• Fire or explosion, caused by HP assets (e.g. exploded cable joint or transformer, pole top fire, wire down etc. starting grass fire etc.)</li> <li>• Electric shock caused by HP network. (E.g. crossed phasing, open circuit network/service neutral, missing neutral on HP side of meter box, but does not include minor network neutral caused electric shock of 5 volts or less due to either load unbalance or neutral resistance.)</li> <li>• Any incident that is caused, or significantly contributed to, by a HP asset or action that result in: <ol style="list-style-type: none"> <li>(1) Serious injury or death - An injury that is fatal or requires the victim to be admitted to hospital.</li> <li>(2) Damage to Private property if the value of the damage is likely to exceed \$5,000 in total.</li> </ol> </li> </ul>	Incident count.	#
<b>Regularised Towns</b>			
Remote and Indigenous Communities	The number of remote and indigenous communities in which power supplies are regularised to a standard equivalent to supply quality within mainstream townships. Includes metering services and programs under ARCPSPP and TRRP.	Count of communities where regularised supply has been completed within the financial year.	#
TRRP	Town Reserve Regularisation Program		
ARCPSPP	Aboriginal and Remote Communities Power Service Program		

Term	Definition	Formula	Unit
<b>Economic Benefit</b>			
<b>Business Value</b>			
Normalised EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization, but exclude revenue and expenditure that is outside the control of management or that do not relate to the reporting period.	EBITDA adjusted for finance leases adjustments, unrealised hedging transactions and CSO wash up.	\$M
Average Unit Cost	The average cost per unit of electricity sold.	Sum of Total Fuel & Electricity Purchases (excl Finance Lease Adjustment) and Total Operating Expenses / Total Sales (kWh).	c / kWh
MYR	Mid-Year Review		
NPAT	Net Profit After Tax	Incomes less Expenses less Tax.	\$M
<b>Environmental Benefit</b>			
<b>Greenhouse Emissions</b>			
Greenhouse Gas Intensity	Greenhouse gas equivalents released from sources directly linked to the supply of electricity or gas by HP (including those from Independent Power Providers).	Total number of kilograms of CO <sub>2</sub> equivalents produced divided by the number of kWh of electricity sent out.	kgCO <sub>2</sub> -e / kWh (Sent Out)