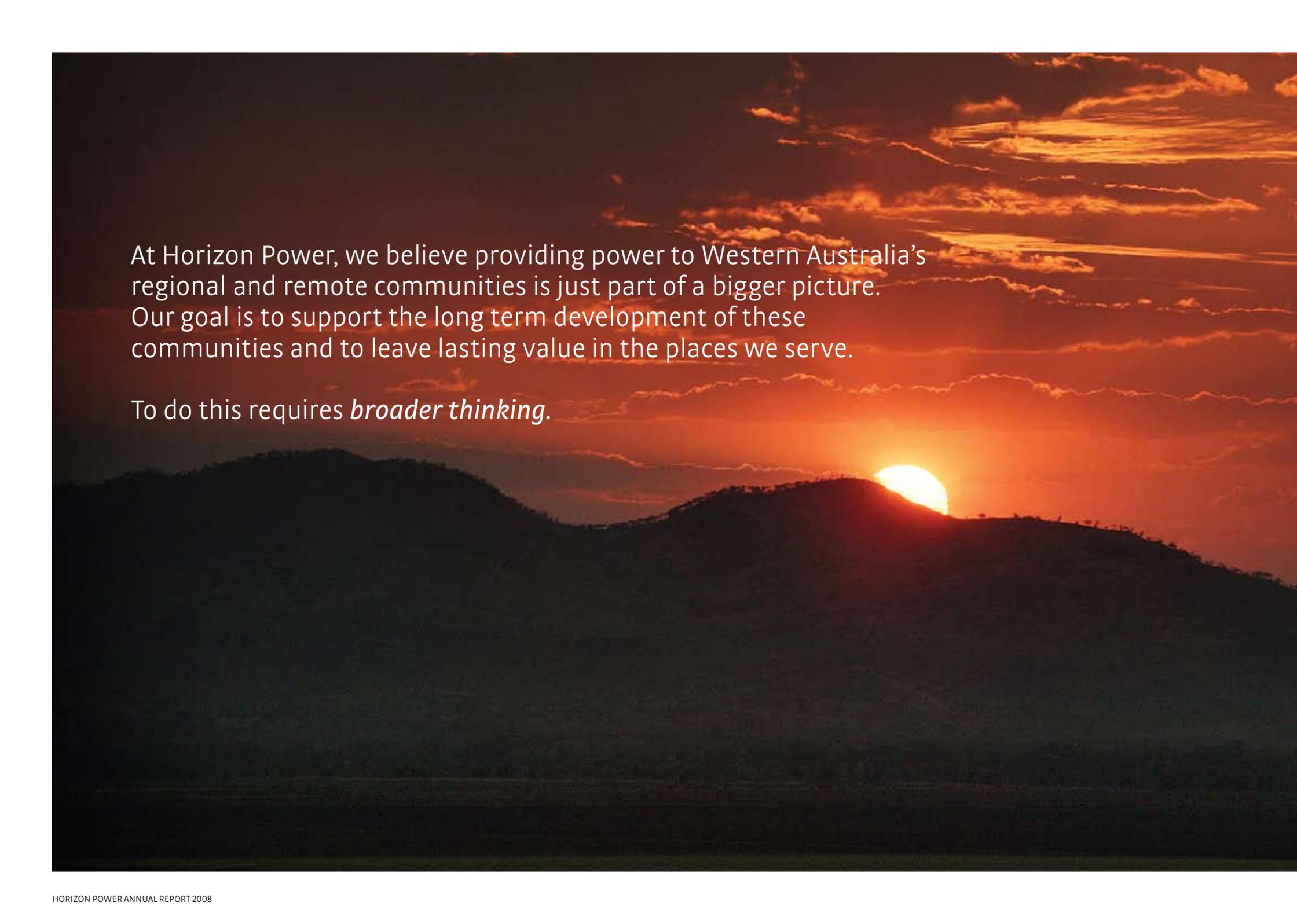


# ANNUAL REPORT 08

**HORIZON**  
POWER

A sunset over a dark landscape with silhouetted hills and a bright sun partially obscured by a ridge. The sky is filled with orange and red clouds, and the sun is a bright yellow circle on the horizon.

At Horizon Power, we believe providing power to Western Australia's regional and remote communities is just part of a bigger picture. Our goal is to support the long term development of these communities and to leave lasting value in the places we serve.

To do this requires *broader thinking*.

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# WHO WE ARE

Horizon Power is responsible for generating, procuring, distributing and retailing electricity in the fast growing regional centres of Western Australia. We are a commercially focussed, State Government-owned business striving to meet the needs of residential, industrial and commercial electricity customers and resource developments in our service area.

We are focussed on growing the value of our business through commercially astute operation and by playing an active role supporting the development of regional opportunity.

The rapid expansion of regional developments has demanded the achievement of step changes in the quality and capacity of industrial infrastructure that leaves a valuable legacy for generations of West Australians in a way that is both socially and environmentally sustainable.

Horizon Power services approximately 38,000 customers in the Pilbara, Kimberley, Gascoyne, Mid West and southern Goldfields (Esperance) regions, dispersed across an area of approximately 2.3 million square kilometres – about 10 times the size of the state of Victoria.



### Our corporate objectives

Horizon Power believes its sustainable success is entwined with the delivery of lasting benefits to the communities in which the business operates.

Horizon Power sees its role as contributing lasting economic, social and environmental value through in five important areas:

- Providing value to customers through enhanced and improved service provision;
- Delivering social benefits by building the capacity and the capability of the communities the business serves;
- Delivering environmental benefits by minimising the environmental impact of operations and reducing the intensity of emissions;
- Adding value to the State by fostering and supporting regional development opportunities; and
- Building the value of the business by acting commercially, pursuing the sustainable growth of the business; leveraging existing assets and developing new opportunities as they mature.

### Our values

**Safety:** Horizon Power is dedicated to ensuring the safety of the public, our customers and our people. We will rely on teamwork, consideration and encouragement to keep our workplace safe.

**Integrity:** Horizon Power employees act with integrity and honesty. We will build a reputation of being open, caring and respectful in all our business dealings.

**Quality Relationships:** Horizon Power values good personal and working relationships both inside the business and with all its stakeholders. We foster improved relations through greater customer and stakeholder contact, consideration of community needs and proactive assistance in regional development.

**Leadership:** Horizon Power provides leadership in the development of regional energy solutions by accepting responsibility for the rapid identification of innovative business opportunities. We create a 'can do' atmosphere and facilitate development of industry knowledge both inside and outside the business.

**Delivering on Commitments:** As Horizon Power and as individuals we achieve long-term business success through:

- the collective effort of each member of the team;
- sound business acumen;
- continuous learning about our changing business environment; and
- delivering on commitments we make.

**Empowerment:** Horizon Power empowers staff with the skills and resources that enables them to complete their jobs and deliver on their commitments.

# WHAT WE DO

Horizon Power supplies regional and remote consumers outside of the south west corner of the State. We manage one major interconnected system, the North West Interconnected System (NWIS), and a growing number of non-interconnected systems in regional towns and remote communities.

The NWIS covers a large geographical area surrounding the coastal Pilbara towns of Port Hedland and South Hedland, Cape Lambert, Roebourne, Karratha and Dampier and extends south-east to the iron ore mining townships of Newman and Paraburdoo, and eastward as far as Shay Gap.

At the end of the 2007/08 financial year (June 2008), Horizon Power owned and maintained the distribution assets and generated and sold energy to 34 non-interconnected systems, covering townships and remote communities spread throughout regional WA.

Our services are tailored to meet the specific needs of customers ranging from power-hungry resource developers to remote and isolated communities.



# HOW WE DO IT

In June 2008, Horizon Power undertook significant operational realignment across the business to ensure we are best placed to achieve our corporate objective to contribute lasting social, economic and environmental value in the communities we serve.

The new structure has aligned structure with strategy and seeks to minimise internal barriers that inhibit the effective and efficient deployment of our initiatives.

The new business structure comprises eight divisions that support Horizon Power's tripartite strategies of *Performance Excellence*, *Expanding the North West Interconnected System* and *Expanding Regional Supplies*. These include the following:

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

**Islanded Systems Development:** Develops, sells and implements islanded system opportunities.

**Strategy and Business Development:** Leads strategy development, pursues new opportunities to grow, and commercially manages the North West Interconnected System.

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

**People and Corporate Services:** Develops and ensures effective deployment of key corporate services such as Public Affairs, People Services, Marketing and Product Development and Occupational Safety and Health management.

**Shared Services:** Develops and maintains a range of internal consulting services and support solutions.

**Knowledge and Technology:** Creates, deploys and manages a strategy to position the business as an innovative user of technology.

**Finance Services:** Leads and secures appropriate funding and ensures sound financial management and reporting.

Horizon Power's head office is in Karratha, with regional offices located in Kununurra, Broome, Port Hedland, Carnarvon and Esperance so that we can respond to customer queries and investigate local issues promptly. Coinciding with the realignment of the business was the move of Horizon Power's Perth administration centre to a new premise at Technology Park in Bentley.



### Executive Team at 30 June 2008



**Rod Hayes**  
Managing Director

BOARD



**Mike Laughton-Smith**  
General Manager  
Generation & Technical  
Services



**Ziggy Wilk**  
General Manager  
Network Customer  
Service



**Darryn McDonald**  
General Manager  
Retail



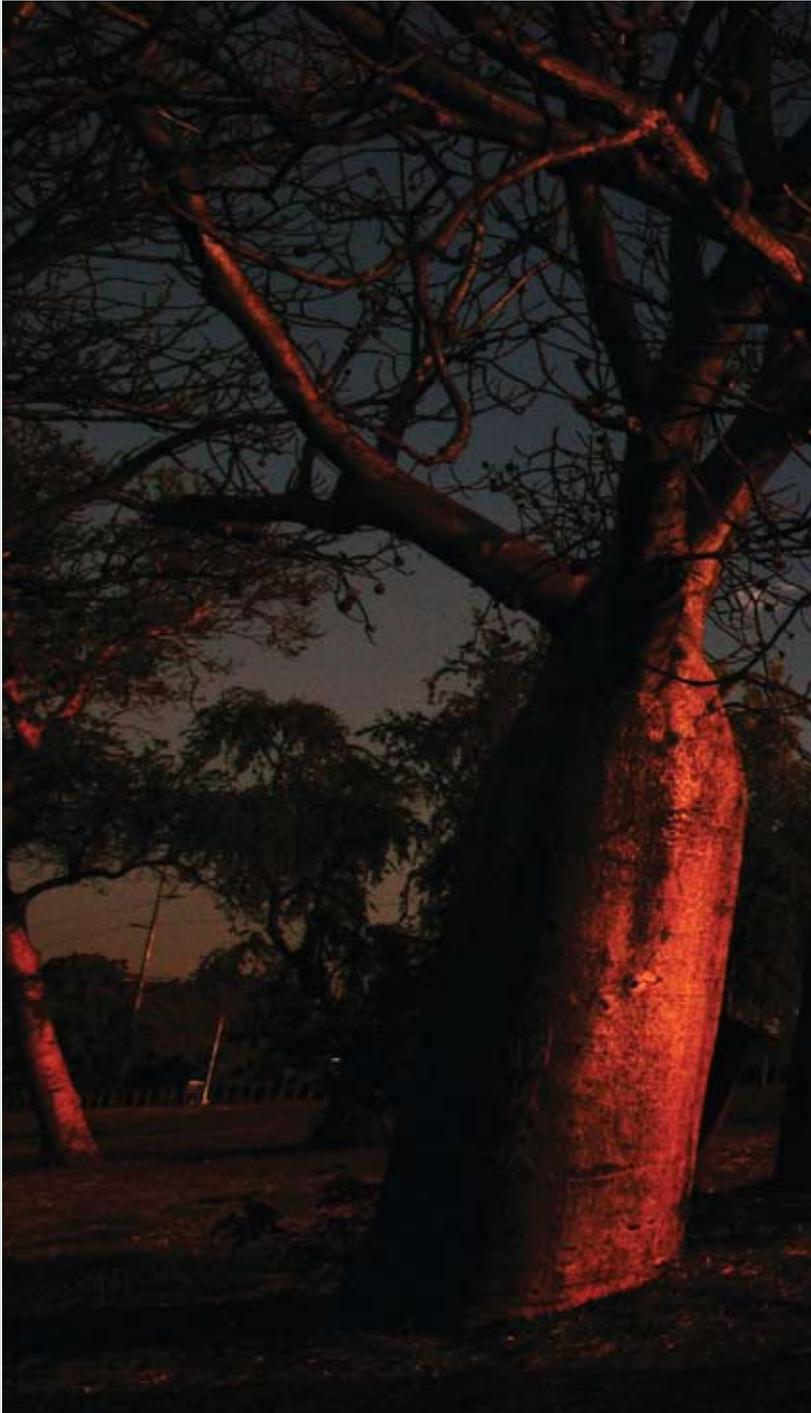
**Frank Tudor**  
General Manager  
Commercial &  
Strategy



**David Martin**  
General Manager  
People & Public  
Affairs



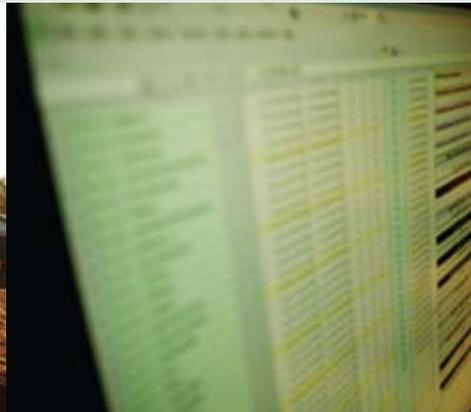
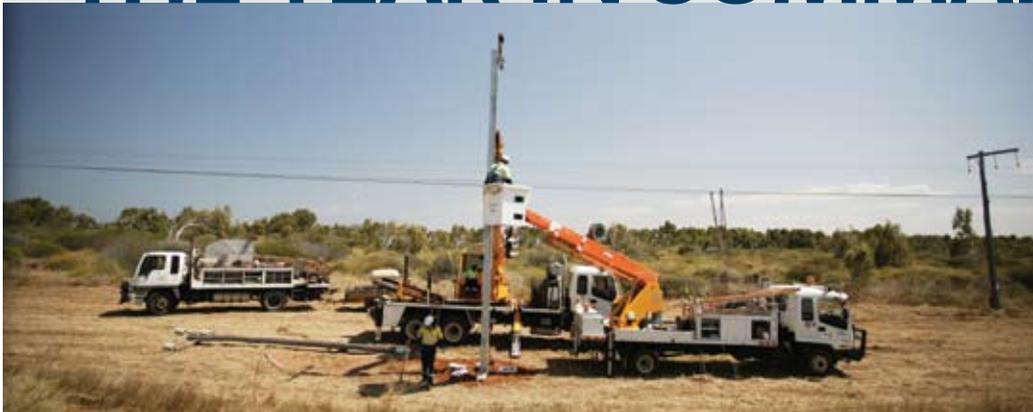
**Pete Feldhusen**  
General Manager  
Governance & Legal  
Finance & Corporate  
Services Company  
Secretary





# THE YEAR IN SUMMARY

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The 2007/08 financial year saw the delivery of a number of achievements and milestones by Horizon Power.

**Delivered unprecedented network reliability performance** with 26 towns complying with the target set for the duration of power supply interruptions.

**Lived our safety commitment** and achieved an end of year Public Safety Incidents result of zero.

**Delivered a record customer-funded works** program with 658 projects worth more than \$16.4 million completed over the course of the financial year.

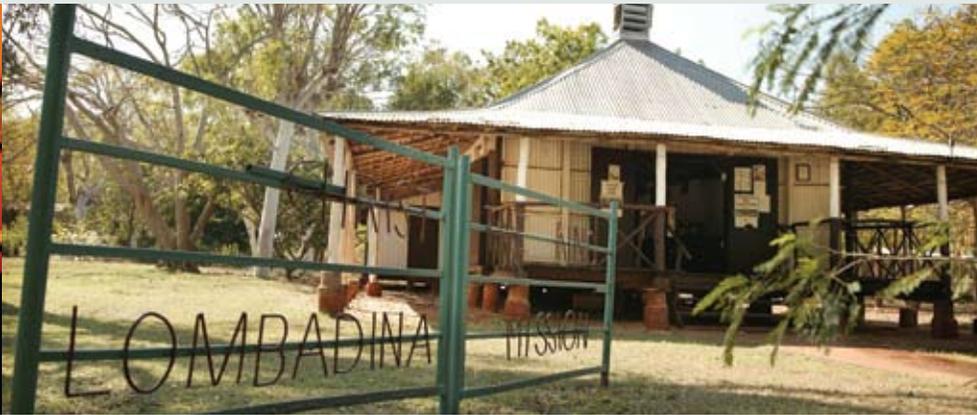
**Launched a nationally accredited electrical training program for Indigenous Western Australians** with the first group of Essential Services Officers now working towards their qualifications.

**Launched our GreenSelect program in Carnarvon** as a pilot program to develop a commercially successful and attractive 'green' electricity product accessible to all our regional customers.



**Successfully completed the West Kimberley Power Project**

and we are now supplying customers in Broome, Derby, Fitzroy Crossing, Halls Creek and Camballin/Looma from new power stations.



**Completed the Aboriginal and Remote Communities Power Supply Project**

and now provide new reliable electricity supplies in Ardyaloon, Bidyadanga, Beagle Bay and Djarindjin/Lombadina.

**Committed to an even greater regional focus**

by employing more staff in our regional offices, and opening our Kimberley Regional Office in Broome.

**Delivered a profit**

and achieved an end of year result of \$1.5 million.

**Improved service delivery**

in two town-based Aboriginal Reserve Communities through the Town Reserves Regularisation Program.



**Increased our staff base**

to a total of 251 full-time permanent staff from an original base of some 180 in the 2006/07 financial year.

# PERFORMANCE OVERVIEW

Horizon Power made a number of performance commitments at the commencement of the 2007/08 financial year and the following table provides an overview of how we performed in our endeavours to meet those commitments.

Key result area	Objectives	Target	Results
<b>Customer value</b>	Improved value to the customer through safe, improved and expanded service.	<b>Operational performance:</b> SAIDI Complying towns/systems: 26/34 <b>Customer satisfaction:</b> Customer satisfaction survey result: >70 per cent <b>Public Safety:</b> Number of public safety incidents related to Horizon Power performance: 9	25/34 84 0
<b>Social benefit</b>	Building capacity, capability and opportunity to improve the lives of members within the communities we serve.	<b>Power supply regularisation:</b> Number of remote and Indigenous communities: 9 <b>Training:</b> Number of Indigenous or local people in a Horizon Power training program: 14	7 14
<b>Environmental value</b>	Sustainably minimising the impact on the environment from both our current and future operations.	<b>Pollution:</b> Pollution intensity (kg/MWh): 20.9 <b>Greenhouse emissions:</b> Greenhouse Intensity kgCO <sub>2</sub> /kWh sold: 0.80 <b>Renewable Generation:</b> Generation from renewable sources (GWh): 73	18.36 0.808 84.2
<b>Business value</b>	Increasing our profitability and building the value of the business.	<b>Net Profit after Tax (\$M):</b> -\$9.5 million	\$1.5 million
<b>Economic benefit</b>	Working with all stakeholders to drive and deliver value from regional development.	<b>Stakeholder satisfaction:</b> Survey results: 77 per cent	84
<b>Processes and knowledge</b>	Achieving a state where we are operating at or above industry standards.	<b>Customer Charter:</b> Performance against Customer Charter (per cent compliance against agreed total sample): >90 per cent <b>Corporate reputation:</b> Corporate reputation index: 70 per cent <b>Employee opinion of reputation:</b> Mean result (per cent) of Pulse Survey questions on corporate image: 75 <b>Safety:</b> LTIFR: 0 (Lost time injuries per one million hours worked) AMIFR: 17 (Number of workers compensation claims per one million hours worked) <b>Organisational development:</b> Personal development programs (per cent of modules successfully completed by designated attendees): 90 <b>Employee perception:</b> Mean result (per cent) of Pulse survey questions relating to employee perception: 79	75 73 78 4 18.8 100 79



# UNDERSTANDING THROUGH ENGAGEMENT



2007/08, I believe, will prove to have been a significant year in the development of Horizon Power.

While the business' first 15 months of operation were, to a degree, a chance for Horizon Power to find its feet and develop a presence in regional Western Australia, its second year of operation has been about consolidating itself as a major community service provider. Consequently, the business developed a reputation as a credible and influential participant in a booming resources industry in a highly pressured economic climate.

I introduced last year's Annual Report by saying that Horizon Power had the potential to change the way regional Western Australians engaged with major service providers. I believe that Horizon Power has moved beyond 'potential' to delivering in a manner in which we can be very proud.

Our business serves the broad spectrum of regional power consumers from remote and

isolated communities of just a few hundred people to massive industrial complexes that never sleep.

Both ends of the spectrum have their unique challenges, customers have different expectations and wide-ranging needs that are only met through open and committed engagement. Horizon Power's strength is its capacity to engage with customers whether they are in air-conditioned board rooms in multi-storey office towers or in open-air community meeting spaces in isolated desert communities.

You will read further into the body of this report about Horizon Power's successful delivery of the first phase of the Aboriginal and Remote Communities Power Supply Project. While sound planning, engineering and construction were significant components of the success of this program, the major factor of its success was the open and trusting engagement with Traditional Owners and community leaders. This created a positive

environment in which relationships could be forged, mistakes could be forgiven and success could be shared. Without this form of engagement, we could never have developed a nation-leading training program that will equip community members with the knowledge and skills to play an active part in helping to manage their community's power supplies.

At the other end of the spectrum, Horizon Power's engagement with all levels of industry and Government has allowed it to take a leadership role in building a shared understanding of the enormous potential of developing a planned and coordinated North West Interconnected System.

For the past 40 years, this system has grown in an organic fashion reflecting the immediate needs of individual mining interests. Through open communication with industry participants, Horizon Power has been able to gain a commitment from Government and others on the need to investigate the enormous economic and environmental benefits a

coordinated North West Interconnected System may bring. As the financial year draws to a close we look toward supporting the work of a Government-sponsored taskforce that will investigate this very topic.

As a relatively small business operating across the broad spread of industry and consumer groups, it makes me very pleased to say Horizon Power has found a successful and sustainable way of ensuring its relevance to both the groups it serves and the industry participants with which it works and I look forward to many more successes developed and delivered through open and positive engagement.

A handwritten signature in dark ink that reads "B Hammond". The signature is written in a cursive, slightly stylized font.

**BRENDAN HAMMOND**  
CHAIRMAN

# BUILDING BRIGHT FUTURES FOR COMMUNITIES

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Like many businesses involved in the remarkable resource-led boom, Horizon Power has had a successful and busy year and is well positioned to make the most of the myriad opportunities that exist in regional Western Australia.

In this high pressure environment, a large number of projects have been completed and a business-record number more are being worked on. Our people have demonstrated they are up for the challenge of expanding the business and providing even better services to our customers and are excited at the work we are accomplishing.

I am very proud of Horizon Power's staff and their willingness to pursue excellence in all aspects of the business. While constantly working on ways of making the business successful, they have not lost sight of what our business is about – providing lasting economic, social and environmental benefits to our communities.

## The business continues to provide reliable, safe power supplies to our customers State-wide

We reached regulated reliability targets for 25 out of the 34 towns and remote communities we service.

We have also delivered a record year for customer funded projects with a total of 658 individual projects completed in 2007/08.

The completion of the West Kimberley Power Project closes a chapter of Horizon Power history. Many lessons were learnt during this project and challenges were faced head on. Despite some issues experienced during commissioning in Broome and Derby, it has been a successful program of work for Horizon Power and our partner, Energy Developments Ltd.

## Horizon Power and Indigenous West Australians work together to improve services, living conditions and employment opportunities

A few months ago, I launched Horizon Power's Reconciliation Action Plan, created to seek and develop sustainable solutions in partnership with Indigenous Australians. The plan focuses on building relationships, respect and opportunities for Indigenous Western Australians within Horizon Power.

This year we have broadened our customer base to include five remote Indigenous communities.

Under Phase One of the Aboriginal and Remote Communities Power Supply Program, we have improved the quality, reliability and affordability of power supplies to the remote communities of Beagle Bay, Warmun, Ardyaloon, Bidyadanga and Djarindjin/Lombadina.

Significant work was undertaken in each community, with new power stations constructed in each along with an upgraded distribution network, new streetlights, prepayment electricity meters installed and safety and payment education.

The work also has environmental, social and economic benefits for the community members, with the new power stations using modern generating technology and a prepayment metering system now allowing eligible residents to receive Commonwealth and State Government subsidies on electricity consumption.

A related project that I am incredibly proud to introduce is our Aboriginal Communities Training Program, which focuses on empowering Indigenous Western Australians with the skills to provide electrical services to their local communities.

The first intake of trainees took place in March this year, and they are well on their way to completing the program within the required two-year timeframe.



**We are looking to the future of energy provision and using new and renewable technologies.**

Horizon Power has recently begun work to establish new power stations at Marble Bar and Nullagine, incorporating state-of-the-art solar generation and storage techniques. The solar installations used would be the largest of their type in Western Australia.

The power stations will set new benchmarks for hybrid diesel islanded systems with extremely high renewable energy penetration. The solar energy systems used in the design will supply 60 per cent of the annual energy for both towns, saving 412,000 litres of fuel and 1100 tonnes of greenhouse gas emissions each year.

We are developing an islanded network model that can be constructed and used effectively anywhere in the country, indeed, anywhere in the world.

This model has been developed over the last two years and effectively used in five remote Indigenous communities in the last financial year.

Horizon Power does not see itself as simply an energy provider and retailer. We continually work towards being a valued member of Western Australian communities. We believe in the importance of community and building social and environmental value in each community we work in.

I am very proud to present this report of Horizon Power's operations during the 2007/08 financial year.

**ROD HAYES**  
MANAGING DIRECTOR



# REVIEW OF OPERATIONS



*Broome Power Station.*

## Providing value to our customers through improved service

### Overall network performance - target met despite record activity

Network activity was exceptional during 2007/08.

A record increase in customer funded and other planned capital projects along with sharpened reliability targets saw heightened demands placed on the business, particularly on our regional operating groups.

Tight labour market conditions led to innovations with alliance partners and contractor relationships in a number of key locations and the impact of the West Kimberley Power Project on the capacity of Horizon Power's Kimberley crews created challenges that were met through flexible deployment of staff around the region.

Improvements to customer supplies were achieved through a combination of new works and an optimised maintenance program.

Horizon Power finished the 2007/2008 financial year having achieved reliability targets in 25 out of 34 complying towns and having delivered 96 per cent of all planned internally funded projects, with expenditure at \$21.8 million compared with our full year budget of \$23.3 million.

Horizon Power staff also delivered a record number of customer funded projects with a total of 658 individual projects completed in 2007/08.

### Five new power stations commissioned in the West Kimberley

The West Kimberley Power Project (WKPP) was completed in June 2008, with Broome power station successfully completing its 60-day reliable operations test. Providing vast improvements in efficiency, the project is considered one of the biggest single social infrastructure investments ever to have been completed in Western Australia's far north.

The joint project between Horizon Power and Independent Power Provider, Energy Developments Ltd replaced five ageing power stations in Derby, Fitzroy Crossing, Halls Creek, Looma and Broome with modern and efficient power stations that will meet the needs of communities for at least the next twenty years.

The WKPP was the first project in Western Australia and only the second in Australia to use liquefied natural gas for power generation and included \$300 million in capital works and over \$400 million in power purchases over the next 20 years.

### Technical challenges of the project

The changeover to the new Broome power station was not without its technical challenges, with a number of power interruptions experienced in Broome while the new station took the load of each part of the town.

During this time the old power station provided back up to the new power station reducing the chance of further interruptions, and enabling quicker restoration times.

Load banks (which mimic a customer load) were set up to prove the power stations' reliability without having any impact on continuity of supply. Proving the changes off-line ensured that any further issues related to the changeover did not impact on the community's power supply and ensured that the plant functioned to its specifications when the changeover of the customer connections was completed.

# Review of Operations

## Ongoing safety and asset management projects

Horizon Power is working to achieve 'fit for purpose' network assets by 2011/12, that comply with all current safety and reliability standards and are prepared to supply the ever increasing capacity requests of our customers.

Multiple projects are undertaken under the fit for purpose umbrella in order to maintain and where necessary, upgrade our assets and infrastructure. By 2011/12, all assets will:

- Present a low risk to the safety of Horizon Power staff and the communities we serve;
- Supply quality and reliable power;
- Be designed to grow at the same pace as communities;
- Represent value for money for the business;
- Be replaced at the end of their 'useful' life (i.e., before they are in need of substantial maintenance work);
- Be proactively inspected and maintained to minimise points of failure; and
- Comply with all current regulations, codes and standards.

Some of the specific projects included are:

### Bushfire Management Plan

The Bushfire Management Plan lists and schedules particular works to be completed each year in high fire risk areas across our service area. Work undertaken each year in the identified areas includes:

- Replacing standard drop out fuses with sparkless fuses;
- Clearing the area immediately adjacent to drop-out fuses and pole top switches;
- Remedial work to reduce three phase high voltage, overhead bay lengths to a maximum of 135 metres; and
- Vegetation inspections and subsequent corrective actions.

### Single insulated streetlight upgrade

Work is being undertaken in each region to upgrade single layer insulation with double layer insulation on street light wiring.

This work will reduce the risk of insulation breakdown, which can lead to accidental energisation of streetlight poles, presenting a risk to the general public.

### Customer Connection Replacement Program

In response to an identified risk, Horizon Power is replacing all bare conductors and PVC insulated overhead consumer service connections and customer service leads across the State in an effort to improve safety.

With the completion date set for 2011/12, Horizon Power is ahead of schedule, with work completed in Halls Creek, Lake Argyle, Nullagine, Onslow, Wiluna and Laverton. Work in Wyndham, Camballin and Menzies is nearing completion, and all other towns within the business' service area at varying stages of completion.

## Major upgrade to Esperance's rural network continues

Major improvement works continued on the electricity network in the Esperance region as a result of the Esperance Network Regional Upgrade Project (ENRUP) during 2007/08.

The project, undertaken by Horizon Power in an alliance partnership with Transfield Services, has seen more than 300 wooden poles in the region upgraded or replaced with steel poles; over 1000 insulators repaired or replaced; approximately 600 service connections upgraded, and the length between poles reduced to address issues associated with long spans of powerlines.

The upgrade of this infrastructure will help improve power reliability in the area and reduce the risk of pole-top fires, and the potential for clashing wires in strong winds, which can lead to bushfires.

Additional activities undertaken during the course of the project include an increased number of powerline and aerial asset inspections conducted from helicopters using thermographic-imaging technology across the entire Esperance district to identify potential problems and factor these into an expanded maintenance program.

## Developing solutions for remote customer care

Customer service is an integral part of our operation, and will be bolstered by a new customer information and billing system to ensure that customers receive quality service at every point in which they interact with the business.

An internal project team is making rapid progress on shaping the delivery of customer service at Horizon Power and is scheduled to deliver the project by mid 2009. The new system will include innovative solutions that meet the needs of regional towns and remote communities in Western Australia. This may eventually include mobile service centres that will provide customer contact, payment facilities, meter reading and safety and energy education.

Overtime, *SmartMeters* will also help to streamline customer service processes, with the ability to disconnect and reconnect customers remotely, saving journey times to remote areas and improving the timeliness of response.

*Crews maintaining the overhead network in Karratha to improve reliability of supply.*

## Community and Customer Relations Managers looking after local needs

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

Currently, Horizon Power has one Manager based in Karratha who liaises with communities and stakeholders in the Pilbara; a second is based in Broome and serves the business' stakeholders and communities in the Kimberley and a third, based in Perth provides advocacy and support to communities in the southern half of Horizon Power's service area.

The roles will be developed further to include an expansion of duties in respect to developing power supply contracts with customers and assisting with other local issues.

Horizon Power is expanding its successful stakeholder management model with the recruitment of another three Community and Customer Relations Managers to be based in other regional offices.





*New street lights and underground power along Carnarvon's popular fascine area.*

### Making the Carnarvon power station a better neighbour

Horizon Power commenced works at the Carnarvon power station to achieve noise compliant operations, with the project on schedule for completion in 2009.

At a cost of approximately \$7 million, the project includes the installation of a new generator, radiator and exhaust modifications and the repackaging of five low-noise, portable generators. Together, these alterations will reduce the noise level of the power stations generation, reducing the impact on local residents.

Also included in the project scope is extensive consultation with the Department of Environment and Conservation and the community.

### Underground power project completed in cyclone-prone Port Hedland

All of Port Hedland's overhead distribution powerlines and house connections were converted to underground in October 2007, as a part of the State Government's State Underground Power Project.

Port Hedland was the first town outside of the South West Interconnected System (SWIS) to be included in the project, which was co-funded by the State Government, Horizon Power and Town of Port Hedland.

The project has proven successful, with no major faults recorded in the town, even during the 07/08 relatively quiet cyclone season, since the works' completion. The underground

service has significantly improved the reliability of power supplies in the cyclone-prone town as well as improving safety, aesthetics and property values.

### Carnarvon the second town to receive underground power

Work commenced in November 2007 to underground overhead powerlines in Carnarvon's town centre and the popular Fascine area, as part of a collaborative partnership between Horizon Power and the Shire of Carnarvon. The project was due to be completed at the end of July 2008.

The project involved the installation of underground cables, the removal of overhead electrical infrastructure including wooden poles, reinstatement of footpaths, traffic management and installation of new streetlights.

The undergrounding has enhanced the appearance of the areas and aims to improve the safety, quality and reliability of power supplies for residents and businesses in the area. The work has been very well received by the Carnarvon community.

### Meeting gas supply challenges

Horizon Power's response to the gas supply challenges experienced at the North West Shelf and Varanus Island highlighted the speed and efficiency of the Emergency Management Team in dealing with crises of this nature.

Two separate incidents in the north of the state - a fault at North West Shelf Venture's Karratha Gas Plant on 2 January 2008 and the explosion at the Apache Energy Plant on Varanus Island on 3 June, demonstrated the need for industry to work together to find solutions when the system is vulnerable.

The two incidents dramatically cut gas supplies to Western Australia's power generators, requiring Horizon Power to work with its Independent Power Provider (IPP) partners to source replacement gas supplies and fuel diversity and security measures. Contingency and back up fuel arrangements built into Power Purchase Agreements aided this process.

Through careful planning, Horizon Power was able to maintain supply to its customers with the Horizon Power Control Centre in Karratha managing the North West Interconnected System and relationships with key suppliers and customers.

A regional advertising campaign reminded customers of the business' *Betterways* energy saving ways brochures in which they could reduce their energy consumption, save money and contribute to the resolution of the gas supply problems.

Former Energy Minister Francis Logan with Horizon Power Essential Service Officers; Keith Hunter, Joe Angus and Clint "Minty" Sahanna.



## Delivering social benefits to the communities we serve

### Building capacity in the communities we serve – Aboriginal Communities Training Program

Developing solutions that meet the energy needs of Western Australia's remote Indigenous communities is a key priority of Horizon Power, but the isolation of these remote communities can present challenges for Horizon Power staff with network maintenance and responding to supply problems.

In March 2008, the business introduced the Aboriginal Communities Training Program, which aims to increase Horizon Power's Indigenous workforce and build stronger relationships within the many Indigenous communities within our service area.

The innovative program is designed to train local Indigenous people from a number of the larger isolated and remote Aboriginal communities, to become Essential Services Officers (ESOs). Horizon Power's newly opened Kimberley Regional Office in Broome included facilities for the training centre.

Equipping local community members with the knowledge and skills to carry out basic construction and maintenance work on their communities' electrical networks will ensure electricity supply continuity and avoid the

delays involved in waiting for a linesman to drive long distances.

On completing the two-year training program, the trainee ESOs will receive nationally recognised certificates and will have the opportunity to expand their training to become qualified linesmen. While Horizon Power aims to continue employing the qualified ESOs, this accreditation will allow them employment opportunities throughout Australia.

As a part of the program, ESOs have been provided with trucks, tools and equipment and personal protective equipment, which they will continue to use in their day to day duties once employed by Horizon Power.

At the end of the 2007/08 financial year, Horizon Power was successfully progressing the training of three local community members on the program. The trainees will complete the program by March 2010.

A second group of trainees will be recruited as part of the planned second phase of the Aboriginal and Remote Communities Power Supply Project.

### Aboriginal and Remote Communities Power Supply Project

Phase One of the Aboriginal and Remote Communities Power Supply Project (ARCPSP) was completed in December 2007 when work on the five communities included in the project's scope was completed.

The ARCPSP is a significant project aimed at normalising power supplies in remote Aboriginal communities in the Kimberley.

The remote communities of Beagle Bay, Djarindjin/Lombadina, Warmun, Ardyaloon, Bidyadanga and were included in this first phase of the project.

The project has improved the quality, reliability and affordability of power supplies to the communities. The project involved:

- The construction of five new power stations;
- An audit and upgrade of the distribution network;
- Installation of new streetlights;
- Installation of prepayment electricity meters;
- Retail services to individual customers at the uniform tariff, rather than a 'whole community' payment system; and

- Education on electrical safety, what to do in the event of a power interruption and how to use the prepayment system.

The new power stations use modern generating technology, which reduces noise and air pollutants, and are located away from the communities, which frees up land used by the existing power stations for more valuable community use.

The communities are supplied with electricity at the State uniform tariff and eligible residents are able to receive Commonwealth and State Government subsidies on electricity consumption.

The ARCPSP is a joint project with the Office of Energy, with funding provided by the State Government and Commonwealth Department of Families, Housing, Community Services and Indigenous Affairs.

Horizon Power has recently received approval and funding from the State Government on the terms, timeframes and scope for the next phases of remote Indigenous community power regularisation.

# Review of Operations

## Spreading the safety message in regional schools

Visiting schools to spread the safety message is a pleasure, but also a critical element of our infrastructure projects, particularly when work is taking place near to where school children live and play.

Horizon Power staff visited schools in Ardyaloon, Bidyadanga, Djarandjin/Lombadina and Beagle Bay during work to regularise power supplies and put retail services in place. To help the installation of the new system go as smoothly as possible, education sessions for residents were also held to provide the communities with details of the changeover to the new system.

Beagle Bay's Sacred Heart School Principal John Rose wrote of his appreciation.

*"Please pass on my thanks to the Horizon Power staff for all their assistance throughout the electricity changeover. Everyone has been friendly and helped make the transition as painless as possible."*

## Concessions for regional seniors and disadvantaged Western Australians

Horizon Power, under Government approved schemes, administers various tariff and supply charge concessions for seniors and concession card holders.

The subsidies are:

- Seniors Air Conditioning Rebate – a rebate equivalent to the cost of 200kWh of electricity per applicable month, to offset the costs associated with operating an air conditioner;
- Energy Rebate Scheme – under this scheme, eligible applicants are entitled to reduced fees on meter testing, and rebates on their account establishment fee and supply charge fee;
- Life Support Equipment Electricity Subsidy – available for eligible concession card holders who are dependant on specified life support equipment in their homes; and
- Thermoregulatory Dysfunction Energy Subsidy Scheme – created for financially disadvantaged Western Australians suffering from Thermoregulatory Dysfunction, which limits their ability to control body temperature and causes them to need constant heating and/or cooling in their home.

## Providing tailored retail solutions

Horizon Metering Services (HMS) was established in May 2006 to assist remote Indigenous communities in collecting revenue for their power through the installation of pre-payment meters.

HMS has since successfully completed projects in two Fitzroy Crossing communities and four communities in the Kutjungka region in the Kimberley during the 2007/08 financial year.

The Department of Families, Housing, Community Services and Indigenous Affairs has recently approved funding for a further 11 communities in the Central Desert to receive prepayment meters under HMS.

Horizon Power is currently exploring opportunities for HMS in Halls Creek and has been asked to consider opportunities in South Australia.

## Improvement work continues on town reserve power supplies

Phase Two of the Town Reserves Regularisation Project, a joint project between Horizon Power and the Western Australian Department of Housing and Works, continued during this last year.

The project aims to regularise the power supply arrangements in Aboriginal town reserve communities with the Guda Guda and Warrayu communities in Wyndham having power supplies normalised during 2007/08.

Under the project, Horizon Power:

- Upgrades the existing distribution networks in the communities;
- Upgrades the internal house wiring to a standard that is safe to connect to the network system; and
- Establishes a direct retail arrangement with customers instead of the existing master meter arrangement.

Through the regularisation project, *ReadyPower*, a pay as you go electricity system using prepayment meters, has been introduced into the communities removing the burden of the 'chuck in' payment system that was often difficult for communities to sustain.

Communities planned for work during the 2008/09 financial year include:

- Nambi Road Village in Leonora
- Wongatha Wonganara in Laverton
- Bondini in Wiluna
- Junjuwa in Fitzroy Crossing
- Burawa in Fitzroy Crossing
- Darlgunaya in Fitzroy Crossing
- Bungardi in Fitzroy Crossing

### Horizon Power's commitment to Indigenous Western Australians – our Reconciliation Action Plan

Horizon Power launched its inaugural Reconciliation Action Plan (RAP) 2008 – 2013 in June 2008 to coincide with National Reconciliation Week.

Developed through collaboration by executive members, managers and staff from across the organisation, Indigenous staff and external Indigenous stakeholders, the RAP is based on three main activities – relationships, respect and opportunities – that can make a difference to ensuring young Indigenous people have the same life opportunities as other Australian young people.

The RAP supports Horizon Power's strong commitment to Indigenous Australians and is aligned to the business' existing Strategic Plan 2008 – 2013, which aims to increase customer value through safe, improved and expanded service and build capacity, capability and opportunity to improve the lives of community members we serve.

It is Horizon Power's intention that the RAP will continue to develop and encourage the building of respectful relationships between Indigenous and non-Indigenous Australians, along with the development and implementation of initiatives that have lasting value in Indigenous communities.

### Indigenous Students Work Experience Program begins

Horizon Power's Indigenous Student Work Experience Program (ISWEP) is intended to give high school based Indigenous students the opportunity to gain experience in a number of different fields within Horizon Power's metropolitan and regional locations.

Placements are offered in all of Horizon Power's sites in Karratha, Broome, Kununurra, Esperance, Port Hedland, Carnarvon and Perth (Bentley) providing potential applicants with a range of location options.

Students can choose to work in the areas of administration/reception, accounts, public affairs, community relations, information technology and electrical/field services. The idea behind the program is for students to gain experience in a 'real' workplace environment. This experience will help to equip students for entry into work at the completion of their studies. Students will gain confidence, enhance interpersonal skills and establish potentially valuable work contacts.

### Cyclone and storm advertising campaign

The north-west coast of Western Australia experiences more cyclone and severe storm crossings each year than any other community in the country.

The general public is often unaware of the dangers of downed powerlines and other damaged infrastructure after a cyclone or severe storm and in November 2007, Horizon Power launched a cyclone and storm safety campaign.

The key component of the campaign was the 'Cyclone and Storm Action Plan' – a booklet of safety and preparation tips that customers in both the north and south of the State can refer to in the event of adverse weather.

The campaign was run in two parts, with the first focussing on customers in the north of the State at the beginning of the cyclone season of November to April; and the second to customers in the south in time for winter storms from June to August.

The campaign was a success and is now intended to be an annual campaign.



*Flooding in South Hedland after cyclone George.*



*Esperance coast line.*

## Minimising our environmental impact

### New Marble Bar and Nullagine power stations are the way of the future

Horizon Power continues to seek to minimise the negative environmental impacts of its operations and future projects. In particular, the business focuses on the identification and application of sustainable technologies to lessen environmental impacts, and to ensure that long-term supplies are maintained.

Horizon Power has begun work to establish new power stations at Marble Bar and Nullagine to replace the existing power stations, which have reached the end of their service life, and is incorporating state-of-the-art solar generation and storage techniques. The solar installations used would be the largest of their type in Western Australia.

The power stations will set new benchmarks for hybrid diesel islanded systems with extremely high renewable energy penetration. The solar energy systems used in the design will supply 60 per cent of the annual energy for both towns, saving 412,000 litres of fuel and 1100 tonnes of greenhouse gas emissions each year.

Horizon Power will build, own and operate the hybrid diesel power stations, with PowerCorp Pty Ltd as a development partner, for an estimated total cost of \$23.3 million.

Other benefits include significantly quieter power stations, and the potential to implement energy efficiency programs and education within each community.

Both Marble Bar and Nullagine are similar in size, demand and environment to many of the ten communities being considered as part of Phase Two of the Aboriginal and Remote Communities Power Supply Project. The project therefore provides an excellent opportunity to develop and refine a standard station design for the Phase Two communities.

### Demand Side Management Project

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

- Minimised impact on the environment;
- Reduced operating costs'
- Delayed or reduced capital expenditure requirements; and
- Delivered social benefit and leadership in the areas of energy efficiency, renewable energy generation and general sustainability.

The climatic conditions, the high costs of energy generation within the business' service area and our specific expertise put Horizon Power

in a unique position to establish itself as a national leader in the area of demand side management.

The project has examined the costs of Horizon Power's generation in each district, the generation capacity risks, issues and approaching capital requirements and the opportunities to deploy renewable energy installations.

These assessments have led to the following outcomes:

- Community awareness campaigns to manage energy use more effectively will continue to be rolled out across Horizon Power's service area under the Betterways Program and within the existing resource allocation.
- Four pilot projects have been assessed and are being implemented. The projects are:
  - Mid West Privately Owned Renewables Pilot - increasing the prominence of privately-owned renewable power systems contributing to regional power supplies.
  - Hopetoun New Residential Pilot - taking a sustainable approach to new housing developments.

- Mid West Business Audits and Actions Pilot – working with customers to reduce their power usage.
- Water Corporation Peak Load Scheduling Pilot – working with a major customer to reduce their impact on power demand.

### 'Green' product *GreenSelect* Carnarvon pilot

The *GreenSelect* pilot program in Carnarvon is Horizon Power's first 'green' initiative, created to encourage Horizon Power customers to reduce the emissions associated with their energy use and limit their impact on climate change.

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

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

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The environmental benefits of delivering *GreenSelect* this way are the same as those that would be gained from delivering renewable electricity directly to a customer's home or business.

*GreenSelect* was developed as a response to requests for green energy options from our business and retail customers. Feedback is being gathered regularly to evaluate the success of the program.

### Betterways of promoting efficiency advice

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

The program is currently being promoted through our customer newsletter, *On the Horizon* in addition to targeted newspaper coverage and the *Betterways* energy saving ways brochures on our website. Importantly, the brochures' advice is specific to different areas of the State, so regional customers can tailor their activities to their climate. *Betterways* messages will soon also be printed on customer bills.

With continuing coverage, the *Betterways* campaign will provide our customers with ideas, information, products, services, education programs and events to enable them to make positive energy saving changes.

### Climate change working group GeCO2 changing staff behaviour

Like many organisations, Horizon Power is taking proactive measures to reduce the business' contribution to the raft of emissions that are responsible for the climate change phenomena.

GeCO2, Horizon Power's internal working group, was created to investigate ways the business can change the way it uses energy as a business. The group aims to reduce emissions by changing staff behaviour and identifying opportunities to change the way we operate.

GeCO2 meets regularly to discuss progress on the initiatives it has chosen to pursue and is making progress with several major projects and a real shift in staff behaviour towards environmental issues.

One of the first initiatives rolled out by the group was the installation of video conferencing equipment in each office, to reduce staff's travel requirements.

During 2008, solar heat pump water systems will be trialled in the business' regional locations for potential installation in all Horizon Power owned properties. These water systems were also installed in the new Bentley Administration Centre earlier in the year.

In addition, two non-operational fleet cars have been replaced by low-emission Mitsubishi Colts, with gas powered Lancers to be leased once they are available on the market. As the whole fleet of 17 cars is progressively replaced, this will result in a 53 per cent reduction in CO2 emissions from an average 24.2 kg per 100 km to 11.4 kg per 100 km.

An additional bonus of the fleet car change is a \$4000 reduction, in annual running costs per car; which is a potential \$64,000 reduction in annual running costs for the non-operational fleet.





*Karratha Substation.*



*Kimberley Regional Office, Broome.*

## Supporting regional development

### Building networks in the Pilbara

The North West Interconnected System has developed over an extended period and its successful operation owes much to the cooperation of the major users (in most instances, owners) of the system. It is Western Australia's second largest transmission network, delivering 475 MW across 1200 km of transmission lines.

Driven primarily by demand for energy-intensive magnetite ore, requiring ten times the energy needed for hematite, the development of a sustainable and efficient electricity network in the Pilbara will be a central component of the ongoing development of the region and its continuing contribution to the State's wealth.

Horizon Power's current estimates show that energy consumption in the Pilbara region will treble in size over the coming five to ten years, with base load generation requirements by 2018 expected to reach 3,000 MW (with peak load well in excess). Overall, demand is expected to grow beyond the current consumption of the South West Interconnected System, which is situated in the heavily-populated south-west corner of the State.

Horizon Power and Rio Tinto Iron Ore currently own 80 per cent of the existing network and share a long-standing and positive relationship, and the businesses are well placed to take a leadership role in implementing arrangements that will give clarity and surety to system participants and facilitate sustainable energy solutions.

Horizon Power has been instrumental in coordinating a cooperative framework that ensures network planning is coordinated to optimise capital spend, with a structure put into place to provide a return to network owners.

Once adopted, this cooperative approach will deliver cost savings for all industry participants, environmental benefits (through facilitating construction of efficient generation capacity) and support the development of other industries in the Pilbara, diversifying and strengthening the region's position as an internationally significant industrial centre. This vision is being pursued by Government through the industry reference group administered through the Department of Industry and Resources.

### Coral Bay wind farm further promotes natural power generation

Horizon Power partnered with Verve Energy to build the new wind farm and low-load diesel power station on the fringe of Coral Bay, unveiled in August 2007.

Under the scope of the project, Horizon Power also regularised power supplies, and installed a new metering system and a cyclone-proof underground network.

It was the first time these particular wind turbines had been used in a Western Australian wind farm, and they can be lowered during extreme weather conditions, such as cyclones. The wind farm's three 275kW wind turbines generate approximately 45 per cent of Coral Bay's electricity requirements.

Additionally, Horizon Power and the Water Corporation worked together to ensure the new water plant take maximum use of wind power.

As a result of the project's completion, Coral Bay residents now benefit from highly reliable and safe power supplies at the uniform tariff.

The Minister for Energy congratulated Horizon Power and Verve Energy on another successful partnership and said he believed that using a natural resource to generate power was a

significant contribution to renewable energy in Western Australia.

"This section of the WA coast is earning an international reputation for its pristine environment," he said.

"The use of renewable generating equipment and the construction of an unobtrusive underground power network provides 21st century amenity without impacting on what people flock here to experience."

Coral Bay joins other regional centers including Esperance, Hopetoun, Denham and Exmouth on the list of WA towns using wind to generate part of their power requirements.

### New Kimberley Regional Office opened in Broome

The new Kimberley Regional Office, officially opened in October 2007 by the Minister for Energy, reflects Horizon Power's long-term dedication to the people of the Kimberley and empowers our people to respond to the needs of local customers and is a successful model that we are continuing to use in all local communities within our service area.

The project to construct the new office and the adjacent training centre began in April 2006 and cost a total of \$3.7 million. The buildings

## Review of Operations

were designed by NBC Aboriginal Corporation and constructed by Jaxon Construction and took approximately one year to complete.

The building serves as a customer service centre, an operational area for line workers, and as a training facility for Essential Services Officers, which is a new role created under the Aboriginal Communities Training Program (see page 17).

### Developing partnerships in the communities we serve

Horizon Power is proud to develop and support a broad range of community initiatives throughout regional Western Australia. Community involvement is a natural part of successful business and Horizon Power seeks partnerships where we can contribute to lasting value.

Over the last 12 months Horizon Power supported:

#### Education

- Karratha Youth Festival – part of the Shire of Roebourne's program for listening to community ideas, the Festival's creative arts programs enabled young people to develop film-making, musical and performance skills.
- Carnarvon Primary School
- Wirrapunda Foundation Pilbara Tour
- Riding the Boom Conference

#### Arts and Culture

- Cossack Art Awards – attracts both Pilbara residents and thousands of visitors from across the country to Cossack to experience this wonderful exhibition. In 2008, Horizon Power category sponsored the 'Painting, Abstract/Modern, Oil or Acrylic' category.
- Port Hedland Art Awards – Horizon Power has been a supporting sponsor of the Awards for the past six years and in 2008 sponsored the 'Best Work by a Pilbara Artist' category.
- Lions Club Mango Festival
- Exibald Portrait Prize
- Ord River Muster
- Bizet's Carmen

#### Sport

- Blackrock Stakes – since 1971, the Pilbara Black Rock Stakes wheelbarrow race has raised in excess of \$1 million for local community groups and organisations. Horizon Power has been a long standing event sponsor.
- Esperance District Football Association
- Esperance Squash Open
- Karratha Falcons Football Club
- WA V8 Super Sedan Classic
- Broome Speedway State Titles
- Leonora Golden Gift
- Broome Surf Lifesaving Club
- Esperance Soccer Association

#### Community

- Royal Flying Doctors – in 2007/08 Horizon Power donated a total of \$5,000 to the RFDS.
- Esperance Incident Control Vehicle – used by the volunteer bushfire brigades of Esperance Shire to coordinate the response to any major emergency.
- Meekatharra Festival
- Onslow Hospital
- Shark Bay Arts Council Community Market Day
- Broome Volunteer Sea Rescue Group
- Karratha Chamber of Commerce Business Awards
- Shire of Sandstone Centenary Celebration
- Esperance Agricultural Show
- Laverton Fire Fighters Day
- Esperance Community Crime Prevention Partnership Committee
- Shire of Roebourne Volunteer Recognition Award night
- Australia Day Citizen Awards
- Broome Lioness Teddy Bears Picnic
- Kununurra Agricultural Show
- North West Expo
- Constable Care
- Regional Achievement Community Awards

### Radio astronomy project to benefit both State and global communities

Horizon Power is assisting with developing the strategy for power supply requirements for the most significant radio astronomy project ever developed.

Australia and South Africa are in the running to be the site for the Square Kilometre Array (SKA) project - an international, next generation radio astronomy project that will be 50 times more powerful than the world's largest existing telescope.

This groundbreaking initiative will enable astronomers to see the formation of the early universe, including the emergence of the first stars, galaxies and other structures. It will shed light on the birth of the cosmos and revolutionise many areas of astronomy.

The SKA footprint is within Horizon Power's regional supply area, specifically within the Shire of Murchison. Its isolation and lack of noise pollution have made it one of the few places in the world that is suitable for the project.

In collaboration with CSIRO and a number of industry groups, Horizon Power is focussing on renewable and green energy options in the tailoring of energy systems for the project. As part of the bid for the project, the Australian SKA Pathfinder (ASKAP) will be built to represent one percent of the total SKA project.

In 2011, an international consortium will make a final decision on the location of the SKA. If Australia is chosen, the project offers significant knowledge benefits and business opportunities for the immediate area, for the state and the wider global community.

*James Fowke, Distribution Worker, Carnarvon.*





*Bentley Administration Office.*

## Building the value of the business

Horizon Power is striving to develop a corporate culture where there is a zero tolerance of activities or situations that have the potential to cause harm.

Despite an excellent long-term safety record, Horizon Power is determined to break new ground in sustainable safety performance.

### New measures for on-the-job risks

Job Risk Assessments (JRAs) work towards creating a safe work environment by systematically applying management policies, procedures and practices to the tasks of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risk.

Early in 2008, this process was recommended by line crews in the Stop and Consider Safety Workshops. A working group, consisting of both line crews and management, was assembled to decide on a process and promote it to staff with training.

JRAs confirm that risks associated with the identified hazards are assessed and that appropriate control measures are implemented prior to, and during, every job. Each crew member fills out a standardised form – created by the working group – that will be used to assess and manage the risks associated with the job they are to undertake.

This new and vital process applies to all Horizon Power employees, contractors and visitors and is mandatory for all operational work.

### Developing Horizon Power's leadership ability

Building the skills of Horizon Power's leadership team is an important element of Horizon Power's drive to achieve employee engagement and add a sense of shared leadership throughout the business.

The Effective Shared Leadership Program comprises four days training held over two separate two-day workshops. It aims to equip managers with the tools, techniques and support to build the desired culture of Horizon Power. It also provides training on how to effectively manage people and increase their leadership capability.

The modules in the program are focussed on leading through accountability, communication, collaboration, innovation and focus.

The objectives are to develop:

- Leaders who understand their roles in creating the future for Horizon Power;
- Skilled inspirational and managerial leaders;

- Leaders who embody Horizon Power's way of working;
- Staff skilled in new processes, systems and procedures;
- An engaged, motivated, capable and committed workforce;
- Staff who live the values through demonstrable behaviours; and
- High performance teams that achieve the business outcome.

The knowledge gained from this training will work towards enhancing our people management skills. It will also translate across the business as we increasingly embrace the notion of Effective Shared Leadership to achieve improved and innovative business outcomes.

### Actions from specialist safety review near completed

Following feedback provided by a specialist safety consultancy last year, Horizon Power's Corporate Safety Committee developed and began implementing a safety strategy to address the four key areas of:

- The role and engagement of the leadership team;
- The conduct and effectiveness of workplace safety meetings;

- The consistency and communication of safety framework documentation; and
- The re-invigoration of front-end safety behavioural systems.

These areas have been addressed through the following:

- 'Stop and Consider' safety behaviour workshops attended by all staff;
- Safety leadership program;
- Safety is a now key component of every Executive performance meeting;
- Safety performance plans have been added to all employees Personal Appraisal Learning and Development Plans (PALDPs);
- General Managers and/or Managers participate in all safety meetings and workplace inspections;
- The Corporate Safety Committee conducts a quality rating on all safety meetings;
- Improved communications through more meeting groups, video conferencing and engagement training for General Managers; and
- First annual Horizon Power Safety Representative Conference held in early 2008.

# Review of Operations

## Corporate Safety Committee continues to change business behaviour

Horizon Power's Corporate Safety Committee continues to promote safety as a business value and is rapidly rolling out new initiatives across the business to address identified safety and health issues.

Some of the initiatives completed during the 2007/08 financial year include:

- Code of Conduct;
- Vehicle Emergency Kits – kits containing emergency equipment issued to all fleet and light commercial operational vehicles;
- Improved communication across the business regarding safety issues, with the Corporate Safety Committee attending quarterly video conference meetings;
- Skin cancer checks – Skin Patrol conducted skin cancer checks for all interested staff right across the business and provided additional advice when necessary; and
- Awarded all staff with first aid kits, after the successful completion of one year Lost Time Injury (LTI) free.

Current initiatives:

- Conference for Horizon Power safety representatives;
- Non-negotiable safety requirements;
- 5S behaviour based safety values;
- HBF staff health assessments;
- Job Risk Assessments (page 37);
- Safety leadership program for operational leaders;

- Fit for Work Policy;
- Chem-alert, a dangerous goods database accessible by all staff;
- Cintellate, an on-line hazard and incident reporting tracking system; and
- Medical Emergency Response Plans for all regional and isolated Horizon Power offices.

## New Bentley offices incorporate new technologies

In June 2008, Horizon Power's Project Aurora accommodation team relocated Perth and Kewdale staff to new offices in Bentley Technology Park.

The open plan office was designed to create an environment in which people can collaborate, communicate and consult with each other in a more open way. The design took into account the input that was received from each division, team representatives and advice from the architect. While the aesthetics and working productivity of the building were taken into account, feedback showed that staff considered environmental factors important in the design and construction of the offices. Some of the environmental features of the offices include:

- An energy efficient, heat pump, hot water system;
- Chairs and desks manufactured from recycled components and are 90 per cent recyclable at the end of their life;
- Air conditioning units using more efficient 'inverter technology';
- Recycled rubberised floor treatments;
- Water efficient taps;

- Teleconference/video conference facilities in every meeting room (increasing the ability of staff in different locations to contact regularly without travelling);
- Recycle bins for each desk;
- Waterless urinals;
- Water-based paints (no volatile organic compounds);
- Printers using 'swipe card' technology to reduce the amount of paper wasted;
- R3.0 insulation batts to reduce energy bills;
- Double glazed windows to reduce heating and cooling costs;
- Energy efficient lighting;
- Smart building design to allow natural ventilation of the building roof space, to reduce heating and cooling costs; and
- Window treatments on exposed windows to reduce the heat gain.

## Attraction and retention initiative

Industry-wide labour shortages have affected Horizon Power's ability to recruit staff into positions in Perth and particularly, in our regional area. Wage pressures have also put a strain on the business' ability to retain staff in an environment of competition for qualified tradespersons along with other skilled operational and management people.

The Attraction and Retention initiative arose from Horizon Power's need to develop innovative ways to attract and retain quality staff. By presenting an innovative 'pay and conditions' package, the business is able to compete with the high salaries offered by the

resource industry while leveraging, to a greater extent, the intrinsic benefits of working with Horizon Power.

Specific proposals outlining improvements to training, contractor inclusion, workforce planning, succession planning, induction and employee consultation were unanimously endorsed by Executive and the People Services team is developing these initiatives further.

## Committed to regional capacity building

Horizon Power has this year employed six new trainee linespeople. The new trainees are from Esperance, Carnarvon, Karratha and Broome. An additional three local Indigenous trainees have been recruited as a part of the Aboriginal Communities Training Program (page 25).

Employing local trainees is beneficial for both Horizon Power and the communities the trainees are from, as it develops capacity and capability in regional communities that would not otherwise be developed by bringing new employees into a town.

Horizon Power's experience suggests that staff are more inclined to stay working in their local community than those that come into a town for work, a valuable benefit given tight labour markets.

In October, the business will hold its first graduation ceremony for six additional Horizon Power trainees, and a second ceremony for three others in early 2009.

### Using experience to our advantage

Horizon Power values the vast experience of our staff, many who have been involved in the WA energy industry since SECWA was established.

Twenty-seven staff reached important milestones in April 2008, when they were presented with awards for 10, 15, 20, 25, 30, 35 and 40 years of service in the energy industry.

Years of service	Number of staff
10	3
15	2
20	9
25	4
30	1
35	6
40	2

The event was Horizon Power's second service awards ceremony and also celebrated the efforts of those who had made significant contributions in the areas of Safety, Engagement, Agility and Professionalism.

Recipients of these four staff awards were determined by peer nomination and demonstrated the behaviours that Horizon Power believes will take us where we need to go as a business. The positive response to the inaugural awards confirms their prestige which will grow in the ensuing years.



# KEY STATISTICS

## Network assets

Transmission lines	443 km
Distribution lines	
- High voltage overhead	2,540 km
- High voltage single phase	2,604 km
- Low voltage overhead	2,231 km
Distribution cable (underground)	
- High voltage	358 km
- Low voltage	517 km
Total transformer capacity	485,060 kVA
Number of streetlights	12,872

## Employment

Division	Full time employees (FTEs)
Office of the Managing Director	9
Governance and Legal	15
Commercial and Strategy	10
Network Customer Services	114
Finance and Corporate Services	28
Generation and Technical Services	48
Retail	15
Public Affairs	12
<b>Total</b>	<b>251</b>

## Performance indicators

Performance indicators (rolling 12 months)	Target	Actual
<i>Social benefit</i>		
SAIDI: System outage duration	Less than 245	318
SAIFI: Frequency of outages	Less than 5	6.67
CAIDI: Duration of customer outages	Less than 49	47.68
Complying towns	Greater than 26/34	25
Corporate reputation index (per cent)	Greater than 70	73
Employee perception survey rating (per cent)	Greater than 79	79
Leadership survey rating (per cent)	Greater than 70	73
<i>Customer value</i>		
Achievement of Service Standards (per cent)	Greater than 90	96
Average unit cost (cents/kWh)	25.56	27.32
Average selling price (cents/kWh)	14.53	14.98

## Safety targets

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

2007/08 financial year	Target	Actual
<b>Lost Time Injuries (LTIs)</b>	0	4
<b>Medical Frequency Rate</b>	17	18.8
	(equates to four LTIs and five other medical treatments)	
<b>Public Safety Incidents</b>	9	0

## Electricity generation and sales (kWh)

Power Station	Generated Power (kWh)	Wind Power Generated (kWh)	Purchased Power (kWh)	Total Power Purchased / Generated (kWh)	Used in Works (kWh)	Sent Out (kWhs)
Ardayaloon			1,351,451	1,351,451	-	1,351,451
Beagle Bay			857,679	857,679	-	857,679
Bidyadanga			2,273,794	2,273,794	-	2,273,794
Broome	34,146,103		97,010,950	131,157,053	921,100	130,235,953
Camballin	-		2,451,809	2,451,809	-	2,451,809
Carnarvon	47,963,968			47,963,968	1,633,033	46,330,935
Coral Bay			2,364,021	2,364,021	-	2,364,021
Cue	-		2,108,485	2,108,485	-	2,108,485
Denham	3,339,237	2,092,807		5,432,044	67,337	5,364,707
Derby	18,798,200		12,137,161	30,935,361	811,705	30,123,656
Djarindjin/ Lombadina			1,073,935	1,073,935	-	1,073,935
Esperance	-	17,357,912	52,950,600	70,308,512	183,749	70,124,763
Exmouth	-		24,418,255	24,418,255	-	24,418,255
Fitzroy Crossing	9,050,856		3,208,359	12,259,215	53,711	12,205,504
Gascoyne Junction	-		632,105	632,105	-	632,105
Halls Creek	6,319,948		3,486,457	9,806,405	186,498	9,619,907
Hopetoun	-	2,129,285	3,262,612	5,391,898	16,637	5,375,261

Power Station	Generated Power (kWh)	Wind Power Generated (kWh)	Purchased Power (kWh)	Total Power Purchased / Generated (kWh)	Used in Works (kWh)	Sent Out (kWhs)
Kununurra	392,026		53,811,454	54,203,480	1,778,572	52,424,908
Lake Argyle	-		374,567	374,567	-	374,567
Laverton	-		4,272,261	4,272,261	-	4,272,261
Leonora			9,143,730	9,143,730	-	9,143,730
Marble Bar	2,250,932			2,250,932	14,367	2,236,565
Meekatharra	-		7,043,199	7,043,199	-	7,043,199
Menzies	-		620,324	620,324	-	620,324
Mount Magnet	-		4,408,581	4,408,581	-	4,408,581
Norseman			4,673,041	4,673,041	-	4,673,041
Nullagine	1,157,518			1,157,518	43,093	1,114,425
Onslow	13,436		5,307,425	5,320,861	13,102	5,307,759
Sandstone	-		762,058	762,058	-	762,058
Warmun			2,141,944	2,141,944	-	2,141,944
Wiluna	-		2,615,186	2,615,186	-	2,615,186
Wyndham	139,725		8,076,435	8,216,160	67,414	8,148,746
Yalgoo	-		891,839	891,839	-	891,839
NWIS	-		379,237,300	379,237,300	-	379,237,300
<b>TOTAL</b>	<b>123,571,949</b>	<b>21,580,004</b>	<b>692,967,017</b>	<b>838,118,971</b>	<b>5,790,318</b>	<b>832,328,653</b>

## Key Statistics

### Environmental performance

Horizon Power is committed to delivering a quality, reliable, electricity supply in an environmentally sustainable and responsible manner.

The business recognises that innovative programs and ongoing management procedures must protect the rights of future generations to a sustainable and diverse natural environment. Horizon Power looks for every opportunity to enhance environmental performance and to contribute to sustainable practices.

Horizon Power is committed to measuring environmental actions as a way of improving our performance, allocating resources efficiently and identifying areas of weakness. Environmental performance is tracked using a number of performance indicators.

### Greenhouse gas emissions

Horizon Power's key performance indicator for greenhouse gas emissions is carbon intensity (kg CO<sub>2</sub>e/kWh). The carbon intensity of different activities can be measured and compared from year to year. The key activity that Horizon Power measures using carbon intensity is the generation of electricity in power stations we own.

The 2007/08 financial year is the first year the business has calculated the average carbon intensity of the electricity we purchase to on-sell. In another first over the last year, we have calculated the average carbon emission associated with purchasing a kilowatt hour (kWh) from a generator and selling it to a customer. This is shown under the 'Transmission and distribution carbon intensity' heading below.

Greenhouse gas emissions by scope	Tonnes of CO <sub>2</sub> Equivalents
Scope 1 (Direct emissions)	85,038
Scope 2 (Indirect emissions)	31,888
Scope 3 (Further indirect emission)	561,133

Of Horizon Power's Scope 1 emissions, 84,069 tonnes were emitted during the combustion of fuel in our power stations. The remaining 969 tonnes were emitted from our vehicle fleet.

The business' Scope 2 emissions were primarily due to losses in transmission and distribution networks. This accounted for a total of 31,419 tonnes, while the remaining 469 tonnes were associated with electricity consumed in our depots and office buildings.

The Scope 3 emissions are almost entirely related to buying electricity from an Independent Power Provider (IPP) and selling it to a customer. 546,364 tonnes were calculated for this category of emissions.

Performance Indicators	Kgs of CO <sub>2</sub> Equivalent per kWh
Horizon Power power stations carbon intensity	0.750
Retailed power carbon intensity	0.808
Transmission and distribution carbon intensity	0.046

Horizon Power sold a total of 803 GWh in electricity during the reporting period.

Environmental licenses held by Horizon Power	Number
Western Australia Department of Environmental Protection License	1
Department of Industry and Resources License to Store Dangerous Goods	7

### Atmospheric emissions

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

Performance Indicator	Total tonnes	kgs/MWh
Sulphur Dioxide emissions by regional power stations	233	00.16
Nitrogen Oxides emissions by regional power stations	2,317	16.07

## Contaminated sites

The Contaminated Sites Act 2003 requires Horizon Power to report to the Department of Environment and Conservation (DEC) all sites known or suspected to be contaminated.

Horizon Power has reported 28 sites to the DEC under the Act and some of these sites have since been classified by the DEC under the following headings.

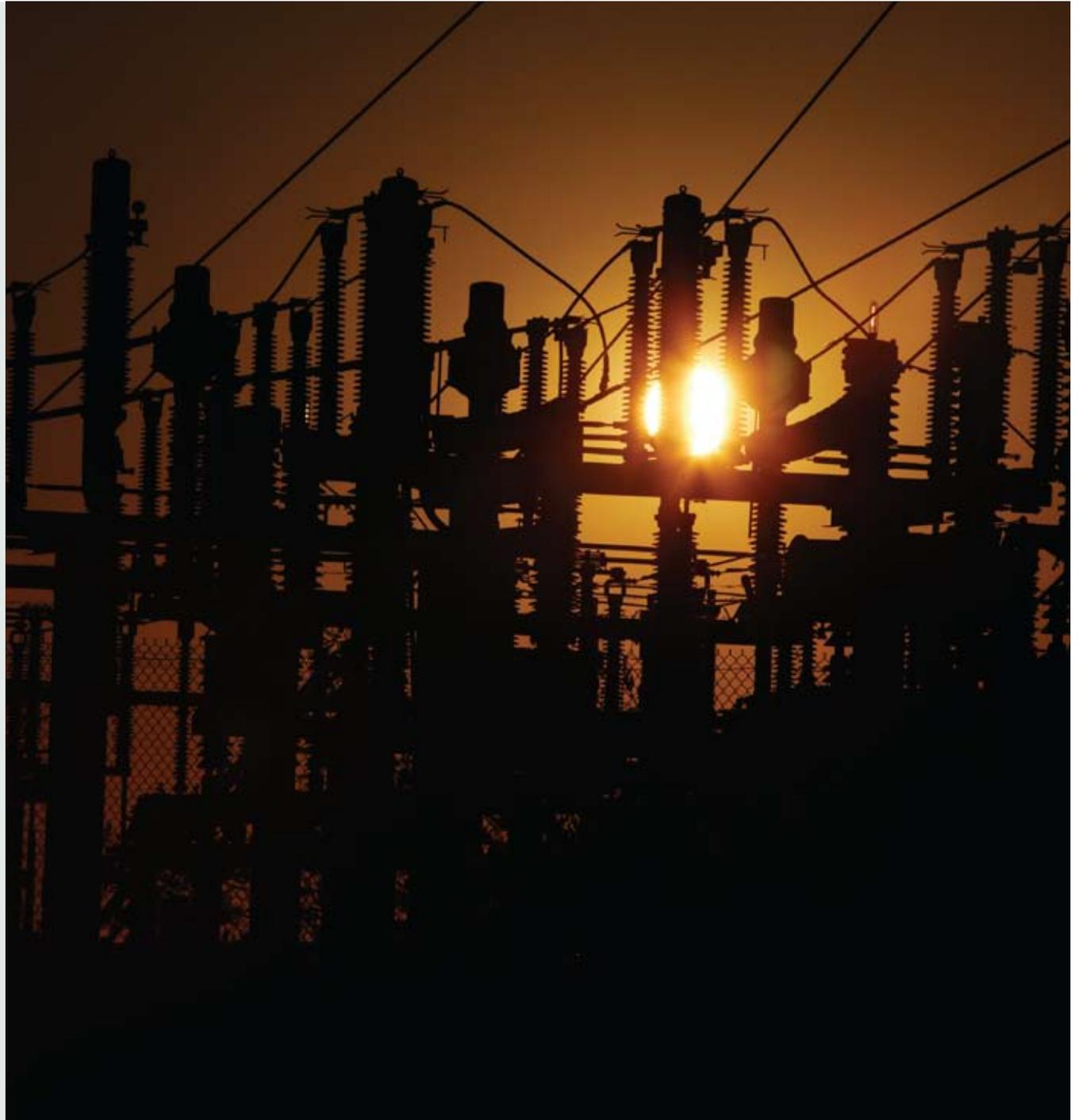
*Contaminated Remediation Required:* Exmouth, Esperance, Wittenoom, Derby, Wiluna

*Remediated – Restricted use:* Menzies

*Possibly contaminated – Investigation Required:* Onslow, Marble Bar, Laverton

The remaining 19 reported sites have not yet been reviewed.

Horizon Power maintains a close working relationship with the DEC and is committed to the careful remediation of all contaminated sites. The business has made significant progress in characterising contamination at sites across the State and 26 sites have been the subject of some degree of environmental investigation. In the past year, Horizon Power has undertaken eight Quantitative Risk Analyses, four Detailed Site Investigations and many other sampling and monitoring events.



# CORPORATE GOVERNANCE

## Governance Framework

A Governance Framework was developed and implemented during the year, and provides the 'running rules' that support the business by:

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

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

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

## Board of Directors

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

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

## Directors



### *Brendan Hammond (Chairman)*

Brendan has a wealth of experience, having worked in large mining corporations for most of his career, and until recently served as Managing Director of Argyle Diamond Mines in Western Australia.

Brendan is also Chairman of the Dampier Port Authority and in the role of Developments Approval Officer provides advice to the Government on the improvement and acceleration of processes for consideration of major development projects.

As a board member of the WA Community Foundation he has a strong involvement in community and Indigenous activities, art, health and learning.



### *Alan Dundas (Deputy Chairman)*

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

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

As a board member of the WA Community Foundation he has a strong involvement in community and Indigenous activities, art, health and learning.



### *Peter Yu*

Peter owns a consultancy company and specialises in providing strategic policy advice at the senior executive level in both the public and private sectors.

He has a strong interest and involvement in Indigenous governance, and in promoting the development of commercial partnership relationships between corporate and Aboriginal interests.

Past roles have included positions with the Kimberley Land Council and the Kimberley Development Commission. Peter's term as Director finished on 30 June 2008.



### *Susan Bradley*

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

She has lived in the Kimberley for more than 35 years and held positions including the Wyndham-East Kimberley Shire President, Chair of the Ord Development Study, Inaugural Chairman of the Kimberley Development Commission and Chair of the Kimberley Regional Water Resources Development Study.

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



### *Tony Chilvers*

Tony is a solicitor with his own Karratha-based legal practice. He has lived and worked in the north west of Western Australia for more than 22 years and has a demonstrated knowledge of the concerns and interests of both residents and small businesses in the region.

Tony has a strong commitment to the development of the Pilbara region, and to improving services and benefits to the communities in the north west of Western Australia. Tony's term as Director finished on 30 June 2008 but he will continue as a consultant to the Audit and Risk Management Committee until 30 September 2008.



### *Rod Hayes (Managing Director)*

Rod has 11 years of experience in Australia's utilities sector and a record of strong and dynamic leadership.

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

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

Rod is a Fellow of the Australian Institute of Management.

### Company Secretary



### *Pete Feldhusen (Company Secretary)*

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

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

Pete joined Horizon Power from Western Power, where he held the position of Manager Finance and Corporate Services for the Regional Business unit, before which he was Manager Risk Assurance and Audit for Western Power Corporation.

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

### Special Advisor to the Board



### *Angela Riley (Special Advisor to the Board)*

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

# Corporate Governance

## Attendance at Board meetings

The Board meets bi-monthly, however there are a number of circular resolutions during the year which are also counted as meetings.

Board Meetings		
	A	B
Mr Brendan Hammond (Chairman)	13	16
Mr Alan Dundas (Deputy Chairman)	16	16
Mr Peter Yu	11	16
Ms Susan Bradley	15	16
Mr Anthony Chilvers	14	16
Mr Rod Hayes	15	15

**A** – Number of meetings attended.

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

## Declarations of Interest

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

Horizon Power Directors' Terms of Appointment		
Director	Appointed	Expires
Brendan Hammond (Chairman)	1 Dec 2005	21 Mar 2009
Alan Dundas (Deputy Chairman)	1 Apr 2006	31 Mar 2009
Peter Yu	1 Apr 2006	30 Jun 2008
Susan Bradley	1 Apr 2006	30 Jun 2007
Second Term	1 Aug 2007	30 Jun 2008
Third Term	1 Jul 2008	30 Jun 2010
Tony Chilvers	1 Apr 2006	30 Jun 2007
Second Term	1 Aug 2007	30 Jun 2008
Third Term (as Consultant to ARMC)	1 Jul 2008	30 Sep 2008
Rod Hayes (Managing Director)	30 Jan 2006	30 Jan 2008
Second Term	1 Feb 2008	29 Jan 2009
Consulting to the Board		
Angela Riley (Chair Audit and Risk Management Committee)	18 Apr 2006	31 Mar 2007
Second Term	1 Apr 2007	30 Jun 2008
Third Term	1 Jul 2008	30 Jun 2009
Anthony Chivers (Audit and Risk Management Committee)	1 Jul 2008	30 Sep 2008

## Audit and Risk Management Committee

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

Specialist adviser, Angela Riley, who has a strong financial and auditing background, chairs the Committee and along with Peter Yu and Tony Chilvers, make up the membership of the ARMC.

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

Specialist Advisor Rob Kirby who has a strong auditing background, also attends ARMC meetings.

## Financial Reporting

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

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

## Internal Control and Risk Management

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

## Composition of ARMC

The ARMC comprises:

- Angela Riley, Chair
- Alan Dundas (to October 2007)
- Peter Yu
- Tony Chilvers (from December 2007 – present)

ARMC meetings in the 2007/08 financial year were attended by:

- Rod Hayes, Managing Director
- Tony Cocks, General Manager Finance and Corporate Services
- Pete Feldhusen, Company Secretary, General Manager Governance
- Andrew Georgiades, Manager Risk and Audit
- David Tovey, Assistant Company Secretary
- Rob Kirkby, Special Advisor to the ARMC

## ARMC Meetings Attended

Audit and Risk Management Committee Meetings		
	A	B
Mr Alan Dundas	1	2
Mr Peter Yu	4	6
Ms Angela Riley *	6	6
Mr Tony Chilvers	4	4

**A** – Number of meetings attended.

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

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

## Remuneration report

### Principles used to determine remuneration

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

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

### Key Management Personnel Remuneration

Horizon Power's compensation policy is designed to:

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

# Corporate Governance

## Non-Executive Directors

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

## Managing Director and Executives

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

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

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

## Details of compensation

Year ended 30 June 2008

Non-executive Directors' remuneration	Cash salary and fees	Superannuation	Total
	\$	\$	\$
B Hammond	95,000	8,550	103,550
A Dundas	60,000	5,400	65,400
P Yu	45,000	4,050	49,050
S Bradley	45,000	4,050	49,050
T Chilvers	45,000	4,050	49,050
<b>Total</b>	<b>290,000</b>	<b>26,100</b>	<b>316,100</b>

Year ended 30 June 2008

Executives' Remuneration	Cash salary and fees	Performance pay	Non monetary benefits	Super-annuation	Total
	\$	\$	\$	\$	\$
R Hayes	369,614	92,880	130,735	34,045	627,274
T Cocks (include redundancy payment)	481,026	29,051	-	22,651	532,728
P Feldhusen	195,138	23,929	-	20,338	239,405
M Laughton-Smith	194,982	35,467	-	22,870	253,319
D McDonald	200,639	47,294	43,259	18,057	309,249
D Martin	157,492	15,932	-	14,377	187,801
F Tudor	212,623	47,356	-	19,136	279,115
Z Wilk	257,205	42,516	106,982	22,296	428,999
<b>Total</b>	<b>2,068,719</b>	<b>334,425</b>	<b>280,976</b>	<b>173,770</b>	<b>2,857,890</b>

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

- B Hammond - Chairman
- A Dundas – Deputy Chairman
- P Yu – Director
- S Bradley - Director
- T Chilvers - Director

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

- R Hayes – Managing Director
- T Cocks – General Manager Finance and Corporate Services
- M Laughton-Smith – General Manager Generation and Technical Services
- D McDonald – General Manager Retail
- D Martin – General Manager People and Public Affairs

- F Tudor – General Manager Commercial and Strategy
- Z Wilk – General Manager Network Customer Services
- P Feldhusen – General Manager Governance and Legal, Company Secretary
- D Tovey – Assistant Company Secretary

## Indemnification of Directors

During the financial year the Directors' and Officers' Liability Insurance Policy was obtained to ensure that the Directors and Officers of the Corporation had adequate coverage.

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

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

## Corporate compliance disclosures

### Electricity licences

The licensing framework in the Electricity Act 2004 (WA) came into operation on 1 January 2005, and consequently an electricity supply licence is required for participants in the electricity industry who generate, transmit, distribute or sell electricity.

The licence (EIRL 2) is granted by the Economic Regulation Authority (ERA). The commencement date was 30 March 2006 and the expiry date is 29 March 2036.

The principal functions of Horizon Power are:

- to generate, purchase or otherwise acquire electricity from sources of energy, including renewable sources;
- to manage, plan, develop, expand, enhance, improve and reinforce electricity transmission and distribution systems, and provide and improve electricity transmission and distribution services; and
- to supply to consumers electricity and services which improve the efficiency of electricity supply.

Horizon Power also performs other duties as described in the Act in accordance with prudent commercial principles and must endeavour to make a profit to maximise its long-term value.

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

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

### State Records Act 2000

Horizon Power maintains and supports quality record-keeping practices in its day-to-day business activities. The function of managing records resides within the Finance and Corporate Services Division of Horizon Power. During the year Horizon Power's Record-Keeping Plan was updated and submitted to the State Records Office and subsequently approved by the Minister for Energy.

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

### Western Australian Electoral Act 1907

In accordance with the requirements of Section 175ZE of the *Western Australian Electoral Act 1907*, the following information in respect to expenditures (excluding GST) incurred by, or on behalf of, Regional Power Corporation during the financial period ended 30 June 2007 is as follows:

Advertising agencies	\$162,630
Market research organisations	\$41,200
Direct mail organisations	-
Media advertising organisations	\$184,747

### Freedom of Information Act 1992

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

### Disability Access Disclosures

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

# Corporate Governance

## Public Interest Disclosures

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

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

There were no Public Interest Disclosures during the year.

## Observance of the Code of Conduct for Horizon Power

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

The Board confirms that consistent with Section 31 of the Act, Horizon Power's Code of Conduct was developed after consultation with staff and the Commissioner for Public Sector Standards and was adopted by the Board at its meeting on 18 October 2006. The Code of Conduct was revised and signed off by the Board during September 2007.

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

As at 30 June 2008, there were two reported incidents that breach the Code of Conduct.

## Environmental regulations

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

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

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

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

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

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

## Financial performance

Horizon Power ended the year at a net profit after tax of \$1.5 million down from the prior year's profit of \$4.9 million. The key drivers for the variance are shown in the graph shown opposite.

Overall, the resource boom contributed to increased electricity sales in the North West Interconnected System (\$6 million), along with an increase in developer and customer driven works. However, completion of these works has been carried over to the next financial year, resulting in lower revenue recognised in comparison to the prior year.

Community Service Obligations (CSO) and other revenue increased this financial year as a result of the completion of phase one of the Aboriginal and Remote Communities Power Supply Project, Coral Bay project and settlement of claims.

Cost and demand pressures led to increased costs for labour and materials of \$7.5 million to deliver Horizon Power's work program.

During the year, a number of new Power Purchase Agreements were recognised as finance leases in accordance with the relevant accounting standards. These include agreements for the supply of energy to the West Kimberley region, Coral Bay, Hopetoun, Denham and the five Aboriginal remote communities of Warmun, Ardyaloon, Djarindjin/Lombadina, Beagle Bay and Bidyadanga.

The accounting of these agreements as finance leases resulted in approximately \$21.6 million of additional interest and amortisation from the prior year.

Also during the year, supply agreements for Esperance Power Station and the gas pipeline were reviewed and resulting changes led to the derecognition of these agreements as finance leases. The reversal resulted in an accounting revenue of \$7.2 million.

Accounting adjustments for decommissioning provisions and fair value of derivatives is the remaining major driver for the changes.

Capital expenditure for the year was \$73.2 million.

Capital employed was \$633 million, an increase of \$272.1 million compared to the prior year. Capital employed includes interest bearing liabilities of \$508.1 million, reflecting an increase of \$265 million against the prior year, mainly as a result of finance leases.

Further information on the operations of the business is available from the body of this report.

## Dividends

No dividends have been paid or recommended in respect of the period ended 30 June 2008.

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

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

## Significant events after Balance Date

### Resignation of Board Members and replacements

Peter Yu's term as Director finished on 30 June 2008.

Tony Chilver's term as Director finished on 30 June 2008, but he will continue as a consultant to the Audit and Risk Management Committee until 30 September 2008.

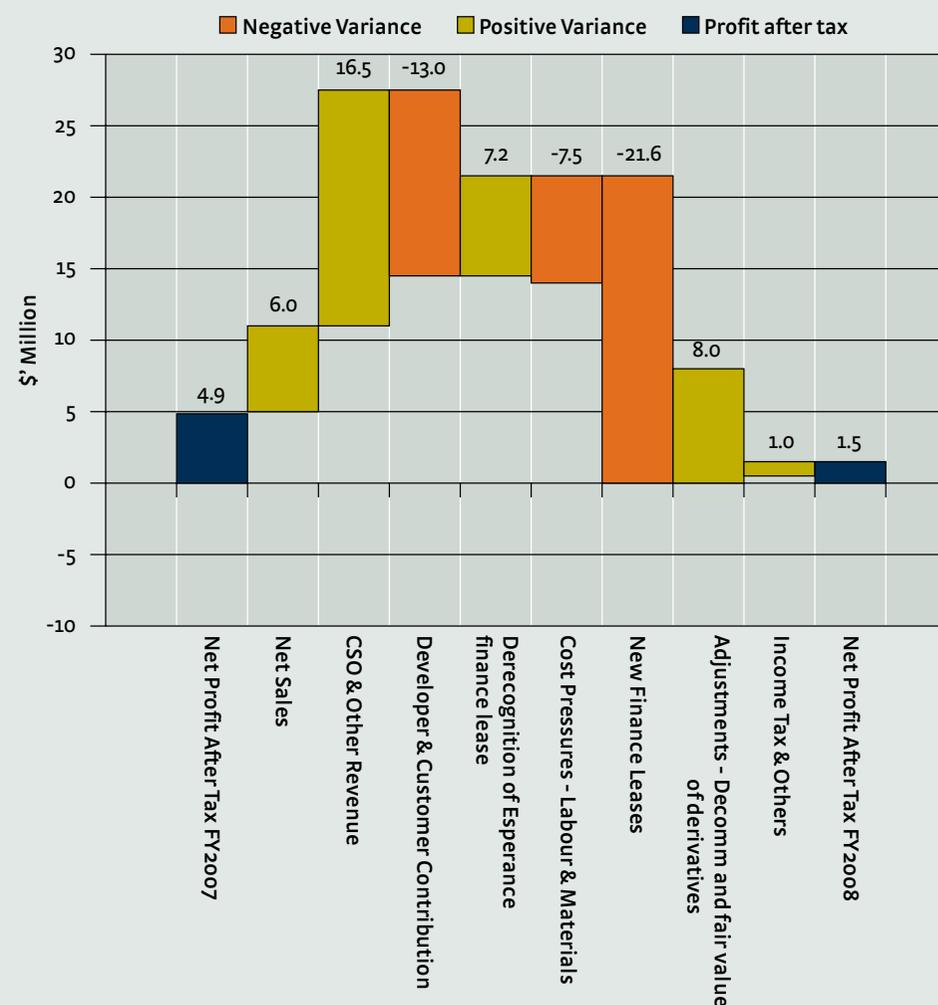
Nicole Lockwood and Robert Eagle were appointed as Board Members on 1 July 2008.

### Likely developments and future results

Horizon Power forecasts no events likely to have a deleterious impact on the effective and efficient operation of the business.

During the 07/08 Horizon Power expects to undertake the normalisation of a further three remote indigenous communities in the Kimberley region.

## Key Drivers for Change to NPAT 2006/7 to 2007/8



# DIRECTOR'S DECLARATION

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

In the opinion of the directors:

- (a) the financial statements and notes of the Corporation are in accordance with Schedule 4 of the Electricity Act 2005, including:
  - (i) giving a true and fair view of the Corporation's financial position as at 30 June 2008 and of its performance for the 12 month period ended on that date; and
  - (ii) complying with Accounting Standards, AASB Interpretations and Corporations Regulations; and
- (b) there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

On behalf of the Board



BRENDAN HAMMOND  
Chairman



ALAN DUNDAS  
Deputy Chairman

9 September 2008





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