

Annual Report

2014-15



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Our profile

Horizon Power is a commercially-focused, State Government-owned energy utility which generates, procures, distributes and sells energy to residents and businesses in remote and regional Western Australia.

Over the past two years, Horizon Power has been working hard to reduce the level of government subsidy required to ensure our business is sustainable for the future. At the same time we have maintained our reliability of supply and improved our customer satisfaction to an unprecedented high of 87 per cent.

What still sets Horizon Power apart is its regional presence and ability to deliver safe, reliable and affordable services in the most challenging of environments. Horizon Power services the biggest area with the least amount of customers in the world – a service area of approximately 2.3 million

square kilometres or an average of one customer for every 53.5 square kilometres of terrain.

Horizon Power's customers range from people living in isolated communities with less than 100 people to residents and small businesses in busy regional towns and major businesses in the resource-rich Pilbara region. Horizon Power's interconnected and isolated networks are exposed to intense heat and cyclonic conditions in the north and severe storms in the south.

As at 30 June 2015, Horizon Power services 47,832 customer connections in the Pilbara, Kimberley, Gascoyne/Mid West and Goldfields/Esperance regions. Horizon Power manages 38 systems; the North West Interconnected System (NWIS) in the Pilbara; the connected network between Kununurra, Wyndham and Lake Argyle; two rural systems in Esperance and Hopetoun; and 32 non-interconnected systems in regional towns and remote communities.

Horizon Power's regional business is based on four profit centres, namely the North West Interconnected System and the Non-interconnected Systems of the Kimberley, Mid West and Esperance, supported by the administration centre in Bentley.

Horizon Power's commitment to regional Western Australia is to be the local energy partner, low cost and sustainable. Over the coming year we will continue to deliver a reduction in our annual subsidy contributing to our target of \$100 Million per annum by 2018 by focusing on the strategic pillars of Safety, Value and Community. The business continues to play a key role in the development of regional infrastructure and opportunities, supporting future growth in the State.

Horizon Power operates under the Electricity Corporations Act 2005 and is led by a Board of Directors accountable to the Minister for Energy, representing all Western Australians.



Fast facts

CUSTOMER CONNECTIONS

47,832 customer connections supplying more than 100,000 residents and 10,000 businesses

47,832

CUSTOMER CALLS

95,203 customer calls in 2014/15

95,203

NEW CUSTOMER CONNECTIONS

1,726 new customer connections in 2014/15

1,726

ASSETS

\$1.6 billion in assets

\$1.6B

REVENUE

\$517 million in 2014/15

\$517M

TRANSMISSION & DISTRIBUTION

8,186 kilometres of overhead and underground transmission and distribution lines

8,186KM

POLES & TOWERS

57,877 distribution poles, 964 transmission poles and 859 transmission towers in service

59,700

KILOWATT HOURS OF RENEWABLE ENERGY

6,579,820 kilowatt hours of renewable energy imported into Horizon Power's network

6,579,820

TOTAL SYSTEMS

38 systems consisting of 32 Non-Interconnected Systems, three systems (Kununurra, Wyndham and Lake Argyle) connected in the East Kimberley, two rural systems associated with Esperance and Hopetoun and the North West Interconnected System

38

INTERCONNECTED SYSTEMS

2

SERVICE AREA

2.3 million square kilometres service area, which includes the Kimberley, Pilbara, Gascoyne/Mid West and Goldfields/Esperance

2.3M²

Our supply area

- Office
- Current Supply Areas



Executive summary

Horizon Power has achieved a consistent reliability of supply over the past four years by effectively managing our assets. The number of systems meeting reliability targets in 2014/15 remained stable at 31 out of our 38 systems, compared to 32 in 2013/14.

Customers experienced an average 2.71 interruptions during the year, well below the regulated limit of 6.6 interruptions per annum (System Average Interruption Frequency Index – SAIFI). The average length of an interruption to power supplies in Horizon Power’s service area (the System Average Interruption Duration Index – SAIDI) was reduced to 153 minutes in 2014/15 compared with the regulated limit of 290 minutes. The overall trend shows continued improvement.

This strong performance was reflected in a significant increase in customer satisfaction from 82 per cent in 2013/14 to 87 per cent this year.

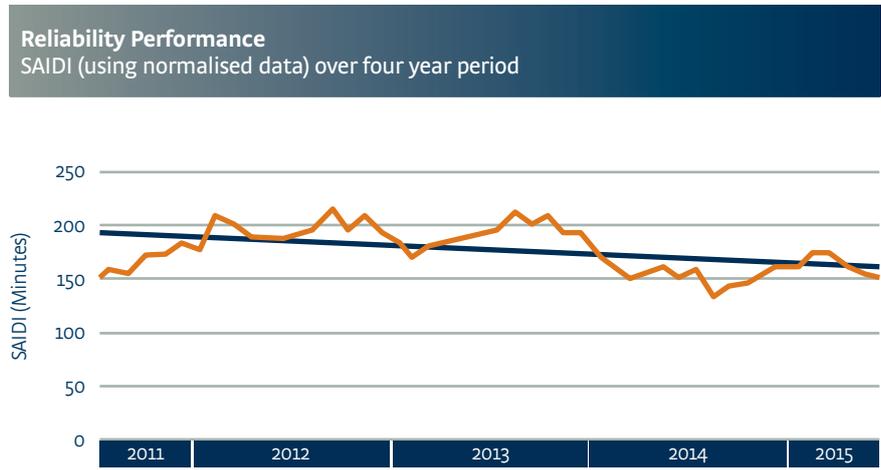
The number of notifiable public safety incidents fell to 5 compared to 7 in 2013/14. The incidents were related to adverse weather events and equipment failures.

During the year Horizon Power was subject to an audit of the Pilbara Underground Power Project by the Office of the Auditor General.

Horizon Power has cooperated fully with the Auditor’s office. The report, published in August 2015 confirmed that Horizon Power has addressed issues identified early in the project and that the project would be delivered to the revised timeframe and budget.

Horizon Power recorded a net profit after tax in 2014/15 of \$38.1 million compared to \$81.6 million in 2013/14. This is a positive result considering that there was a reduction of the State’s Tariff Equalisation Contribution by \$73 million compared to last year. Operating expenditure recorded a reduction as a result of the outcomes of the Strategic Review carried out last year, which helped consolidate this year’s profit. Horizon Power has made significant progress during the year to achieve the strategic goal of a reduction in Government subsidy of \$100 million per annum by 2018.

During the year Horizon Power declared and paid dividends of \$53.1 million to the State Government based on the financial year 2013/14.





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Chairman's report

Delivering on our promise

Over the past year Horizon Power has worked hard to deliver its promise of reducing the annual subsidy by \$100 million by 2018. Already, savings of close to \$70 million in 17/18 dollars have been achieved due to significant changes to the operating model, outsourcing our Engineering and Projects capability and power procurement contract negotiations. Innovative process efficiencies including the relocation of our control centre to Perth has enabled Horizon Power to continue to provide safe and reliable power supplies despite a 40 per cent reduction in staff. The business is delivering on its promise to save taxpayers money but has not wavered from the commitment to customers to provide a valued service which will keep improving, particularly with the roll out of advanced meters over the next twelve months. This period of transition has been seamless for customers with satisfaction of Horizon Power at an all-time high of 87 per cent.

Refining our strategy

We aim to be a high performing business and the businesses we most admire as high performers have two key things going for them; they have strong business results and they have committed and engaged people with a culture of sustained success. Over the past year whilst our people have experienced significant

change, they have remained committed and focused and this is reflected in our strong business results. Whilst our operating model has fundamentally changed, our purpose has not. That is, we will continue to provide energy for life for our customers and stakeholders. In order to achieve this, it is important that we remain committed to being low cost and sustainable whilst still being our customers' 'local energy partner'. Our regional people are now responsible for our customers, assets and profitability, ensuring our regions are at the centre of everything we do.

Focus on our regions

This regional focus was no more apparent than when our business experienced the might of both Tropical Cyclone Olwyn and Tropical Cyclone Quang in quick succession, just when we thought the cyclone season was over. I was delighted to see how our regional people pulled together with staff in Perth to ensure power could be restored as soon as possible to customers in the Gascoyne region. I was lucky enough to accompany our Minister Dr Mike Nahan when we travelled to Carnarvon to thank crews, stakeholders and customers for their support during the restoration. Thanks to the commitment of our staff with support from many contractors, Rio Tinto and Western Power we were able to reconnect customers very quickly despite the devastation to our network

in Carnarvon and Exmouth. Dr Nahan was quick to praise the efforts of our crews for a job well done. These severe events also highlight the very essence of regional Western Australia – where people pull together to help each other out. That was exemplified by the local school kids and other community members who baked cakes and made lunches for Horizon Power crews and other emergency services workers.

Safety a value not a priority

Over the past year Horizon Power has invested a great deal of time and resources to ensuring we have best practice safety standards, systems and processes in our business. This year we have once again performed well against our key performance indicators. However we simply cannot afford to be complacent. We will continue to embed safety as both a core value and a strategic pillar to ensure our assets, staff and the general public remain safe at all times. For that reason I was particularly pleased to note the delivery of a new Farm Safety campaign for Horizon Power. Every year we experience hundreds of incidents where a third party has damaged our assets with their cars or machinery coming into contact with our assets, causing damage and the risk of harm to members of the general public. We'll continue to communicate the importance of being aware of the dangers of electricity to our customers and this new campaign is focused on this message.

Challenges ahead

Western Australia continues to be pressured by the economic downturn and this has particularly impacted our Pilbara region. Add to this increased competition and advances in technology such as distributed energy, photovoltaics and battery storage, it is clear that we continue to operate in a complex environment that is changing at an unprecedented rate.

In the next twelve months Horizon Power will continue to develop expertise in distributed energy through a series of trials for stand-alone power systems. This will ensure that we are able to offer our more remote customers a reliable and cost effective power supply and at the same time be a world leader in these types of systems. We are also fully aware of the impact that continued innovation in renewables will have on our fixed cost base as more customers install solar panels. We continue to be a strong advocate for distributed renewable energy, in particular, where these systems contribute positively to lowering total system costs and thus our overall subsidy; however this needs to be carefully balanced to ensure the intermittent nature of some renewable energy systems do not adversely impact on supply quality, reliability or network safety.

Horizon Power also supports market evolution and is working to ensure the North West Interconnected System (NWIS) drives economically beneficial outcomes for Government and customers. We have worked with the Government-led project team to develop and implement a new model for the operation of and access to electricity infrastructure in the Pilbara System.

I extend sincere thanks to all of Horizon Power's dedicated employees. Managing Director Frank Tudor leads with great vision and passion. We have a very professional team of General Managers, and the teams in Bentley and the 6 Regional centres are highly motivated. I believe all employees are committed to ensure that Horizon Power provides the best possible service to its customers and stakeholders.

In closing I'd like to welcome two new members to our Board: Professor Ray Wills provides timely expertise in the sustainability and renewables area and Peter Oates brings significant experience in the energy market having worked for Western Power, and as a Director for Eneabba Gas and a number of other energy providers over the years.

I would also like to thank all Board members, our Minister, customers, stakeholders and suppliers who have continued to support us as our business evolves.

Ian Mickel



Ian Mickel
Chairman

Managing Director's report

It is with pride that I share with you the 2014/15 Horizon Power annual report which shows that we have delivered solid improvements across the business at the same time as making significant savings.

Our customer and stakeholder satisfaction results are excellent; reflecting improvements in customer service. This will be built on in the year ahead, with our metering exchange program currently underway and a customer portal project soon to be implemented. The reliability of our electricity supplies was stable despite two Tropical Cyclones battering the west coast – significantly impacting Carnarvon and Exmouth – which resulted in long outages due to extensive damage to the network. Reliability in the East Kimberley in 2014/15 improved following significant investments in generation and the network in this region. Horizon Power has also continued to improve the safety, reliability and cost effectiveness of its assets through the continuation of pole replacement programs throughout our service area and the commissioning of new power stations in the MidWest.

Sustainable into the future

These results are just some of the success stories of a business that has faced significant challenges in the past two years. This included the implementation of the results of the Strategic Review, which included reducing our workforce by 40 per cent. As a government-owned utility we have to ensure that no stone is left unturned in our commitment to deliver a reduction in the State Government subsidy of \$100 million per annum by 2017/18. As we begin to emerge from a period of intensive internal changes, the business is in a stronger position and is looking forward to a sustainable future in an industry which is also in the midst of a revolution. The way in which we invest in generation and transmission, the way people use energy and the way it is stored and purchased is all changing, reflecting the dynamic environment in which we operate. Our business needs to be nimble to enable us to adapt to the changing market and ensure we are sustainable into the future. To that end we will implement standalone fringe of grid trials, particularly with like-minded organisations and working with our customers to continually adapt our product suite and service offering in the area of distributed energy.

Revolution in the electricity industry

The tightening of our fiscal environment is shaping the future of the energy industry here and across the globe, together with the rapid technological changes which will reduce the need for the vast network of poles and wires in the future. The drive for economic efficiency will facilitate competition and new entrants to the market – a challenge Horizon Power is already meeting in the Pilbara with open arms as we anticipate a period of improved efficiency and coordination in the NWIS. Horizon Power is collaborating closely with the State Government, mining and energy companies about the future state of the Pilbara energy network which includes continuing to harness new sources of investment to reduce the impact of capital investment on taxpayers. This includes private and public partnerships initiated and executed by Horizon Power with key Government Agencies, much like the 150 megawatt TransAlta power station currently under construction in South Hedland. This will provide much-needed electricity to Horizon Power's customers and Fortescue Metals Group – as well as direct foreign investment. The TransAlta station is due to be operational in 2017 and will replace Horizon Power's Hedland Precinct Power Station in Hedland which added an additional 60 megawatts into the Pilbara grid in early 2014.

Committed to efficiency

At 30 June, 2015, Horizon Power had delivered close to \$70 million of the \$100 million we committed to reduce annually from the State Government subsidy by 2018. Some of the headline projects which have contributed to these savings are the relocation of our control centre to Perth, the development of a new Independent Power Purchase agreement covering the Mid West, which also resulted in new power stations, and the advanced metering project. More than \$7 million a year will be saved through the metering project which involves the automation of meter reading and billing processes across an area of 2.3 million square meters. The good news about this project is that it not only reduces business costs but delivers benefits to our customers in the form of more accurate and timely billing. What's more, estimated bills will be a thing of the past as locked gates and ferocious dogs will no longer be an issue for meter reading.

Rising in the face of adversity

In spite of this period of change within the business and the successful delivery of projects on time and on budget, our business showed it was still capable of giving more in times of crisis. Tropical Cyclone (TC) Olwyn was a latecomer this cyclone season but caused the worst damage spread over several systems that Horizon Power

has ever experienced. In March, just when we thought the season was over, the might of TC Olwyn caused havoc in Exmouth where 2000 customers lost power, then moved on to Coral Bay where, despite significant structural damage there was no impact on customers as electrical infrastructure is fully undergrounded. The full force of TC Olwyn was experienced in Carnarvon where the entire town went black following devastation to the network with the loss of close to 200 power poles. The remarkable effort by our local crews, supported by our people from Karratha and across the business, as well as a range of local contractors, Rio Tinto and Western Power, resulted in power being restored to Denham, with 60 per cent of Exmouth customers and 50 per cent of Carnarvon customers reconnected within 24 hours of the severe weather event.

The year ahead

In the year ahead, we will continue to focus on being our customer's local energy partner whilst reducing business costs to ensure we are low cost and sustainable. This will enable us to minimise the burden on tax payers who already subsidise the energy bills of each Horizon Power customer by \$4000 per year on average. In addition we will continue to work with Government to deliver improved integration and efficiency of

electricity supplies in the Pilbara and across our region. We could not do any of this without the valuable support and guidance of our Board which is admirably led by our Chairman Ian Mickel. I would also like to thank the Minister for Energy, Dr Mike Nahan, for providing clear direction to Horizon Power; supporting the innovative approaches we are taking to reduce costs and improve service as well as encouraging the development of world class capability in the management of distributed energy and micro-grids.



Frank Tudor

Managing Director

Horizon Power’s structure and strategy

Structure

Horizon Power’s operating model is designed to support its Vision of being ‘Your Local Energy Partner: Low Cost and Sustainable.’

Corporate Services and Company Secretariat

The Corporate Services and Company Secretary division provides a range of support services within Horizon Power. It is responsible for setting service offerings, standards and policies that promote regional accountability and capability and providing lowest cost human resources, communications, risk, legal, health and safety, procurement, facilities and fleet management services to the rest of the organisation.

The role of the Company Secretary is to provide advice and administrative services to the Board, and assist in its effective operation, as well as acting as the interface between the Board and the Executive team.

Commercial Services and Finance

The Commercial Services and Finance division is responsible for providing customer service, energy and analytics, digital, finance and strategy services. It is also responsible for developing

energy delivery blueprints which include disruptive technologies (i.e. distributed energy/storage and digital based initiatives) to achieve business objectives. Its focus is to drive the decentralisation of decision making and accountability, and ensure the objectives of the Strategic Review are achieved.

Power System Services

The Power System Services division provides support services to Horizon Power’s regional business, including engineering and project delivery, capacity planning, land, heritage, native title and environmental advisory services, asset management frameworks, policies, guidelines and standards and Economic Regulation Authority and EnergySafety reporting.

NWIS Business

The NWIS Business division is one of Horizon Power’s two regional businesses. It is responsible for the holistic performance of the NWIS. This involves managing all of Horizon Power’s customers, stakeholders, assets and the provision of energy to meet the demands of the NWIS.

The NWIS Business covers the towns of Port Hedland, South Hedland, Wedgefield, Point Samson, Roebourne and Karratha.

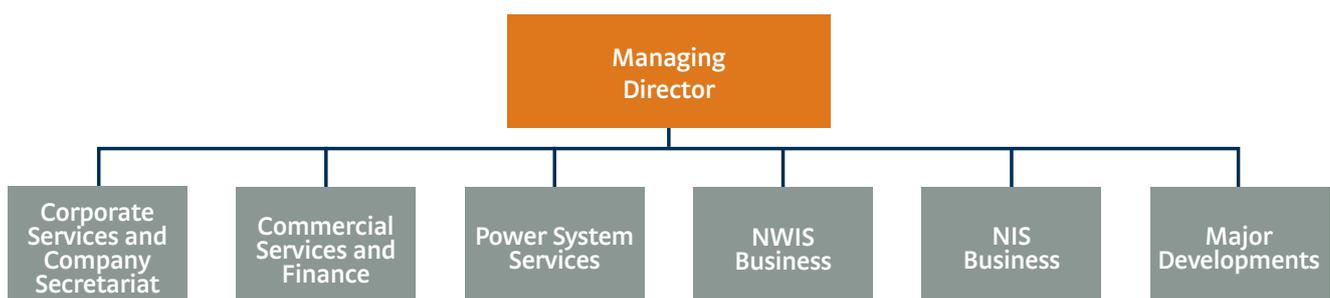
The NWIS Business division will support any Government led market reforms whilst continuing to assure security of supply, and service to our customers and maximising value.

NIS Business

The NIS Business division is responsible for safe and reliable operational performance in the Non Interconnected System (NIS). Within the NIS there are three regional centres, Kimberley, Gascoyne/Mid West and Esperance/Goldfields which encompass the Kununurra, Broome, Carnarvon/Mid West and Esperance /Goldfields systems. As with the NWIS business, the NIS business is responsible for the management of assets, customers and stakeholders.

Major Developments

This division was established to ensure Horizon Power maximises opportunities emerging in the NWIS and NIS.



Strategy

Horizon Power will continue to maximise long-term value in the business while at the same time improve efficiencies in the short-term by managing the challenges of increasing fuel prices and a slowdown in economic activity in key parts of our service area.

Maximising long-term value means not only ensuring a viable business into the future. It also ensures the provision of sustainable electricity supplies using new technologies where economically appropriate to enhance the development capabilities of regional Western Australia.

Horizon Power is committed to being a forward-looking business that is sustainable in the long-term. It will achieve this through targeted investment in new technologies and systems that enable the business to adapt and evolve in the face of changing economic environments and customer needs.

Horizon Power will drive down the cost of generation and explore alternatives to conventional electricity systems.

This will be achieved through streams of work focused on reforming prices and subsidy, reducing operating costs, driving embedded renewable systems to reduce pressure on peak demand growth and empowering consumer choice by providing appropriate economic signals. Delivery of these work streams will reduce the long run cost to supply which is central to Horizon Power's strategy.

Horizon Power's primary key performance indicator is to pursue initiatives that will reduce the operating subsidy by \$100 million per annum by 2017/18.

Horizon Power is differentiated by being a vertically integrated supplier responsible for generating, procuring, distributing and retailing electricity supplies and services. It also has offices and staff located in the regional communities it serves. In order to achieve our vision to be 'Your Local Energy Partner': Low Cost and Sustainable for its customers and stakeholders, Horizon Power's role is to support, develop, and deliver value to its customers and stakeholders.

We will deliver our vision of "Your Local Energy Partner: Low Cost and Sustainable" through our strategy which focuses on six key areas as shown below. Business Excellence means that we will provide an efficient and fit-for-purpose operating model using real time analytics enabling us to make decisions at the lowest level possible and improve our ability to change and adopt new work practices. Capital productivity means that we will continue to boost our return on capital and we will empower our customers through provision of the right economic signals.

We are developing system blueprints to enable us to deliver the most economically efficient supply model and we will continue to maximise our NWIS business whilst supporting Government reform. Finally we will continue to develop and maintain a high performing culture by ensuring we attract and retain the critical skills and leadership capabilities we need to achieve our vision.

Your Local Energy Partner: Low Cost and Sustainable

Business Excellence	Capital Productivity	Customer	System Blueprints	Pilbara Intergrated Market	Leadership
<i>To provide an efficient (fit for purpose) operating model using real time analytics.</i>	<i>Future proof the business and optimise return on capital.</i>	<i>Empower consumer choice through appropriate economic signals.</i>	<i>Deliver the most economically efficient model for supplying electricity.</i>	<i>Maximise value of our NWIS business whilst supporting the Government reform agenda.</i>	<i>Achieve a performance culture as described in Our Horizon Way.</i>

Vision and corporate objectives

Horizon Power’s Vision is underpinned by three Corporate Objectives as illustrated below.

Horizon Power has established a balanced set of critical business outcomes and key performance indicators (KPIs) to measure its success in delivering its Vision. These are not the only indicators that will be measured by the business. They also represent the key measures of success.

Horizon Power’s Purpose, our fundamental reason for being remains *Energy For Life*.

Our Vision of being ‘Your Local Energy Partner’ continues to underpin our operating model whilst providing a focus on being low cost and sustainable.

Our Objectives of Safety, Value and Community remain the same. How we define these has been simplified:

- **Safety** – Minimise the risk of harm;
- **Value** – Maximise long term value; and
- **Community** – Be a high performing business.

Our Strategy focuses on Business Excellence, System Blueprints, Capital Productivity, Customer, Pilbara Integrated Market and Leadership.

We track and measure performance via Business KPIs which are tied to objectives. Our focus remains on our Primary KPI of delivering ‘initiatives which will reduce our annual operating subsidy by \$100 million by 2017/18’. It serves as a lead indicator of our ability to be low cost and sustainable.

Your Local Energy Partner: Low Cost and Sustainable

Safety

Minimise the risk of harm



Value

Maximise long-term value



Community

High performing business





Performance overview

Horizon Power has established and agreed with the State Government on a balanced set of critical business outcomes to measure our success in delivering social, environmental and

economic benefits. Horizon Power's performance against targets published in our Statement of Corporate Intent (SCI) is shown below.

The SCI targets are consistent with Horizon Power's five-year Strategic Development Plan and represent the key strategic measures of success.

Critical Business Outcomes	Target performance result for 2014/15	Actual performance result in 2014/15	Target achieved	Actual performance result in 2013/14	Notes to the table	For more information see page
Employee Safety Lost Time Injury Frequency Rating	0.0	3.3	✘	2.5	1	19
Public Safety Total number of Notifiable Public Safety Incidents	8	5	✔	7	2	21
NPAT (\$M) Profit for the year after income tax	31.3	38.1	✔	81.6	3	39
Efficiency Dividend Incorporates the Minister's 5% Efficiency Dividend plus the 2.5% GTE Efficiency	15.5	18.5	✔	12.8	4	40
Cost Management Cost to Supply Unit Cost (cents/kWh)	30.7	30.4	✔	33.2	5	N/A
Unassisted Pole Failure rate	1	1.67	✘	1.77	6	19
Customer Satisfaction Survey Rating (%)	70	87	✔	82	7	24
Reliability Reliability Performance of each system	33/38	31/38	✘	32/38	8	16
System Reliability and Electricity Delivery System Average Interruption Duration Index – SAIDI (Minutes)	290	153	✔	155	8	16

Critical Business Outcomes	Target performance result for 2014/15	Actual performance result in 2014/15	Target achieved	Actual performance result in 2013/14	Notes to the table	For more information see page
System Average Interruption Frequency - SAIFI	6.6	2.7	✓	3.4		16
Return on Assets (%) Earnings Before Interest, and Tax	7.0%	8.04%	✓	11.2%	9	N/A
Project Management Major Project Completion within ±5% of approved budget (%)	100	100	✓	N/A	10	N/A

Notes to the Performance overview table

- Horizon Power has recorded a 3.3 lost time injury frequency rate for this financial year. This is a minor increase from the 2013/14 rating of 2.5.
- The five notifiable public safety incidents have decreased from last year; and remain below our target of eight. These incidents were mainly due to equipment failure, lightning and wind-blown debris.
- NPAT compared favourably to target due mainly to lower operating costs, higher revenue from customer and developer contributions and non-energy revenue.
- The Efficiency Dividend target was exceeded through continued focus and monitoring of cost efficiencies undertaken during the year.
- The Unit Cost to Supply (cents/kWh) - although volume supplied was lower than target, the lower cost of goods sold and operating expenditure contributed in a slightly favourable Unit Cost to Supply (cents/kWh) compared to target.
- The Unassisted Pole Failure rate was tracking towards the target of 1 pole per 10,000 poles, but after TC Olwyn, 9 poles were assessed as unassisted pole failures, increasing the rate to 1.67 per 10,000 poles.
- Horizon Power this year significantly exceeded its target for customer satisfaction. However, we will always focus on this important area to ensure we continue to meet our customers' expectations.
- Horizon Power's performing systems were 31 in 2014/15 down from 32 in 2013/14. Generation outages during the past 12 months contributed to Carnarvon and Norseman not meeting the reliability target for this year. However this will improve in Carnarvon in 2015/16 as we resolve operational hiccups with the new Mungullah power station. The temporary supply in Norseman is subject to an options analysis with the preferred Independent Power Provider following the shutdown of the Norseman gold mine. Onslow missed this year's reliability target due to network equipment issues. Kununurra's reliability has improved by over 30 per cent, as a result of a reduced number of generation failures. Work was completed on the Hopetoun rural feeder with respect to protection setting, replacement of insulators, wooden cross arms and replacement of unserviceable poles. This work has resulted in the feeder performance improving.
- Return on Assets compares favourably to target as a result of higher profit resulting from operating cost savings, higher customer and developer contributions and non-energy revenue.
- All major projects completed during the year were within ±5 per cent of approved budget, including the Mungullah power station and Hedland Precinct Power Project – Generation.

Operational performance

Horizon Power delivered safe and reliable electricity supplies to customers throughout 2014/15 despite the challenges posed by the impact of Tropical Cyclones Olwyn and Quang.

Of our 38 systems, 31 met performance reliability standards.

Power station outages impacted the reliability performance for Carnarvon, Norseman and Denham.

The improvement in the SAIDI and SAIFI in Kununurra has resulted from collaborative work conducted in conjunction with the Independent Power Provider which has improved the operation of the power station control system and protection system.

Horizon Power also modified its insulators to protect fauna (bats) that impacted system reliability. Wyndham and Lake Argyle's reliability has improved as a result of the work completed in 2013/14. Automation works in the Wyndham power station significantly improved the town's performance.

Onslow's performance reflects network equipment issues which resulted in the town being non-performing.

Horizon Power revised its Asset Management Strategy in 2012/13 in line with its strategic objectives. The impact of this revised strategy is that the program of works now considers the change in the risk profile

in the justification of projects.

This has resulted in targeted activities being performed on the network. The risk adjusted value strategy has been used to develop the long-term programs designed to deliver sustained improvements in the safety and delivery of reliable power supplies to our customers.

Horizon Power has the ability to adjust the Asset Management Strategy without compromising the safety and reliability of the systems.

Delivery of the Capital Works Program was not completely realised this financial year. The risk profile has not materially changed for Horizon Power.



Table 1 : Network assets

Network type	Carrier	Kilometres
Transmission	220 kV	197.1
	132 kV Underground	1.8
	132 kV Overhead	109.7
	66 kV Overhead	150.7
	66 kV Underground	1.5
Distribution	HV 3-Phase Overhead	2,063.7
	HV 3-Phase Underground	812.3
	HV Single Phase Overhead	2,763.3
	HV Single Phase Underground	0.5
	LV Overhead	655.5
	LV Underground	1,430.0
Total		8,186.2
Total transformer capacity	767 MVA	
Number of transformers	4,396	
Number of distribution poles	57,877	
Number of transmission wood poles	236	
Number of transmission steel poles	728	
Number of transmission towers	859	

Table 2 : Asset Management Plan drivers

AMP driver	Actual (\$) FY 14/15	Forecast (\$) FY 14/15
Asset Service	7,758,286	8,938,811
Reliability	2,158,857	3,561,895
Capacity	2,768,744	2,702,283
Regulatory/Compliance	1,622,436	1,279,357
Safety	819,328	974,755
Other	1,359	93,239
Total	15,129,010	17,550,339

Electricity generation and sales

June 2013/14 Power Station	Generated Power (kWh)	Generated Power- Wind/Solar (kWh)	Purchases (kWh)	Total Power Purchased/ Generated (kWh)	Used in Works	Sent Out (kWh)	RE buyback import into HP network (kWh)
Ardyaloon	-	-	1,853,072	1,853,072	-	1,853,072	-
Beagle Bay	-	-	1,574,090	1,574,090	-	1,574,090	-
Bidyadanga	-	-	2,996,586	2,996,586	-	2,996,586	-
Broome	-	-	128,172,152	128,172,152	-	128,172,152	1,223,620
Looma	-	-	2,462,096	2,462,096	-	2,462,096	5,287
Carnarvon	46,080,253	-	476,653	46,556,906	3,119,493	43,437,413	1,379,883
Coral Bay	-	-	3,345,762	3,345,762	-	3,345,762	-
Cue	-	-	2,447,911	2,447,911	-	2,447,911	48,377
Denham	3,313,246	2,449,713	-	5,762,959	357,144	5,405,815	213,151
Derby	-	-	34,545,543	34,545,543	-	34,545,543	227,552
Djarindjin	-	-	1,575,277	1,575,277	-	1,575,277	-
Esperance	-	-	67,476,515	67,476,515	-	67,476,515	1,498,256
Exmouth	-	-	20,608,861	20,608,861	-	20,608,861	600,761
Fitzroy Crossing	-	-	12,871,900	12,871,900	-	12,871,900	-
Gascoyne Junction	-	-	754,994	754,994	-	754,994	14,420
Halls Creek	-	-	10,834,455	10,834,455	-	10,834,455	1,412
Hopetoun	-	-	5,510,383	5,510,383	-	5,510,383	185,960
Kalumburu	2,251,228	-	-	2,251,228	34,046	2,217,182	17,730
Kununurra	788,655	-	59,855,437	60,644,092	2,866,253	57,777,839	269,139
Lake Argyle	-	-	584,973	584,973	-	584,973	388
Laverton	-	-	3,698,480	3,698,480	-	3,698,480	38,985
Leonora	-	-	8,608,898	8,608,898	-	8,608,898	5,557
Marble Bar	1,651,785	493,466	-	2,145,251	305,457	1,839,794	69,951
Meekatharra	-	-	8,003,041	8,003,041	-	8,003,041	86,473
Menzies	-	-	691,753	691,753	-	691,753	5,183
Mount Magnet	-	-	3,933,379	3,933,379	-	3,933,379	100,036
Norseman	-	-	3,860,752	3,860,752	-	3,860,752	57,055
Nullagine	1,166,426	593,490	-	1,759,916	462,081	1,297,835	22,942
Onslow	4,565,740	-	4,560,360	9,126,100	-	9,126,100	14,052
Sandstone	-	-	614,877	614,877	-	614,877	45,157
Warmun	-	-	2,602,756	2,602,756	-	2,602,756	7,936
Wiluna	-	-	2,692,869	2,692,869	-	2,692,869	-
Wyndham	110,970	-	10,161,611	10,272,581	110,970	10,161,611	54,674
Yalgoo	-	-	943,977	943,977	-	943,977	23,197
Yungngora	1,504,817	-	-	1,504,817	99,760	1,405,057	-
NWIS	3,680	-	558,312,277	558,316,137	32,763,967	525,552,170	362,686
TOTALS	61,436,980	3,536,669	966,631,691	1,031,605,340	40,199,171	991,486,169**	6,579,820

**Due to increasing penetration of renewables data no longer reflects all demand

Safety

Pole management program

Wood pole replacement and reinforcement

In 2014/15, Horizon Power reinforced or replaced 697 poles in line with its strategy. The business has dealt with high risk poles in areas around the Esperance region and efforts are now focused on Carnarvon and the Mid West region. This is a continuation of work conducted over the past six years to ensure significant improvement in pole maintenance.

Privately-owned poles

Horizon Power provided feedback to Energy Safety in the development of the Private power lines and poles consultation paper. In addition Horizon Power continues to remind customers of their obligations regarding poles on their property that belong to them.

Pole testing methodology

Horizon Power has worked tirelessly to ensure the most effective pole testing techniques are being used. In 2014/15, Horizon Power worked with EnergySafety and technical experts to review pole failures that occurred due to TC Olwyn. Analysis of Tropical TC Olwyn's impact on Horizon Power's infrastructure is continuing and will inform future strategy.

- Horizon Power's inspection program identified 135 unserviceable poles and 165 requiring reinforcement replacements in Carnarvon.
- During TC Olwyn, over 130 poles were replaced.

Horizon Power is well placed to meet all requirements relating to the 2009 EnergySafety Order to Western Power by 2015/16.

Horizon Power nearly reached its target of 1 in 10,000 unassisted pole failures. However, the impact of TC Olwyn in March 2015 has resulted in the unassisted pole failure rate increasing to 1.67.

Conductor management

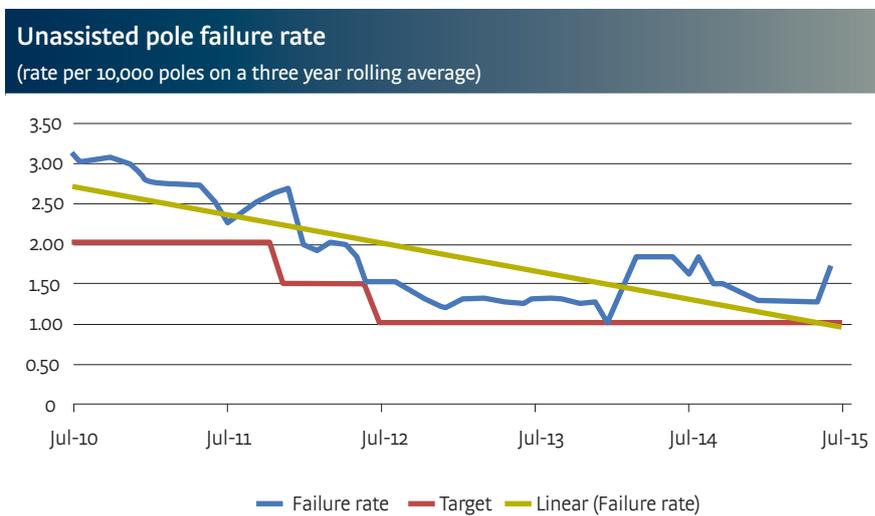
Conductor (powerline) management has been identified by national safety regulators as a major risk to electricity network businesses across Australia.

Horizon Power committed in 2010 to replace street light small copper conductors.

This was completed in 2015 in all areas other than Karratha, where the program will be completed in conjunction with Pilbara Underground Power Program works. The Small Copper Conductor Program is on schedule and progressing well.

Horizon Power has developed an asset class document that details the condition and criticality assessment methodology to manage conductors in service. Esperance will be the first region to implement this methodology in 2015/16.

Horizon Power continues with its arrangement with Western Power to share information derived from studies performed on conductors and poles.



Pilbara Underground Power Project (PUPP)

The PUPP will provide cyclone affected North West towns with a safer and more reliable electricity supply by replacing ageing overhead electricity infrastructure with underground networks. The project will dramatically improve the provision of an essential service to regional residents and businesses during, and immediately following, adverse weather events.

It will further reduce the necessity for our people to make repairs to infrastructure in the trying conditions following tropical cyclones.

Works in South Hedland and Wedgefield were successfully completed in December 2013 together with 40 per cent of the project in Karratha. Fieldworks recommenced in the remainder of Bulgarra and the Karratha Light Industrial Area in Karratha in November 2014 and are progressing well. The project is estimated to be fully completed by 2018, including the remainder of Karratha, Roebourne and Onslow.

Advertising campaigns – safety and efficiency

Horizon Power's advertising strategy complements and reinforces Horizon Power's brand attributes of being a visible local community partner, operating as a safe and reliable local energy partner and demonstrating resolve in a crisis.

Horizon Power promotes and advertises these themes through the following campaign messages:

- Safety – Be Aware of Electricity
 - Stay safe at home, work and play;
 - Cyclone and storm safety; and
 - Farm Safety.
- Energy efficiency
 - Easy ways to save

Safety

As a generator, distributor and retailer of electricity, Horizon Power has an obligation to promote public safety. Horizon Power's Inspection System Plan, which is approved by EnergySafety, includes obligations to provide information to electricity consumers via our website, marketing and customer service channels to promote electrical safety.

Safety is the number one performance driver at Horizon Power and we continue to educate the public on potential hazards associated with the use of, and interaction with electricity, and seasonal issues such as cyclone and storm awareness.

Be Aware of Electricity – Cyclone and storm safety

Horizon Power has been actively promoting cyclone and storm safety since 2007. The cyclone and storm advertising campaign is a public awareness and safety campaign to promote safety strategies during the cyclone and storm seasons.

The latest campaign was launched for the 2014/15 cyclone and storm season and takes a new approach by focussing

on the dangers of fallen powerlines. The main purpose is to reduce the risk of electrocution by warning people to stay well clear of fallen power lines and educate them as to the best course of action which is to call Horizon Power immediately. The risk of injury or death increases exponentially the closer a person approaches a fallen powerline. If a person acts quickly to inform Horizon Power of a fallen powerline, this risk is reduced significantly. The campaign promotes a simple two-part message – stay well clear and call Horizon Power immediately,

Be Aware of Electricity – Stay safe at home, work and play

The Be Aware of Electricity public safety campaign is our principal public safety message product.

Public safety is something that everybody in our service area can relate to, and generally speaking, recognise as an important part of everyday life. The aim of our public safety campaign is to help educate the public on how to safely interact with electricity and associated assets. Protection of assets remains an important part of our message, but not to the detriment of sincerity and genuine care for the well-being of people in our community. Safety messages focus on:

- Avoiding infrastructure
- Home maintenance safety
- Appliance safety

Be Aware of Electricity – Farm safety

Working near electrical infrastructure can be dangerous and requires extra care and attention. Simple precautions and knowing the location of all electrical infrastructure on properties, including overhead and underground electricity networks before starting any work, can help keep safe farmers, their families and employees.

Recently, there has been an increase in electrical assets being damaged by farmers working on their land and around electrical infrastructure. In an attempt to counter this issue we implemented a farmer safety program to remind and educate on the dangers of electricity, associated infrastructure and to be aware. Messaging was delivered through a safety video, brochure, print, outdoor and digital advertising and targeted private power poles, trees close to powerlines, stubble burning, Dial Before You Dig, oversized loads, crop dusting and knowing the electrical hazards on your property.



Energy Efficiency – Easy Ways to Save

Horizon Power believes it is a requirement to provide customers with energy efficiency advice to help them save money and energy and help strengthen its community standing as being the local energy partner.

The purpose of our energy efficiency campaign is to:

- provide simple energy efficiency messages to help our customers reduce their energy use and save money on their power bills;
- help Horizon Power deliver on our strategy and purpose; and
- assist with customer queries and reduce complaints.

The simple, direct, tip-oriented messaging is presented in a non-threatening, light-hearted fashion.

Safety within Horizon Power

A new health and safety strategy was launched in 2013 for implementation over a three year period and is well advanced. The strategy focuses on the development and implementation of a robust health and safety management system, the use of appropriate symbols such as the establishment of Health and Safety committees and ensuring all staff demonstrate the necessary behaviours.

Over the past year the implementation of the health and safety strategy has continued including:

- refinement of our consultation and communication framework, through the establishment of safety and health employee based consultative committees;
- development work completed on the safety and health management system; and
- Increased opportunities for leaders to interact with operational staff in our regions about safety.

Continued implementation of the health and safety strategy will promote sustainable safety and health performance in the coming financial year.

Horizon Power’s Port Hedland staff achieved 15 years without a lost time injury (LTI), before an LTI occurred there in December 2014. The Karratha team has been LTI free for a year; Kununurra for 14 years; Carnarvon for nine years; Broome for eight years and Esperance for five years.

Horizon Power has recorded a 3.3 lost time injury frequency rate for this financial year. This is a disappointing but minor increase from the 2013/14 rating of 2.5.

Value

Horizon Power is committed to providing the best possible service to its customers, in the most economically efficient manner, while complying with regulatory obligations.

Managing our assets

Horizon Power is acutely aware of the critical nature of our obligations as an asset manager of electrical infrastructure. The business undertakes a rigorous process to determine the funding requirements to maintain and upgrade our asset base to ensure safe and reliable power.

Horizon Power's asset management policy and standards are aligned to international best practice standards, and meet requirements set by the Economic Regulation Authority (ERA).

The Asset Management Strategy (AMS), which addresses safety and regulatory obligations and ongoing asset replacement, has been revised to more efficiently manage risk and to take a more commercial approach, to minimise the cost of delivering Horizon Power's business objectives.

Specifically, risk management of our asset base has three principles applied:

- where good industry practice does not exist, safety is managed to "as low as reasonably practical" (ALARP);
- the application of commercial principles which balance risk with cost of mitigation in order to deliver best value to Horizon Power; and
- reliability targets are to be managed on a risk basis that considers community needs.

Safety: In relation to the AMS, the systems and processes within the Risk Management Framework have models that refer to good industry practice and where this cannot be identified, to ALARP.

Commercial value: Works programs developed through the asset management process mitigate gaps in asset performance and ensure the prioritisation of work on those assets which pose the greatest risk to the business. A commercial focus is achieved by comparing the change in the risk adjusted value (RAV) against the cost of the work to guide in the decision making process. The RAV is set by assigning a value to the risk which in turn is used in a comparison against the cost of managing the risk.

Community/reliability performance: Horizon Power previously delivered reliability performance to its customers based on criteria that reflected low risk behaviour. Sometimes decisions made to install assets were based on a zero risk tolerance, which led to installed assets having capacity that was under-utilised. Accepting more risk releases this capacity, delaying expenditure. The value of lost load (VoLL) to customers provides a methodology to manage the risk and to efficiently use this under-utilised capacity.

Horizon Power continues to refine the means by which we manage our asset base to ensure optimised application of scarce resources. It is critical that Horizon Power receives the financial resources necessary to adequately maintain the asset base; both of which are fundamental to the achievement of the organisation's objectives and public safety.

The business reviewed its entire 2013/14 project list and adjusted its approach to funding applications to ensure we meet both financial targets set by Treasury, and best practice targets regarding safety and commercial value.

Powering the Pilbara

The construction of the power station owned, operated and built by TransAlta Energy in South Hedland is well underway, with completion and commissioning of the new station expected in the second quarter of 2017.

Horizon Power worked in close collaboration with the Departments of State Development, Treasury, Finance and other representatives of the Pilbara Power Procurement Board to develop this future energy solution for the Pilbara.

TransAlta Energy (Australia), a Canadian-based energy company, was selected to build the 150 megawatt station that will provide 110MW of power to Horizon Power's Pilbara customers. The mining company Fortescue Metals Group will take the remaining power for its port operations. This significant project is a Private-Public-Partnership which is off-balance sheet. This means state-of-the-art energy infrastructure will be built to benefit West Australians without an impact on the State Budget as the costs will be borne by the private sector.

Horizon Power this year completed construction and commissioning of a 60MW power station for a short-term generation solution in the Pilbara in the Hedland Power Precinct.

Despite being hampered by the financial collapse of two major contractors, the project was delivered on time and on budget. The four generators provided by APR Energy for the Hedland Power Precinct Project will be removed and the remaining plant will be incorporated into the TransAlta Energy power station.

With construction of Chevron's Wheatstone project underway in the Pilbara town of Onslow, power is one of the critical pieces of infrastructure that needs to be further developed to ensure reliable and safe energy supply to the local community during this period of rapid growth. Horizon Power, Chevron and the Department of State Development are working collaboratively to ensure increasing energy demand in the town is met.

The Onslow work includes the investment in power generation infrastructure and suitable zone substation at the town site.

The State Government is independently funding the Network Extension Project for the town of Onslow which involves extending the distribution network to facilitate the connection of the new power infrastructure and the existing town network including the new LandCorp residential subdivision currently in development.

The State Government also funded the Onslow Short Term Power Project which involved the installation of three gas fired generators to meet the increasing demand for energy that will exist before the new power infrastructure is completed and operational. These generators were fully commissioned in January 2015.

Reducing the cost of generation

Significant progress has been made to reduce the cost of generation this year. We have successfully implemented a new power purchase agreement with Contract Power Australia, culminating in the commissioning of five new diesel-fired power stations in Cue, Meekatharra, Yalgoo, Wiluna and Sandstone, as well as a temporary diesel power station at Mount Magnet. The innovative and improved contract model with Contract Power Australia provides us significant flexibility to find the most economical way of providing additional generation capacity in the future.

In addition, Horizon Power has negotiated a competitive five year extension of its Power Purchase Agreement with Energy Developments Limited for the Remote Towns of Gascoyne Junction, Menzies and Laverton.

In the past twelve months there has been unprecedented change in the energy market particularly with the cost of battery storage and solar panels decreasing significantly driving increased demand for embedded renewable and large scale renewable power systems. Horizon Power will continue to explore these and other opportunities to reduce the cost of generation in the regions and, where feasible, maximize the use of renewable energy whilst ensuring the safety and reliability of power supply.

Square Kilometre Array and Murchison Radioastronomy Observatory Power Supply Projects

In December 2011, \$15.5 million in funding was approved from the Royalties for Regions and the Department of Commerce portfolios

to construct a 1 MW power station for CSIRO's Australian Square Kilometre Array Pathfinder (ASKAP) Project.

The CSIRO selected Horizon Power to design, build, operate and maintain the diesel solar station on Boolardy Station, close to the ASKAP site at the Murchison Radioastronomy Observatory, approximately 400 kilometres north-east of Geraldton.

The ASKAP is a pilot project for what will be the largest telescope on the planet: the Square Kilometre Array (SKA) which will be co-hosted with New Zealand and South Africa. The SKA will involve the installation of radio telescopes over vast areas of Australia and New Zealand, with the majority located within Horizon Power's service area.

Horizon Power has now finalised the detailed scope of the ASKAP power station with CSIRO and construction is expected to commence at the end of 2015.

Manage Business Risk

Horizon Power's Corporate Risk Management Framework is aligned to the International Organisation for Standardisation 31000:2009 standard and includes processes to identify, assess, report and escalate risk exposures to management. The aggregated strategic risks are managed by the executive and are reported to the Audit and Risk Management Committee (ARMC) on a six monthly basis. The risk management framework is integrated with various key corporate and operational frameworks, in particular the strategic planning and corporate budgeting processes. This approach facilitates the prioritisation of key initiatives and adopts a risk based approach to investments.

Community

Our fundamental reason for being is to provide energy for life for our customers and stakeholders.

We provide so much more than electricity. We are the advocate for our communities, ensuring we can access enough funds to enable us to continue to deliver power in a sustainable way for years to come. We live and work in the communities we serve and we provide sponsorship and support for causes close to the hearts of those communities.

We continue to develop and support partnerships with community organisations that have activities, interests and values compatible with our own.

We support a broad range of not-for-profit organisations and events that encompass areas of strengthening communities and that align with our corporate objectives: safety, value and community.

Programs and initiatives that we have supported this year include:

Kidsafe WA

Kidsafe WA is the leading independent not-for-profit organisation dedicated to promoting safety and preventing childhood injuries and accidents in Western Australia. Kidsafe WA and Horizon Power have teamed-up to promote electrical safety messages to regional communities.

The Smith Family

To show our support for young people in the Pilbara, Horizon Power has joined forces with The Smith Family to support the Learning for Life program, which helps disadvantaged children with much-needed education support. The program gives students financial support for education essentials, such as books, uniforms and school excursions.

The Dreamtime Project

Horizon Power has entered into a partnership with The Dreamtime Project which supports initiatives for Aboriginal youth.

The Dreamtime Project is focused on activities that support the self-esteem, empowerment and leadership of young people and assist in the creation of pathways into further education and sustainable businesses that will drive economic independence.

Customer service

The local support for customers, as a result of changes implemented last year, is now reaping rewards. Satisfaction with Horizon Power continues to improve significantly with overall satisfaction increasing from 82 per cent last year to 87 per cent this year against a target of 70 per cent.

Our people

We want Horizon Power to be known as a company that is respected for delivery and recognises talented and high-performing people with

opportunities, challenges and rewards. To achieve this, we recruit, develop and retain talented, high-performing employees who are motivated and who share our vision and organisation culture. This is measured through our annual performance appraisals which includes a focus on behaviours.

Performance leadership

Horizon Power continues to focus on the importance of high performance and leadership. Our Horizon Way, which contains seven performance drivers, assists in focusing attention on delivery of business outcomes and providing energy for life.

These performance drivers and the associated expected behaviours underpin the performance appraisal system and our rewards and recognition program.

Performance Driver	Behaviour
Safety	Safe
Leadership	Accountable
Communication	Open
Customer	Respected
Performance	Focused
Capability	Balanced
Teamwork	Collaborative

Training

When positions become available, Horizon Power develops apprentices, and administration trainees in the

following training programs: Certificate II, III and IV Business Administration, Apprentice Certificate III ESI Remote Utility Community Workers, Apprentice Certificate III ESI Distribution Linespersons.

Horizon Power has four employees from remote Aboriginal communities who maintain our assets and are currently participating in the Apprentice Certificate III ESI Remote Utility Community Workers

During 2015, development opportunities focused on the completion of the 'off the job' components of the Remote Community Utility Worker qualification. It anticipated that the on-the-job training will continue into the 2015/16 year.

Other development opportunities include participation in project work or secondments in various departments throughout the business. The six 2009 Certificate III Electricity Supply Industry - Distribution Linesperson Apprentices completed their capstone assessments. Horizon Power does not currently have any apprentice Certificate III Distribution Linespersons.

Culture

Our Horizon Way was developed and implemented in 2014 and describes the expected behaviours for each of our performance drivers and contributes to our culture. These behaviours are reinforced through the performance appraisal process and form the criteria for employee recognition. In 2015

we conducted a survey of our staff regarding their experience of our culture. The results indicate while the business is performing very well we could improve the way we work together between divisions. Identifying these improvement opportunities will be a focus in 2015/16.

Aboriginal employment

Horizon Power services regions of the State where significant proportions of the population are Aboriginal. Horizon Power seeks to provide direct employment opportunities where possible while focussing on indirect opportunities through its support of Aboriginal businesses and contractors and suppliers.

Business trainees at Horizon Power

Horizon Power continues to support opportunities for business trainees of Aboriginal descent in its Bentley, Carnarvon and Kununurra offices.

Trainees of Aboriginal descent continue to be employed under a contract with Fujitsu Australia Limited, Horizon Power's supplier for IT support.

Remote Community Utilities Workers

Horizon Power has four employees from remote Aboriginal communities who maintain our assets.

Table 3 : Training program statistics

Training program	Number of employees	Number of Aboriginal employees
Remote Community Utilities Workers	4	4

Table 4 : Employment statistics

	Active full-time equivalents (FTE)			
	Permanent full-time	Permanent part-time	Fixed-term temporary	Total
Overall Horizon Power	290	3	17	310

Note: The figures are inclusive of contractors who are performing FTE roles.

Environment and heritage

Greenhouse gas and carbon intensity

Horizon Power reports total greenhouse gas emissions per financial year in accordance with the National Greenhouse and Energy Reporting Act 2007 (NGER). Horizon Power's 2014/15 NGER's report is made publicly available in the first quarter of 2016 through the Clean Energy Regulator. An estimate is made for the Scope 1 emissions² (direct emissions) in Table 5 for 2014/15, based on available information as at 8 July 2015. Greater complexity exists in establishing Scope 2 emissions³ (indirect emissions) in accordance with the NGER therefore it is too early to accurately estimate this value at the time of publishing.

Carbon intensity, measured as kgCO₂-e/kWh sent out, of Horizon Power's total operations provides the key performance indicator (KPI) for greenhouse gas emissions.

Due to the relative contributions to electricity sent out, carbon intensity is primarily influenced by Independent Power Producers, with relatively minor influence from Horizon Power operated power stations. The carbon intensity remained consistent between 2013/14 and 2014/15 and within the internal target of 0.65 kgCO₂-e /kWh sent out, as shown in Table 6.

Table 5 : Greenhouse gas emissions

Reporting year	Greenhouse gas emissions (tonnes CO ₂ -e)		
	Direct emissions (Scope 1)	Direct emissions (Scope 2)	Total energy consumption (GJ)
2011/12	36,370	34,110	894,503
2012/13	43,547	36,562	1,000,839
2013/14	40,625	38,167	970,032
2014/15	83,515 ¹	Reported to CER by 31 October 2014, publicly available Q1 2015	

- Greenhouse gas emissions attributed to Horizon Power were 83,515 tonnes (CO₂-e) for the year. Emissions have approximately doubled from the 2013-14 reporting year primarily as a result of South Hedland Power Station (under Horizon Power's operational control) commencing operations, which accounted for approximately 44,000 tonnes CO₂-e. Additional gas generation has also been installed in Onslow to meet the increasing demand.
- Direct emissions of greenhouse gas into the atmosphere from sources that are owned or controlled by the company. For example, emissions from combustion in owned or controlled engines or equipment.
- Indirect emissions of greenhouse gas from the generation of purchased electricity consumed by the company. This includes purchased electricity consumed in depots/offices, as well as line losses in networks operated by Horizon Power.
- Estimated 2014/15 greenhouse gas emissions (as carbon dioxide equivalent). Final figures are submitted to the Clean Energy Regulator (CER), by 31 October each year.

Table 6 : Carbon intensity

Reporting year	Carbon intensity kgCO ₂ /kWh sent out	Target kgCO ₂ /kWh sent out
2011/12	0.60	0.68
2012/13	0.55	0.65
2013/14	0.58	0.65
2014/15	0.58	0.65

Air emissions

Horizon Power reports annual air emissions for the period 1 July – 30 June to the National Pollutant Inventory (NPI) for sites triggering the NPI reporting requirement. These reports and information on reporting requirements are publicly available on the NPI website (www.npi.gov.au). An estimate of combined air emission data from all Horizon Power generation facilities is provided below.

The increase in total sulphur dioxide (SO₂) from the previous year is primarily due to increased combustion of gas following commencement of operations at the new South Hedland power station.

Normalised SO₂ emissions, shown as kg/MWh (generated), remains comparable to previous reporting years.

A slight increase in total emissions of oxides of nitrogen (NO_x) is consistent with the additional gas consumed at South Hedland, which also contributed to a large increase (about 90%) in generated electricity at power stations under Horizon Power’s operational control. Normalised NO_x emissions, shown as kg/MWh (generated), decreased primarily as a result of increased generated electricity combined with low NO_x water injection in use at South Hedland. Final data supplied to the NPI may differ slightly from the estimated emissions and shall also include additional statutory reporting parameters.

Noise

The historical noise issues relating to the old Carnarvon Power Station have been alleviated by the commencement of operations of the new Carnarvon Power Station, known as Mungullah Power Station, which operates away from the Carnarvon townsite.

An Independent Power Producer (IPP) received three noise complaints in May following commencement of operations at the newly constructed Sandstone Power Station. The IPP has reported that monitoring at residential boundaries confirmed that the noise emissions did not exceed the noise regulation limits however an acoustic barrier was installed to further attenuate the tonality of the generators. No further complaints have been received at the time of publication.

Table 7 : Air emissions summary

		2014/15	2013/14	2012/13
Sulphur Dioxide (SO₂)	Total (Tonnes)	0.5	0.3	0.3
	kg/MWh (generated)	0.004	0.004	0.004
Oxides of Nitrogen (NO_x)	Total (Tonnes)	538	506	480
	kg/MWh (generated)	4.61	8.08	7.53

Table 8 : Key investigation and activities undertaken at contaminated former power station sites.

Groundwater monitoring events (GME)

Camballin	Fitzroy Crossing	Derby
-----------	------------------	-------

Kununurra	Marble Bar	Wiluna
-----------	------------	--------

Detailed site investigations (DSI)

Carnarvon	Cue	Fitzroy Crossing
-----------	-----	------------------

Derby	Meekathara	Sandstone
-------	------------	-----------

Exmouth

Other investigations

Esperance – Human Health and Environmental Risk Assessment

Wiluna – Human Health and Environmental Risk Assessment

Fitzroy Crossing – Human Health and Environmental Risk Assessment and Remedial Options Assessment

Marble Bar – Remedial Options Assessment and a Remediation Pilot Trial

Nullagine – Quantitative Risk Assessment (Tier 1)

Redbank – Site Remediation Works

Management of contaminated sites

Horizon Power is managing 30 sites reported under the Contaminated Sites Act 2003 (CS Act). The sites are typically former power stations where historical spills and/or leaks of hydrocarbons have resulted in soil and/or groundwater impacts. Table 8 provides a summary of key investigations completed during 2014/15.

Several sites are classified as 'source' sites by the Department of Environment Regulation (DER). Horizon Power has appointed accredited Contaminated Sites Auditors to independently oversee the investigations of these sites. The portfolio of sites is managed in accordance with a risk-based strategy where key objectives are to achieve remediation targets and end-point classifications.

Environmentally sensitive areas program

The Environmentally Sensitive Areas (ESA) Program continued this year. The program subjects all ground disturbing activities to a desktop assessment to identify conservation significant flora and fauna species which intersect Horizon Power assets. It provides staff and contractors with processes and procedures to follow when working within these areas and ensures that licences or permits are obtained as applicable.

Regulatory instruments

Horizon Power retained works approvals for the Mungullah Power Station and South Hedland Temporary Generation Project which have since been granted a registration and environmental license. APR Energy, as operators of the South Hedland Power Station, have made application to the DER to transfer the environmental licence from Horizon Power to APR Energy. The Carnarvon Power Station operated under an environmental licence which was no longer required as the site no longer triggered the license threshold. Karratha Temporary Generation Project environmental licence was maintained throughout the year. Horizon Power completed all monitoring and reporting as required under the licence conditions. Details of these regulatory instruments are listed in Table 9. Most of Horizon Power's operating sites do not meet the threshold to require an environmental licence or registration.

Horizon Power holds a total of 18 active Native Vegetation Clearing Permits (NVCP's) issued by the DER, of which seven have reporting requirements. Horizon Power was also granted a Permit to Take Declared Rare Flora during the year. Reports were submitted for all applicable NVCP's and the Permit to Take within the prescribed timeframes.

Environmental incidents

During the year, Horizon Power operated with a high level of compliance to environmental requirements.

In July 2014, Horizon Power reported a potential exceedance of the prescribed licence limit for NOx to the DER for the Karratha Temporary Generation Project. This has since been deemed a "technical non-compliance" due to the fact that the site operated less than 20 hours for the year and therefore the monitoring results did not reflect unacceptable ground level concentrations, environmental impacts, or an exceedance of ambient standards. Furthermore, the turbine was operated for a short period specifically to conduct the air emissions testing. This offered limited opportunity to regulate and optimise the NOx controls and the result is not considered representative of normal operations. No further action is required in relation to this matter.

There were no other reportable environmental incidents during the year.

Native title and heritage compliance

Throughout the year Horizon Power consistently adhered to the Heritage Management System (HMS) which guides the organisation on the native title and cultural heritage approval processes. The success of this system is reflected in the consistent number of requests for Native Title and Heritage clearances from across the business, for both low and high impact projects, ensuring that we continue to improve our native title and heritage approvals processes. No potential or actual breaches of the Aboriginal Heritage Act 1972 were recorded for this period.

Aboriginal heritage monitors were engaged on multiple projects and operational works to assist in protecting Aboriginal cultural values during ground disturbing works.

Horizon Power was consulted by the State and provided responses for the following Native Title claims:

- Dampier Peninsula Cluster Native Title
- Yindjibarndi #1 Native Title Claim

Table 9 : Works Approvals and Licences

Site	Instrument	Number
South Hedland Temporary Generation Project	Works Approval License	W5048/2011/1 L8818/2014/1
Mungullah Power Station	Works Approval Registration	W4781/2010/1 R2385/2014/1
Carnarvon Power Station	Works Approval Licence	W5075/2011/1 L7164/1997/9
Karratha Temporary Generation Project	Licence	L8745/2013/1

Directors' Report

Corporate governance

Corporate governance is the system by which our organisation is directed and managed. It influences how:

- the organisation's business objectives are set and achieved;
- risk is assessed and managed;
- corporate fairness, transparency and accountability are promoted; and
- performance of the organisation is optimised.

To best reflect the expectations of our people, stakeholders and customers, Horizon Power has sought to adopt recognised best practice for corporate governance through the implementation of a Corporate Governance Framework. In practical terms, our Framework:

- provides structure and consistency to the way we do business with our customers and stakeholders;
- allows employees to respond to situations as they arise with confidence that we understand the requirements of the business;
- promotes our performance drivers and corporate governance principles, systems and practices, including the roles, responsibilities and authorities of the Board and Executive;
- encourages the creation of intergenerational assets, consistent with our Business Model;
- is aligned with our Strategic and Business Plans;
- provides accountability and control systems commensurate with the risks involved; and

- is an essential component to the overall success of the business. The Governance Framework is underpinned by governance principles driven by the importance placed upon providing our 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 means that employees are able to perform their activities in a responsible, thoughtful, knowledgeable and consistently professional manner, contributing to the overall direction and success of the business.

Our Risk Management Framework is designed to encourage and support the development of an appropriately risk-aware culture within the organisation and assist Horizon Power to realise the benefits that will accrue from a conscious, structured and dynamic approach to the management of risk.

Board of Directors

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

The primary role of the Board is to set the strategic direction of

the organisation, approve major expenditure and provide advice to the Minister for Energy on regional power issues.

The Board formally delegates the day to-day management of Horizon Power to the business' Managing Director and Executive management team.

Horizon Power's Board consists of the following people:

- Mr Ian Mickel, Chairman (effective 10 November 2014)
- Ms Rosemary Wheatley, Director
- Ms Lynne Craigie, Director
- Mr Ron Johnston, Director
- Mr Peter Oates, Director (appointed 10 November 2014)
- Professor Ray Wills, Director (appointed 10 November 2014)



Ian Mickel (Chairman)

Ian was acting Chairman from 1 June 2014 and was appointed Chairman for a term of three years from 10 November 2014.

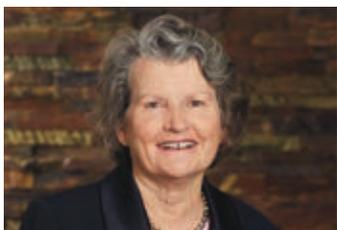
Ian has been a farmer and grazier in the Esperance region for more than 30 years. He has a strong focus on local government, especially in the areas of finance and economic development. Ian was elected to the Esperance Shire Council in 1989 and has served as Vice

President from 1991 to 1993 and as President from 1994 to 2001 and again from 2003 until October 2011 when he retired from Local Government.

Ian has served as President of the Country Shire Councils' Association and President of the WA Local Government Association. He was awarded an Order of Australia Medal in Australia Day 2007 Honours list for his service to local government.

Ian is a Fellow of the Australian Institute of Company Directors.

Ian was made a Freeman of the Shire of Esperance in 2012 in recognition of his significant contribution to the Shire.



Rosemary Wheatley

Rosemary was appointed in November 2012 and has a wealth of legal experience having been a commercial lawyer for more than 35 years. During her legal career she acted for many years on behalf of a major bank, a major insurance company, on behalf of several of the larger charities in Australia as well as for numerous smaller businesses and individual clients in Western Australia. She developed specialist expertise in the areas of company law, banking securities, property law, trusts, estate planning and superannuation law.

Rosemary is currently the Government appointed independent director of Guumbarr Limited, a trustee company set up under the Browse LNG Precinct Project Agreement.

She was a member of the Metropolitan Cemeteries Board for 7 years.



Lynne Craigie

Lynne was appointed a Board Director in October 2011.

Lynne worked as a psychologist providing counselling, employee assistance programs and training programs in Newman for 14 years. Lynne is a small business owner in Newman.

Lynne was elected to the East Pilbara Shire in 2003, was elected Shire President in 2005 and still holds this position. She was appointed to the Board of the Pilbara Development Commission in early 2011. Lynne is Chairperson for the Pilbara Regional Council and is the State President for the West Australian Local Government Association. Lynne also sits on the Australian Local Government Association Board.



Ron Johnston

Ron was appointed in May 2011 and has worked in most North West and Kimberley towns since 1971 through his former employer, Ansett Australia, and at the time of its demise was the Kimberley Regional Manager.

Since then he has become involved in property development and construction in Karratha, Broome, Derby and Kununurra.

Ron has served his Community as a Broome Shire Councillor and President for a combined 16 years. He has also been President of the Broome Chamber of Commerce, Kimberley Tourism Association and President of the Broome Turf Club.

Ron received the Sir David Brand Medal for Tourism in 1995, was awarded a Centenary Medal and is a Paul Harris Fellow.



Peter Oates

Peter Oates was recently appointed in November 2014 and has more than

35 years' experience in the electricity industry in Western Australia. Most of this working experience was within the financial area within Western Power including General Manager Finance & Administration and General Manager Emerging Business. He was also a Director on the Board of EneabbaGas Pty Ltd (2006-2010). He has consulted to the electricity industry and more recently was Chairman of the Merger Implementation Group which was responsible for the merger of Verve and Synergy. He has a B Ec and MBA from the University of Western Australia and is a FCPA.



Professor Ray Wills

Professor Ray Wills was also appointed in November 2014 and has had a wide-ranging career and is an authoritative and respected commentator and adviser on sustainability and innovation across all sectors. Prof Ray Wills is Managing Director of the advisory firm Future Smart Strategies; Leader (MD) of Blue Australasia Pty Ltd; Partner and Director of the energy company, Sun Brilliance Power Pty Ltd and its subsidiary Sun Brilliance Energy (India) PL; Director of the bioenergy firm BioTek Fuels Pty Ltd; and Adjunct Professor at The University of Western Australia contributing to the academic program and providing advice to UWA on sustainability, and spokesperson

for UWA on climate change science and new technology. Prof Wills was recognised by Singapore-based ABC Carbon as one of the Top 100 Global Leaders in Sustainability in 2011, an honour renewed each year since, and since 2014 listed by UK-based SustMeme Magazine as one of the top 100 Global Influencers in Social Media on climate change and energy.

John Le Cras

John was appointed Chair of the Corporate Affairs and Communications Committee on 18 June 2014.

John Le Cras has more than 30 years' experience as a journalist, news editor, marketing executive and strategic communications consultant. John's career in media included 14 years in senior roles with the Seven Network including Director of News and Current Affairs. John moved into corporate communications and marketing with senior roles with HBF and Murdoch University, before launching his own strategic communications business in 2011. Currently John provides strategic communications and marketing services across a diverse range of sectors including banking, education, healthcare, mining, utilities, energy, manufacturing, and local government.

Managing Director Elect and Company Secretary

Frank Tudor

(Managing Director Elect)

Frank Tudor has held various executive management roles over the past 25 years in the European, Asian and Australian oil, gas and power industries with BP, Woodside and most recently Horizon Power.

Frank lectured in oil and gas economics and law at the University of Western Australia for over 10 years, and is the Vice Chairman of the Chamber of Commerce and Industry's (CCI) Energy and Resources Forum. He was also the National Chairman of the Australian China Business Council from 2008-2013 and is currently a Board member of the Federal Government's Australia China Council and a member of the ANU China in the World Advisory Board (also supported by the Federal Government).

David Tovey

(Company Secretary)

David was appointed as Company Secretary in May 2011 and is also General Manager Corporate Services.

David has extensive experience in the electricity industry in a variety of strategic, business development, operational and corporate governance roles. He is a Member of CPA Australia, the Australian Institute of Company Directors and an Associate of the Governance Institute of Australia.

The Company Secretary provides administrative services to the Board and oversees the corporate governance systems.

Attendance at Board meetings

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

Audit and Risk Management Committee

The Audit and Risk Management Committee (ARMC) is a sub-committee of Horizon Power's Board of Directors. 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.

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, and 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;

Table 10: Board Meetings

	Number of meetings attended	Number of meetings eligible to attend during the time the Director held office during the year
Ian Mickel	18	18
Rosemary Wheatley	18	18
Lynne Craigie	17	18
Ron Johnston	17	18
Peter Oates	6	6
Prof Ray Wills	6	6

Table 11: Horizon Power Directors' Terms of Appointment

Director	Appointed	Expires
Ian Mickel	1 May 2011	30 April 2013
<i>Second Term</i>	11 November 2014	10 November 2017
Rosemary Wheatley	13 November 2012	30 July 2015
Lynne Craigie	1 October 2011	30 September 2014
<i>Second Term</i>	11 November 2014	10 November 2017
Ron Johnston	1 May 2011	30 April 2013
<i>Second Term</i>	11 November 2014	10 March 2015
Peter Oates	11 November 2014	10 November 2017
Prof Ray Wills	11 November 2014	10 November 2016

- 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, internal control and internal audit function.

Composition of the ARMC

The ARMC comprises:

- Ian Mickel, Chair (from 9 May 2014 until 25 February 2015)
- Peter Oates, Chair (from 25 February 2015)
- Lynne Craigie, Director
- Rosemary Wheatley, Director

ARMC meetings in the 2014/15 financial year were attended by:

- Frank Tudor, Managing Director Elect
- David Tovey, Company Secretary and General Manager Corporate Services
- Ben Hamilton, General Manager Commercial Services and Finance
- Frank van der Kooy, General Counsel
- Liang Tay, Manager Risk and Audit
- Mike Houlahan, Manager Finance
- Lance Roberts, Manager Safety and Health

Table 12 : ARMC meetings attended

	Number of meetings attended	Number of meetings eligible to attend during the time the Director held office during the year
Ian Mickel (Chair from 25 February 2015)	3	3
Peter Oates (Chair from 25 February 2015)	3	3
Lynne Craigie	6	6
Rosemary Wheatley	6	6

Corporate Affairs and Communications Committee

The Corporate Affairs and Communications Committee (the CAC Committee) is a sub-committee of the Board of Directors of Horizon Power. The CAC Committee's role is to assist the Board of Directors in discharging the Board's responsibility of oversight of the corporate affairs and communications function and the maintenance and enhancement of the Corporation's reputation. In doing so, the CAC Committee is responsible to the Board.

A key role of the CAC Committee is to provide reasonable assurance to the Directors that Horizon Power's communications and corporate affairs objectives are being discharged in an efficient and effective manner, within appropriate frameworks.

Composition of the CAC Committee

The CAC Committee comprises:

- John Le Cras, Chair (appointed 18 June 2014)
- Ron Johnston, Director
- Prof Ray Wills, Director

CAC Committee meetings in the 2014/15 financial year were attended by:

- Frank Tudor, Managing Director Elect
- David Tovey, Company Secretary and General Manager Corporate Services,
- Tracy Armson, Manager Communications
- Brendan Bourke, Manager Stakeholder Relations

Table 13 : CAC Committee meetings attended

	Number of meetings attended	Number of meetings eligible to attend during the time the Director held office during the year
John Le Cras (Chair)	6	6
Ron Johnston	5	6
Prof Ray Wills	2	3

Governance and corporate compliance disclosures

In compliance with the accountability provisions of the Electricity Corporations Act 2005 (the Act), Horizon Power has provided the Minister for Energy with a quarterly report for the first three quarters of the 2013/14 financial year and this annual report for the entire financial year.

Each of the quarterly performance reports were submitted to the Minister for Energy one month after the end of the quarter. Each report included an overview of performance and highlights of important achievements. This annual report will be provided to the Minister for Energy within the time specified by the Act and includes:

- consolidated statutory financial statements and other statutory information required of any company under the Act;
- an overview of major achievements and an appraisal of future prospects;
- a comparison of performance with Statement of Corporate Intent targets; and

- other information required by the Act to be included, such as the particulars of any directions given by the Minister for Energy.

In addition to quarterly and annual reports, the Act requires the Minister for Energy be provided with:

- a five-year Strategic Development Plan and a one-year Statement of Corporate Intent;
- a separate report on staff compliance with any Board issued codes of conduct; and
- any information in Horizon Power’s possession requested by the Minister for Energy.

A copy of the Annual Report will also be provided to the Public Sector Commissioner, as required by the Act.

Ministerial directions

No Ministerial Directions were received by Horizon Power during the year.

Shares in Statutory Authorities

N/A

Shares in Subsidiary Bodies

N/A

Declarations of interest

Horizon Power’s Code of Conduct and Conflicts of Interest Guidelines are endorsed by the Board and Executive, and provide all employees with information on what constitutes a conflict of interest and how they should be managed. The policy states that a conflict of interest may arise in a number of situations involving a disparity between the interests of Horizon Power and the interests of an employee.

Horizon Power is committed to avoiding such disparities as they may:

- affect an employee’s ability to carry out their duties and responsibilities to Horizon Power due to a perception the employee is receiving more benefits than another; and/or
- create an unfavourable image (actual or perceived) for either the employee or Horizon Power.

Members of the Board are required to declare any interests at all Board meetings.

Ian Mickel

- Mr Mickel declared shareholdings in Commonwealth Bank, Western Areas, Telstra, MacMahon Holdings,
- Director of Telac Pty Ltd

Rosemary Wheatley

- Ms Wheatley declared shareholdings in Commonwealth Bank, APA, National Australia Bank, E & R Pty Ltd, HYDRA Nominees Pty Ltd.
- Director of Guumbarr Ltd

Lynne Craigie

- Ms Craigie declared shareholdings in BHP Billiton
- Ms Craigie's spouse works for BHP Billiton
- Chair of Pilbara Regional Council
- President of Shire of East Pilbara
- Member of Pilbara Development Commission
- President of Western Australia Local Government Association (WALGA)
- Member Australian Local Government Association Committee (State Representative)
- Deputy Chair, Regional Development Australia Pilbara
- Member Pilbara Regional Planning Committee

Ron Johnston

- Mr Johnston is a property investor in the Kimberley.
- Director of Broome Futures Ltd.

Peter Oates

- Mr Oates declared shareholdings in ANZ, Commonwealth Bank,

National Australia Bank, BHP Billiton, Fortescue Metals Group, QBE, Santos, Woodside.

Professor Ray Wills

- Prof Ray Wills is Managing Director of the advisory firm Future Smart Strategies; Leader (MD) of Blue Australasia Pty Ltd; Partner and Director of the energy company, Sun Brilliance Power Pty Ltd and its subsidiary Sun Brilliance Energy (India) PL; Director of the bioenergy firm BioTek Fuels Pty Ltd; and Adjunct Professor at The University of Western Australia contributing to the academic program and providing advice to UWA on sustainability, and one of UWA's media spokespersons on climate change and new technology.
- Prof Wills declared shareholdings in Carnegie Wave Energy, Cellmid Limited, Discovery Metals Ltd, Galaxy Resources Ltd, iiNet Limited, Imugene Ltd, National Australia Bank, Neometals Ltd, Northern Minerals Ltd, Pluton Resources Ltd, RNI NL, Site Group International, Sundance Resources, Transfield Services, Wesfarmers Ltd, and Woolworths Ltd.

Frank Tudor

Mr Frank Tudor declared the following external positions that he currently holds:

- Vice Chairman of the Chamber of Commerce and Industry's Resources and Energy Forum
- Member of the Australian National University China in the World

Committee Advisory Board

- Facilitator of the Gas Fundamentals Conference for Informa Learning
- Board member - Federal Government Australia-China Council

Indemnification of Directors

The Directors' and Officers' Liability Insurance Policy insures (amongst others) Horizon Power's Directors and Officers, shadow Directors and employees and covers all loss resulting from a claim made against an insured during the policy period subject to any exclusions set out in the policy.

Horizon Power does not indemnify any Director or Auditor.

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

Emoluments paid to Board members and senior executives

Board members are appointed by the State Government under the Electricity Corporations Act 2005 following State Government approval processes that also outline the compensation payable for their services. Senior executive salaries are subject to annual review and market evaluation and are determined and paid in alignment with Horizon Power's internal human resource policies.

The Managing Director's remuneration is subject to review by the Board annually and performance is assessed against key performance indicators included in the Strategic Development Plan.

Details of payments made to Board members and key management personnel can be found in the 2014/15 Financial Report available with this report.

Legislation

The Electricity Corporations Act 2005 (WA) establishes Horizon Power as a corporation with responsibility of the provision of electricity outside the South West Interconnected System and sets out the powers and duties of the corporation.

Electricity licences

The Electricity Industry Act 2004 (WA) requires participants who generate, transmit, distribute or retail electricity in 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 comply with a number of Codes, including:

- Code of Conduct for the Supply of Electricity to Small Use Customers 2012;
- Electricity Industry (Network Reliability and Quality of Supply) Code 2005; and
- Electricity Industry Metering Code 2005.

Horizon Power is also required to submit a Licence Performance Audit and an Asset Management System Review to the Economic Regulation Authority (ERA) at intervals determined

by the Authority. The Performance Audit report for the period 1 April 2013 to 31 March 2015 is currently being finalised with the ERA. The next Asset Management System review will be for the period 1 July 2014 to 30 June 2017.

Compliance with other legislation

Horizon Power has a number of controls and systems in place which support the business in complying with all legislation and regulations affecting its activities. They include an online compliance register as well as compliance mapping and monitoring software.

Restriction on the area within which Horizon Power may operate

Within Western Australia, the performance of Horizon Power's functions is limited to those parts of the State that are not serviced by the South West Interconnected System.

Observance of the Code of Conduct

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

The Board confirms, consistent with section 31 of the Act, Horizon Power's Code of Conduct was developed after consultation with staff and the Public Sector Commissioner and was adopted by the Board at its meeting on 18 October 2006.

The Code of Conduct has been circulated to all employees of Horizon Power and is available on Horizon Power's intranet for employee 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.

During the 2014/15 financial year there were two breaches of the Code of Conduct both of which are confidential and currently under investigation.

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 Technology team.

All records are managed according to the requirements of the State Records Act 2000 and Horizon Power's approved record keeping plan. Horizon Power's record-keeping plan is reviewed annually to ensure currency and any updates are submitted to the Minister for Energy for approval.

Regular reviews of record keeping systems and practices are conducted to ensure efficiency and effectiveness. Training programs (including the provision of relevant information on the business' intranet site) are provided and reviewed as required to ensure they reflect any new business requirements.

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 Horizon Power during the period 1 July 2013 to 30 June 2014 is presented. This expenditure includes costs associated with public safety advertising campaigns, planned outage notifications, self-read meter mail outs and recruitment.

- **Advertising agencies:** \$194,245: Mindfield, Lynne Stonehouse Graphic Design
- **Market research organisations:** \$39,650: Metrix
- **Polling organisations:** N/A
- **Direct mail organisations:** \$0
- **Media advertising organisations:** \$306,236: Adcorp, Carat Australia Media Services, Market Creations, Media 365

Total expenditure was \$540,131

Environmental regulations

The primary environmental legislation in Western Australia is the Environmental Protection Act 1986. The Act gives rise to many regulations.

The main regulations relevant to Horizon Power include, but are not limited to:

- Environmental Protection Regulations 1987 provide generally for the prevention and control of pollution and ensure that appropriate processes are

established to manage pollution, noise and other environmental impacts generated by construction and operations.

- Environmental Protection (Controlled Waste) Regulations 2004 provide for the licensing of carriers, drivers and vehicles involved in the transportation of controlled waste on public roads.
- Environmental Protection (Native Vegetation Clearing) Regulations 2004 protects all native vegetation in Western Australia. Clearing native vegetation is prohibited, unless a clearing permit is granted by the Department of Environment and Conservation (DEC) or the clearing is for an exempt purpose. Horizon Power obtains Native Vegetation Clearing Permits where exemptions do not apply and provided annual reports to the DEC in accordance with permit conditions.
- Environmental Protection (Unauthorised Discharge) Regulations 2004 provide for the prevention of unauthorised discharge of potentially environmentally harmful materials.
- Environmental Protection (Noise) Regulations 1997 provide for noise emitted on a premises or public place and received on another premises. There is a special provision allowing persons who are unable to reasonably comply with the assigned levels to apply to the Minister for approval to vary from the assigned levels, via an

Environmental Protection Authority (EPA) assessment process (regulation 17). This process applies to Carnarvon Power Station providing for a reduction in noise emissions from this facility as of 31 March 2013. The ability to meet the reduced levels is unlikely at full operations due to ongoing operation of the existing power station arising from project delays in construction of the new power station. Horizon Power discussed this issue with the DEC in January 2013 and provided an updated construction schedule which provides for complete shut-down of the existing power station several years ahead of the schedule within the regulation 17 approval.

Horizon Power operates in accordance with other relevant environmental obligations which include, but are not limited to:

- Environmental Protection and Biodiversity Conservation Act 1999 (Commonwealth);
- Contaminated Sites Act 2003;
- Dangerous Goods Safety Act 2004;
- National Greenhouse and Energy Reporting Act 2007; and
- National Environment Protection (National Pollutant Inventory) Measure.

The performance of Horizon Power in relation to environmental obligations is discussed further in the Environment and Heritage section.

Operations during the 2014/15 financial year

The Electricity Corporations Act 2005 stipulates the specific and general information that is to be reported within the Directors' Report for the current financial year. To avoid duplication of content, please refer to the Operational Performance Report section commencing on page 16 for a review of Horizon Power's operations during the financial year and the results of those operations.

Financial performance

Horizon Power ended the year with a net profit after tax of \$38.1 million (2014: \$81.6 million).

Total revenue and other income for the year was \$517.1 million, a decrease of \$74.6 million, (- 12.6 per cent), due mainly to lower contribution of \$73.0 million from the Tariff Equalisation Fund. Revenue was \$380.6 million, a decrease of \$1.8 million from the previous financial year.

Overall, operating expenditure recorded a savings of \$12.4 million compared to last year, after excluding one – off payments related to Strategic Review of 2013/14.

Depreciation and Amortisation increased by \$10.4 million compared to last year (\$76.3 million v \$65.9 million), mainly as a result of property, plant and equipment capitalised in the year, including the Hedland Precinct Power Project and other major projects completed during the year.

Financing costs decreased by \$1.0 million as a result of lower interest rates.

Balance sheet

Horizon Power's net assets decreased by \$3.2 million, mainly as a result of dividends paid to State Government of \$53.1 million, offset by net profit for the year and an increase in contributed equity.

Total asset base remained stable at \$1.6 billion, mainly consisting of Property, Plant and Equipment at \$1.5 billion. Major projects undertaken during the year are listed in the capital expenditure program below.

Horizon Power's interest bearing loans with the Western Australian Treasury Corporation were the primary source of finance for the capital program and increased by \$55.4 million to \$702.6 million.

As at 30 June 2015, cash at bank was \$10.5 million with unused borrowing capacity of \$43.2 million, after payment of a dividend of \$53.1 million during the year.

Capital expenditure

Horizon Power delivered an \$87.5 million capital expenditure program for 2014/15. Significant expenditures for the year were \$17.8 million on the Asset Management Plan, for the maintenance of safety and reliability of Horizon Power systems; \$15.6 million on the Pilbara Underground Power Project (PUPP) Phase 2; \$13.4 million on Hedland Precinct Power Project for

the provision of generation capacity at South Hedland; \$10.7 million on other projects funded by customers, and \$8.6 million on the Advanced Metering Infrastructure Project.

Dividends

During the year, Horizon Power declared and paid dividends of \$53.1 million to the State Government based on the profit achieved in the financial year 2013/14.

Efficiency Dividend Report

Horizon Power was successful in achieving and delivering the State Government's Efficiency Dividend targets. The outcomes of the Strategic review boosted the efficiency initiatives already in place and resulted in significant savings.

Savings were achieved by outworking the strategic review roadmaps relating to:

- Asset management optimisation
- Procurement rationalisation
- Technology rationalisation
- Regional efficiency roadmaps
- Midwest generation

Conclusion

In order to achieve the target savings, Horizon Power closely monitored the impact of its efficiency initiatives to ensure the identified benefits did not reduce services or negatively impact Horizon Power's customers.

Table 14 : Efficiency Dividend Performance

Efficiency Dividend Targeted Areas	Financial Year 2015 Efficiency Dividend Savings Target (\$ million)	Financial Year 2015 Full Year Achievement (\$ million)
Sum Efficiency Dividend	15.5	18.5

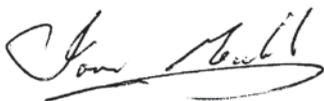
Directors' declaration

In accordance with a resolution of the Directors of the 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 2015 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



Ian Mickel

Chairman



Rosemary Wheatley

Director

