



ANNUAL REPORT  
2011/12

**HORIZON**  
POWER

# Contents

About us	1
Fast facts	2
Horizon Power supply area	3
Executive summary – Horizon Power’s performance	4
Performance overview	6
Chairman’s report – Energy for life	8
Managing Director’s report	10
Operational performance report	14
Securing our future – Horizon Power’s structure and strategy	18
Business highlights – Powering the Pilbara	20
Business highlights – Improving reliability and safety in Aboriginal communities	24
Business highlights – Upgrades and transformations	28
Environment	30
Key statistics	34
Directors’ report	36
Directors’ report – Governance disclosures	41
Directors’ declaration	48



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# About us

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

What sets Horizon Power apart is our regional presence and ability to deliver safe, reliable and affordable services in the most challenging of environments. Our service area is approximately 2.3 million square kilometres, one of the biggest areas in the world, with the least amount of customers; there is one customer for every 535 square kilometres of terrain.

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

Our interconnected and isolated systems are exposed to intense heat and cyclonic conditions in the north, and ravaging storms in the south.

These are just some of the challenges that drive the innovation and commitment of our professional and highly engaged team of employees.



Horizon Power's commitment to regional Western Australia is to create intergenerational assets – tangible and intangible assets that add value beyond the current planning period and operational lifecycle – from maximising the social, environmental and economic benefit for the company and the communities in which we operate. We are focused on creating value beyond the current generation.

By connecting communities to efficient power supplies, we are improving the quality of life for people in communities throughout remote and regional Western Australia. We are also creating opportunities to assist in the development of these communities, whether it is through providing employment opportunities, sponsoring community events or education initiatives.

As we go about our business, the protection of the environment and Western Australia's rich cultural heritage is at the forefront of our planning processes. In all we do, the safety of the public, our employees and the environment sits above everything else.

To meet these objectives, Horizon Power continues to provide leadership and develop quality relationships with stakeholders to achieve the best possible outcomes for regional Western Australians.

# Fast facts

**44,971**

*customer connections*

supplying more than  
100,000 residents and  
8,000 businesses

**82,587**

*customer calls*

in 2011/12

**\$1.2 billion**

*in assets*

**7,299 km**

*of overhead and  
underground transmission  
and distribution lines*

**1,780**

*new customer  
connections in  
2011/12*

**38**

*isolated networks and two  
interconnected systems*

including the North-West Interconnected  
System (NWIS) in the Pilbara and the  
East Kimberley Interconnected System,  
a transmission network including  
Kununurra, Wyndham and Lake Argyle

**2.3 million km<sup>2</sup>**

*service area*

which includes the Kimberley,  
Pilbara, Gascoyne, Mid-West and  
Southern Goldfields (Esperance,  
Hopetoun and Norseman)

# Horizon Power Supply area



# Executive summary

## Horizon Power's performance

Horizon Power provided reliable power supplies in 2011/12, with 29 out of our 38 systems meeting reliability targets despite the challenges of a number of severe weather events.

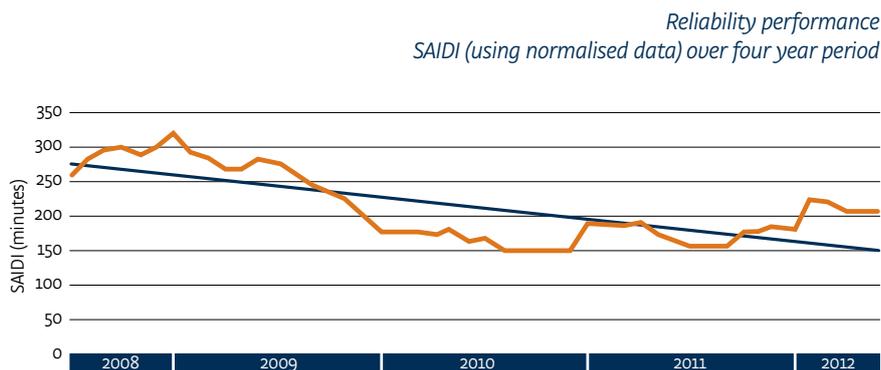
Customers experienced an average 3.15 interruptions during the year, up slightly from the System Average Interruption Frequency Index (SAIFI) of 3.13 interruptions in 2010/11, but well below the regulated limit of 6.6 interruptions per annum.

The average length of an interruption to power supplies in Horizon Power's service area (the System Average Interruption Duration Index - SAIDI) was 203 minutes in 2011/12 compared with the regulated limit of 290 minutes.

We know that any interruption is an inconvenience to customers, whether a residence or business. We will continue to deliver our asset maintenance and works program and work closely with suppliers to improve reliability.

In October and November 2011, we connected the two Kimberley communities of Yungngora and Kalumburu and are now responsible for 38 isolated systems, compared to 36 systems in 2010/11.

Horizon Power recorded two notifiable public safety incidents which both occurred in late June 2012 and were



considered a low risk to the public. One was a fire caused by vandals and the other was a fire caused by a transformer fault. There were no injuries to either the public or Horizon Power personnel.

Horizon Power has an electrical safety education program to inform customers about the dangers associated with vandalism of our assets.

As we move into 2012/13, Horizon Power is in a strong position to meet future challenges in the rapidly changing energy market. Horizon Power has a revised strategic approach, a refined project management structure and more rigorous financial controls as a result of a business restructure in 2010/11.

Horizon Power also achieved the five per cent efficiency target in 2011/12 set by the State Government and continues to review the business for efficiency opportunities in order to deliver further value to its customers and the State Government.

In the May 2012 Budget, the State Government announced that an additional 2.5 per cent would be applied to the Government Trading Entity efficiency dividend for the 2012/13 financial year. Horizon Power is well placed with its improved accountability controls to meet this target.

Horizon Power recorded a net profit after tax of \$33.3 million which is lower than our forecast of \$49.8 million; this reduction was due to accounting adjustments including increases to provisions and treatment of capital projects.

Sales revenue grew by \$30.6 million, mostly due to the increase in electricity tariffs by the State Government in July 2011. The Tariff Equalisation Fund payment to Horizon Power, which is the subsidy provided by the State Government, was \$181.2 million in 2011/12, up from \$175.7 million in the previous year.

*Horizon Power is in a strong position to meet future challenges in the rapidly changing energy market*

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# Performance overview

Horizon Power made a number of performance commitments in our Statement of Corporate Intent for the 2011/12 financial year. The following table provides an overview of how we performed compared to those commitments and against the previous year.

Key result area	Objectives	Performance target description	Target for 2011/12	Performance results in 2011/12	Performance results in 2010/11	Indicator against
<b>Customer value</b>	Improved value to the customer through safe, improved and expanded service	<b>Safety</b> Lost time injury severity rating	58	<b>6.9</b>	32.3	✓
		<b>Public safety</b> Number of public safety incidents related to Horizon Power performance	10	<b>2</b>	2	✓
		<b>Operational performance</b> Performing towns/systems:  Number of towns/systems within reliability (duration and interruption) targets.	31/38	<b>29/38</b>	32/36	✗
		<b>Operational impact on customers</b> Target is 80 per cent of customers not experiencing outages longer than 290 minutes	80%	<b>85%</b>	82.8%	✓
		<b>Customer satisfaction</b> Customer satisfaction survey result – target is 80 per cent of customers satisfied	80%	<b>81%</b>	75%	✓

Key result area	Objectives	Performance target description	Target for 2011/12	Performance results in 2011/12	Performance results in 2010/11	Indicator against
<b>Community social benefit</b>	Building capacity, capability and opportunity to improve the lives of residents within the communities we serve	<b>Power supply regularisation</b> Number of remote and Aboriginal communities	5	<b>2</b>	0	<b>x</b>
<b>Environmental benefit</b>	Sustainably minimising the impact on the environment from both our current and future operations	<b>Greenhouse emissions</b> Greenhouse Intensity kgCo2/kWh sold	0.68	<b>0.60</b>	0.58	<b>✓</b>
<b>Business value</b>	Increasing our profitability and building the value of the business	<b>Profit after tax</b>	\$49.8 million	<b>\$33.3 million</b>	\$40.7 million	<b>x</b>
<b>Economic benefit</b>	Working with all stakeholders to drive and deliver value from regional development	<b>Stakeholder satisfaction</b>	77%	<b>82%</b>	78%	<b>✓</b>
<b>Processes and knowledge</b>	Achieving a state where we operate at, or above, industry standards	<b>Corporate reputation</b> percentage of those surveyed believe we are operating at or above industry standards	70%	<b>71%</b>	76%	<b>✓</b>

# Chairman's report

## Energy for life

Our focus is to create value for future generations of Western Australians and make a difference to the lives of people in the communities we serve.

We use the term inter-generational assets to describe our purpose. We firmly believe that our role in communities should not stop with the tangible assets we create and upgrade, such as new power stations and upgraded networks, but that equal importance should be placed on developing human capabilities. For example, through our Aboriginal employment program, and continued engagement with communities at a local level. In essence this means a focus on working with our neighbours and customers to develop long-term energy solutions that transcend generations.

Horizon Power achieved several key milestones both operationally and strategically in 2011/12, which will reassure regional Western Australians that the utility is well positioned to face future economic challenges and opportunities.

### *Our strategy – keeping the lights on*

Our primary focus continues to be the provision of a safe and reliable supply of electricity to our regional and remote customers.

Horizon Power's crisis response work is a clear demonstration of this commitment to customers and communities and in 2011/12 our crews throughout regional Western Australia overcame various challenges with minimal disruption to customers.

Our crews worked diligently, undertaking planning and restoration works during fires in Carnarvon, flooding in the remote Aboriginal community of Kalumburu and protecting Pilbara communities from the threats posed by Tropical Cyclones Lua, Heidi and Iggy.

The benefits of undergrounding power were highlighted by Tropical Cyclone Heidi, with power supplies unaffected in Port Hedland where undergrounding has taken place.

### *Dedicated to the communities we serve*

In October 2011, the Board formalised Horizon Power's commitment to Aboriginal engagement by endorsing the Aboriginal Employment and Engagement Strategy, which sets clear targets and performance indicators annually for Aboriginal employment and training.

I am proud to be able to report that Horizon Power has significantly surpassed its Aboriginal employment target for 2011/12, with 43 Aboriginal Australians now employed in our business. We recently engaged

12 Field Services Officers who read meters and carry out other field services in our community. We are well on the way to achieving our target of 20 per cent of our work force being of Aboriginal descent by 2015. This is a critical milestone for Horizon Power because it ensures our workforce is representative of the communities we serve and that we are playing our part in supporting community development.

### *Working with communities to develop the right infrastructure to meet their needs*

Our ability to adapt and effectively deal with the constant challenges of operating a business in regional and remote Western Australia is one of the capabilities that sets us apart.

Major infrastructure projects in the North-West are facing significant cost pressures due to rising labour costs, the shortage of accommodation and other issues associated with the booming resources sector. The Pilbara Cities initiative will in due course not only increase the attractiveness of living in the Pilbara, but also mitigate further project input cost increases. Almost without exception, all companies operating in this environment have been subject to these cost increases and must work hard to keep costs down to ensure the efficient delivery of goods and services.



***Horizon Power's crisis response work is a clear demonstration of this commitment to customers and communities and in 2011/12 our crews throughout regional Western Australia overcame various challenges with minimal disruption to customers***

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These cost pressures and a resulting contractual dispute have impacted on the delivery of the Pilbara Underground Power Project which is critical for the improved safety and reliability of the Pilbara power supply system.

Horizon Power remains committed to this Project and will complete it over a longer period of time as funds become available, ensuring that its compelling safety and liveability benefits are realised.

#### ***Staff and Board***

It has been 12 months since Horizon Power restructured the business, however we are continuing to make refinements to ensure the structure aligns with our evolving strategy. The restructure has resulted in a smaller executive team, reduced organisational layers, improved clarity of roles and accountabilities and has laid the foundations for improved project management outcomes in the year ahead. Work is also underway to ensure our culture supports our commitment to high performance.

I would like to congratulate the staff of Horizon Power for their commitment over the last year to the customers of regional Western Australia and acknowledge each Board member for their contribution throughout the year.

# Managing Director's report

In the 12 months since the restructure of our business and the adoption of a new management framework, the business has undergone a significant transformation with changes to resource planning, asset management and IT systems.

Public safety, improved customer service and cost efficiencies have been key drivers of these changes and we are pleased to be able to report that we have met the State Government's efficiency target of five per cent for 2011/12. The savings have been gained from: a reduction in travel, which is particularly difficult in a business with 2.3 million square kilometres of terrain to service, a reduction in annual leave liability and a review of consultants' costs.

## *Safe and reliable supply of electricity*

While this work has been underway, Horizon Power has remained focused on delivering reliable power supplies and I am pleased to report that Horizon Power exceeded its regulatory obligations in delivering safe and reliable power supplies to over 100,000 regional and remote customers in 2011/12.

Of our 38 isolated power systems, 29 met reliability standards, with customers receiving an average of 3.15 interruptions over the 2011/12 period – well below the regulated limit of 6.6 interruptions. While we continually aim to improve our performance, it is important to remember that these standards were met amid flooding in the East Kimberley, fires in Carnarvon, three Tropical Cyclones and a tropical low which battered the Pilbara and West Kimberley regions.

Despite our crews working in such trying conditions, Horizon Power recorded a very low lost time injury severity rate of 6.9 and recorded only two public safety incidents this financial year.

During the year, Horizon Power was audited by the State's safety regulator, WorkSafe WA. Horizon Power's Kununurra, Broome, Esperance and Bentley offices and depots were awarded Gold WorkSafe Plan Awards for their achievements and our Port Hedland and Carnarvon offices and depots received Silver Awards. The Awards recognise best practice safety management systems and processes.

It is an honour to manage a business that has been acknowledged for our commitment to safety.

We continue to balance the challenges of our asset base with budget pressures while ensuring we maintain a safe and reliable network. We are continuing

our wood pole replacement and reinforcement program in the Esperance region. This builds on the work we have been doing to upgrade the Esperance network over the past few years. The benefits of this work were clearly evident when severe winds buffeted the Perth metropolitan area and the South-West, Great Southern and Goldfields-Esperance regions in June 2012. This resulted in minimal damage and disruption to the power supply in Esperance.

Again it's a testament to planning and our absolute belief in safety above all that we have spent tens of millions of dollars in Esperance over the past six years to deliver works on schedule and within budget but more importantly with zero Lost Time Injuries.

## *Providing energy solutions in the Pilbara and beyond*

Horizon Power is committed to undergrounding power in the Pilbara through the Pilbara Underground Power Project, supported by local government and the State Government through Royalties for Regions.

To date, we have hundreds of customers connected to underground power as a result of this Project. While we are unable to deliver on our original forecast budget and timeframe we are planning to complete 60 per cent of the project by mid next year. We remain committed to completing this

*Putting safety above all and ensuring started work was safely progressed, with minimum inconvenience to our customers, was our number one priority*

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critically important Project, as well as reducing the inherent risk of supplying reliable electricity in cyclonic parts of the State and enhancing the liveability of our Pilbara communities.

Challenges impacting this project include cost pressures brought about by the resources boom and a contractual dispute with our major contractor. Horizon Power has assumed direct control of the work through our Operations division, based in Karratha, and has selectively used Western Power and other contractors to progress the residual work. Putting safety above

all and ensuring started work was safely progressed, with minimum inconvenience to our customers, was our number one priority.

This year the Executive, with the support of the Board, has redirected our business strategy to target the massive growth in regional Western Australia.

All of the State's major resource projects have consequences in terms of energy infrastructure for the towns surrounding them and Horizon Power is responding to this demand with the provision of infrastructure solutions to meet that demand.

In Karratha, temporary generation will be installed to underpin security of supply and ensure we meet demand for electricity ahead of the peak summer period in 2012/13.

We are also working hard with private industry to secure agreements to provide long-term infrastructure solutions such as a new power station in South Hedland and a transmission line connecting Port Hedland to Newman, which would improve energy security and reduce energy costs.

*Close to our customers – your local energy partner*

The continued refinement of our structure this financial year reinforced our commitment to a decentralised model that ensures the needs of regional Western Australia are better met through the management of our assets at a local level and closer collaboration with our key stakeholders and customers.

This year we held community forums in all the regions we service to engage with our customers on issues such as renewable energy changes and energy efficiency.

We have developed an innovative approach to renewable energy pricing, meaning buyback prices are aligned with the cost of generation in each town ensuring the sustainability of the system. The buyback prices being offered from 1 July 2012 will encourage investment in renewable energy in high cost to serve towns and most importantly, make the product economically sustainable, ensuring Horizon Power is able to offer a buyback product to our customers for many years to come.

Horizon Power also continued to deliver on its commitment to educate communities with the further development of our Horizon Discovery Zone (HDZ). This education resource, about energy efficiency, electrical safety and renewable energy, is for teachers to deliver in Western Australian schools.



*Aboriginal Community Advisory Council Chairman Peter Yu addresses the launch event.*

We have also partnered with Rio Tinto to provide our education resources to more than 1,000 children in the Pilbara, and have developed an interactive children's website featuring our much-loved mascot, Gilbert, a frill-necked lizard.

*Year ahead*

In the year ahead, I will be working closely with the recently formed Aboriginal Community Advisory Council. This prominent group of Aboriginal people, chaired by Peter Yu, will advise me about what we need to do to improve our service to, and engagement with, Aboriginal people.

We will also finish two projects which will result in improved reliability and safety of power supplies in five Aboriginal communities in the Kimberley; the Town Reserves

Regularisation Project and the Aboriginal and Remote Communities Power Supply Project.

In the next few months we also expect to sign an agreement with the Commonwealth Scientific and Industrial Research Organisation (CSIRO) to build a power station for the Australian Square Kilometre Array Pathfinder - CSIRO's new radio telescope under construction at the Murchison Radio-astronomy Observatory (MRO) in the Mid West region of Western Australia.

I would like to thank the dedicated employees of Horizon Power who have embraced our new performance-based culture and during a time of significant change have maintained their focus on delivering excellent services to our customers and stakeholders.

# Sharing our stories

## Surveying the stars



Photo: courtesy CSIRO

In December 2011, Horizon Power welcomed \$15.5 million in funding from the Royalties for Regions and the Science and Innovation portfolios, to construct a power station with installed capacity of approximately one megawatt to support the CSIRO's Australian Square Kilometre Array Pathfinder project (ASKAP).

The ASKAP is a pilot project for what will be the largest telescope on the planet, the Square Kilometre Array (SKA).

Since 2009, Horizon Power has been a substantial and proactive Australasian SKA Industry Consortium member, contributing outstanding strategic support and technical insight into developing energy solutions for the ASKAP telescope.

Recognising our experience in delivering energy solutions to remote areas, CSIRO selected Horizon Power to design, build, operate and maintain the solar-diesel station on the ASKAP site at the Murchison Radio-astronomy Observatory (MRO) at Boolardy Station, approximately 400 kilometres north east of Geraldton.

Chair of the Australasian SKA Industry Consortium, John Humphries, said Horizon Power had been contributing technical and strategic advice since its membership in 2009.

"This is a significant project and Horizon Power, along with other industry partners, has developed a cost-effective and sustainable energy solution which can interact with emerging technologies that are required," he said.

We are honoured to be involved in what will be one of the largest and most ambitious international science projects ever realised. We are also looking forward to the opportunities co-hosting the SKA with New Zealand and South Africa will bring.

The SKA will help answer fundamental questions about the evolution of the universe, and reveal information about dark matter and other galaxies.

SKA will involve the installation of radio telescopes over vast areas of Australia and New Zealand with the main presence being within Horizon Power's service area. The SKA will require up to 50 islanded power systems to be dispersed from the core site, plus a 50 to 100 MW power solution at the core site.

Astronomers, engineers and industry experts from more than 20 countries are designing the SKA which will be 50 times more sensitive and will survey the sky 10,000 times faster than

***The SKA will help answer fundamental questions about the evolution of the universe, and reveal information about dark matter and other galaxies***

any other telescope. Signals will be transferred to a central high performance super computer by optical fibres carrying up to 420 gigabytes per second per dish, with data rates far exceeding those of existing internet traffic.

The Pawsey Centre Project being built in Kensington, WA, will host new supercomputing facilities and expertise to support SKA research and other high-end science.

ASKAP is a much smaller project, representing one per cent of the total SKA development and will require a renewable radio-quiet hybrid power system of about one megawatt capacity at the MRO site.

# Operational performance report

Horizon Power continued to deliver a safe and reliable electricity supply to customers throughout 2011/12 despite the challenges posed by severe weather conditions.

Of our 38 systems, 29 met performance reliability standards. The Onslow, Broome, Kununurra, Wyndham, Lake Argyle, Esperance Rural and Hopetoun Rural systems did not meet their targets in the 2011/12 financial year.

Whole of system outages caused by power station operations severely affected the reliability performance for Onslow, Broome, Kununurra, Wyndham and Lake Argyle. Horizon Power is working with the Independent Power Producers of these systems to identify and improve their performance for the communities serviced.

Network enhancement programs, including the Aged Wood Pole Replacement and the Wood Pole Reinforcement Programs, are underway and will continue to drive safety and reliability performance to an acceptable level for the Esperance Rural and Hopetoun Rural networks.

Horizon Power’s Emergency Management Team (EMT) and Local Response Teams were on a state of heightened operational readiness over the cyclone season, and the EMT was activated for 13 days over the past year to protect the communities and restore systems impacted by severe weather

events, including Tropical Cyclones Heidi, Iggy and Lua and severe flooding in Kalumburu. During this time we were able to maintain normalised reliability standards, with a System Average Interruption Duration Index (SAIDI) of 203 minutes – within the regulated 290 minutes – and a System Average Interruption Frequency Index (SAIFI) of 3.15 against the target of 6.6.

These results are better than the previous four year average, highlighting our commitment to improving the reliability of our power supplies.

Horizon Power is moving from a Fit for Purpose Asset Management Strategy to an Asset Lifecycle Strategy. The long-term programs associated with this Asset Lifecycle Strategy are designed to deliver sustained improvements in the safety and delivery of reliable power supplies to our customers.

The Capital Works Program has been delivered against our agreed Asset Management Plan (AMP). Extreme and high risk mitigation works are all in progress, with significant progress being made on the:

- Aged Wood Pole Replacement Program
- Wood Pole Reinforcement Program
- Copper Conductor Replacement Program
- Customer Service Apparatus Replacement Program

AMP Driver	Actual (\$)
Safety	20,868,014
Regulatory/Compliance	8,390,584
Reliability	2,221,105
Growth/Capacity	712,551
Asset Services	4,085,281
Asset Management Support	995,003
<b>TOTAL</b>	<b>37,272,537</b>

During 2011/12, Horizon Power aligned its Asset Management Framework model to the PAS55 (Publicly Available Specification) which utilities around the world are moving to as the best practice standard for asset management.

This work ensures Horizon Power’s Asset Management Framework is aligned to international best practice to comprehensively address our asset management issues to meet the needs of our customers and stakeholders.

### Pole management

Our Operations division has managed a focused age-based wood replacement and reinforcement program with full visibility of Energy Safety.

In 2011/12:

- 1,017 poles older than 40 years were replaced.
- 2,683 poles older than 24 years were reinforced .

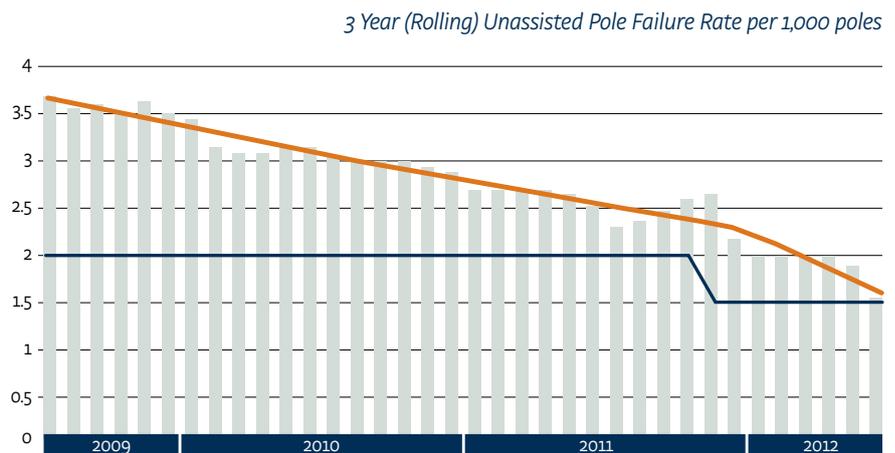
As a result of this work, Horizon Power expects to be compliant with Australian Standard AS1720, as required by State regulations, for wood poles at the end of 2012/13.

We have set a target to replace 2.5 per cent of poles each year and exceeded this target in 2011/12, replacing 3.7 per cent of our total pole asset base.

Limitations of Horizon Power's existing metal pole testing led to research to improve the reliability and consistency of metal pole testing. Technology for the condition assessment of metal poles has been sourced and is now being applied to Horizon Power's metal poles. This technology is new for Australia. It provides a much higher level of confidence in metal pole strength assessment than previously available. Horizon Power now employs its own pole inspectors to further improve confidence on the serviceability assessment of poles.

Horizon Power has developed streetlight pole reinforcement technology in response to the failure of some streetlight poles. This technology is being applied to affected streetlight poles as identified through our inspection process.

The combined impact of Horizon Power's pole management work throughout the year can be seen in the improving unassisted pole failure rate as detailed in the graph above. Horizon Power has



nearly reached its target of 1.5 in 10,000 unassisted failing poles.

Through Horizon Power's pole management program, the 2012/13 works plan includes the reinforcement of more than 5,000 poles. They will require replacement in 2027 when they are 40 years old. Strategies are being developed to manage pole serviceability.

Horizon Power has also carefully considered the recommendations of the Standing Committee on Public Administration into Unassisted Failure in relation to pole management. Horizon Power is preparing to develop key performance indicators in relation to pole management on which it will report next financial year.

### **Conductor management**

Conductor (powerline) management has been identified as a major risk to electricity businesses. Horizon Power

is developing a condition-based monitoring process to assess the condition of our conductors to develop a risk-based replacement program.

The first phase of this program involves the replacement of small copper conductors:

- the removal of the highest risk conductors (all 7/18 and 7/20 copper streetlight wire was completed in 2011/12)
- a program to remove 7/16 copper streetlight conductor by 2015
- replacement of 7/16 distribution high voltage conductor by 2018
- development of a conductor condition assessment methodology for the management of the remaining in-service conductors
- commencement of condition and criticality assessment of our overhead conductors

**Capital funding for asset management**

The outcomes of Horizon Power’s State Budget forecast submissions resulted in a lower than requested capital funding amount for Horizon Power in the outer years of the forward estimates. This translates into the Asset Management Plan being allocated less capital than required to address all currently classified high risk matters in accordance with the Board approved Risk Mitigation Strategy in financial years post 2012/13. Horizon Power is reassessing the risk rating and, where required, enhancing business cases to justify additional capital requirements for discussion and re-submission to government.

**Safety Above All**

Horizon Power is extremely proud that we have not had a lost time injury in Port Hedland for 11 years, in Kununurra for 10 years, in Carnarvon for five years, in Broome for four years and in Esperance for two years.

Horizon Power recorded a lost time severity injury rating of 6.9, down from the previous year’s rating of 32.3 and significantly lower than the national industry average.

In 2011/12 Horizon Power was recognised by Western Australia’s safety regulator WorkSafe WA for our commitment to safety in our offices



and depots throughout regional Western Australia.

Horizon Power was assessed by an external specialist safety organisation using the State Government’s WorkSafe WA’s WorkSafe Plan. The WorkSafe Plan measures and recognises best practice safety management systems and compliance to safety and health legislation. The WorkSafe Plan measures safety performance across five critical areas; management commitment, planning, consultation and reporting, hazard management and training and supervision.

WorkSafe WA awarded Horizon Power four Gold Awards and two Silver Awards based on the outcome of the assessments and lost time injury performance. The Gold Award is based on a score of more than 75 per cent over the five elements and a reduction of 30 per cent in the lost time injury

**Horizon Power was recognised by Western Australia’s safety regulator WorkSafe WA for our commitment to safety in our offices and depots throughout regional Western Australia**

frequency rate (LTIFR). A Silver Award is based on a score of more than 60 per cent over the five elements and a reduction of 10 per cent in the LTIFR.

Our West Pilbara office in Karratha was ineligible for the award because it had one lost time injury in the 12 months before the audit was undertaken. The West and East Kimberley offices, Esperance and Bentley offices received Gold Awards and the East Pilbara and Gascoyne/ Mid-West received Silver Awards.

# Sharing our stories

## Rain or shine, safety is our focus

Weather conditions in 2011/12 gave Horizon Power crews ample opportunity to demonstrate their experience and capability in responding to emergency situations.

Tropical Cyclone Heidi caused damage and outages for more than 3,000 customers in Port Hedland and South Hedland. Repairs were completed and full power was restored within 24 hours to the vast majority impacted. We were prepared to respond quickly to Tropical Cyclones Lua and Iggy and activated our emergency response teams, however no infrastructure was damaged.

Further north, to ensure the safety of residents, power supplies in Kalumburu in the East Kimberley were disconnected due to heavy rain and severe flooding following a tropical low in the region.

Crews flew in from Kununurra to assist while Horizon Power worked closely with the State Emergency Coordination Group to coordinate assistance to the community. Horizon Power was instrumental in drawing attention to the flooding of the community and securing assistance from key agencies across the State, further reinforcing the key role Horizon Power seeks in the communities we serve.

***Despite the severity of the weather conditions, our staff managed to restore power supplies in the least amount of time, without recording any safety incidents***

Despite the severity of the weather conditions, our staff managed to restore power supplies in the least amount of time, without recording any safety incidents.

Through the winter months the State's South West electricity infrastructure was buffeted by severe weather that caused significant damage.

Horizon Power assisted Western Power crews to restore power in Katanning, Bridgetown and Wagin, following these wild storms. The two companies have signed a Memorandum of Understanding to underpin these cooperative arrangements, where assistance will be provided to one party by the other as necessary.

We continue this focus on safety to the communities we service and our employees in our daily operations.



# Securing our future Horizon Power's structure and strategy

Horizon Power's focus for 2011/12 has been to refine our strategy, structure and cultural elements of our business following the 2010 restructure.

These changes were designed to eliminate role duplication and reduce the number of organisational layers, thereby improving efficiency and service delivery. Through this major organisational change we have assigned and clarified single-point accountability to the level of each role. In doing so we have attained full visibility of legacy issues that we are now managing, as we work more closely with our regional communities to plan and develop well-considered energy solutions to meet current and future needs.

Horizon Power's purpose is to create inter-generational assets from our activities by maximising the social, environmental and economic benefit for the Corporation and the communities which we service.

Inter-generational assets include tangible benefits relating to the delivery of physical infrastructure, such as poles, wires and transformers, and direct and indirect employment in regional areas. Intangible benefits which relate to an accumulation of knowledge embedded not just in our people, but in institutions and processes, and in how they interact. This includes building diversity, capability and capacity in our workforce and creating capacity and opportunity in the communities we serve, today and in the future.

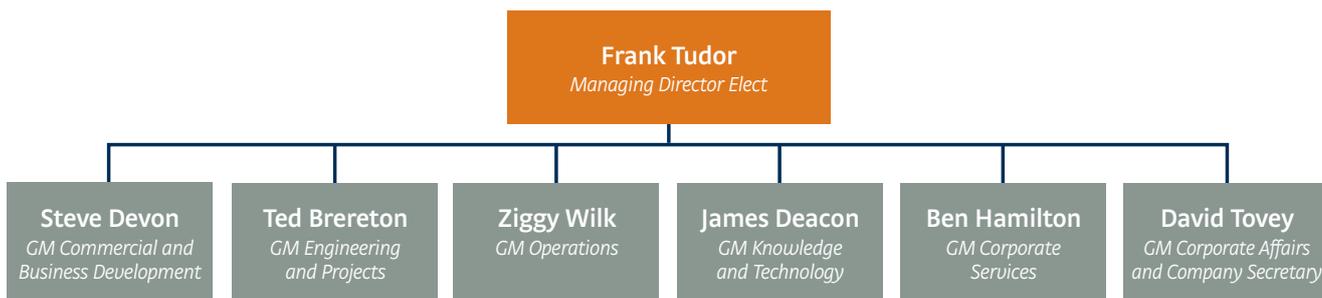
In 2011/12, Horizon Power's strategy centred on a number of key areas:

- *Safety* – to improve our well-designed safety system to one that is considered best practice around the world.
- *People* – continue to simplify roles and improve human resources systems.
- *Aboriginal engagement* – to provide Aboriginal candidates with the opportunity to fill new roles in the organisation, to help us meet the 2014/15 target of 20 per cent Aboriginal employees.
- *Customer value* – to reduce our cost of service while improving

customer-related functions to ensure we work well with our customers to shape their energy needs and deliver simple, easy and effective products and services.

- *Business Transformation* – to develop a solid and effective platform of affordable core business systems which are managed intelligently and with discipline.
- *Innovation* – to continue to find more effective and efficient ways of conducting our business including leveraging technology and innovation to create better solutions.
- *Business growth* – to operate under an holistic integrated service delivery approach, across all systems in the business, to ensure we harness early opportunities and secure commercial infrastructure investments and increase our enterprise value.

In 2012/13, our revised business strategy clearly reflects Horizon Power's commitment to safety, maximising value from our customers and stakeholders and helping develop communities throughout regional Western Australia.



# Sharing our stories Creating jobs closer to communities

Horizon Power has improved the delivery of metering services to customers by bringing the work in-house, thereby assuming greater control. At the same time we have provided employment opportunities across the State for 12 Aboriginal Australians in our new Field Services Officers team. They are joined by four existing meter readers from our previous contractor and include two Aboriginal employees who provide training and mentoring support.

Esperance meter reader Desma Lawrence said she learnt a lot during the Broome-based training program and enjoys putting her new skills to good use.

"I am still learning some tricks of the trade, but have a great support system here in Esperance so I can only see it getting easier from here," she said.

The training program is just one of the initiatives developed under Horizon Power's Aboriginal Employment and Engagement Strategy.

Horizon Power also continued to pilot the nationally-endorsed Remote Community Utilities Workers apprentice training program which employs five apprentices from remote Aboriginal communities. The program, developed by Horizon Power and

recognised by the electrical industry training body EE-OZ, improves power reliability by ensuring routine maintenance and safety work can be carried out immediately in some remote communities, rather than waiting hours for assistance from our main regional centres.

The Remote Community Utilities Workers (RCUWs) recently completed another stage of training at the Wyndham Power Station in the East Kimberley.

Minty Sahanna (Beagle Bay), Keith Hunter (Bidyadanga) and Brendan Walters (Yungngora) took part in stage five training of the 11 stage Certificate III qualification.

Two of the components they completed are 'Working Safely in Remote Area Power Stations' and 'Maintaining Safety and Tidiness in Remote Area Power Stations'. These components enable the RCUWs to work autonomously in remote area power stations.

Horizon Power also employed three business administration trainees this year. One of our trainees, Kununurra-based Simone Long, said she was enjoying the work, particularly helping the communications team with a photo shoot and doing a voice-over



*Karen Ackland and Simone Long at work in the East Kimberley*



*Minty, Keith and Brendan take a well-earned break from training. Absent: Kieran Hamaguchi (Warmun) and Robert Hassett (Kalumburu)*

for audio posters being introduced in Aboriginal communities to assist with providing electrical safety and energy efficiency messages.

"The photo shoot, getting my voice recording done for the audio posters and the laughter I share with fellow colleagues are my favourite experiences so far," she said.

## Business highlights

# Powering the Pilbara

### *Pilbara Underground Power Project*

The Pilbara Underground Power Project (PUPP) is a partnership between the State Government's Royalties for Regions Pilbara Cities Initiative and local government, delivered by Horizon Power.

The Project aims to provide cyclone affected North-West towns with a safer and more reliable power supply, by replacing ageing overhead electricity infrastructure with underground networks. The project scope covers Karratha, South Hedland, Wedgefield, Onslow and Roebourne.

Similar to other industries and large projects in the Pilbara, the PUPP has experienced increased costs against budget due to the booming Pilbara cost escalation. As a direct comparison, costs for undergrounding per lot have nearly tripled since the Port Hedland State Underground Power Project commenced in 2004.

BHP recently stated that costs in the Pilbara had increased 600 per cent in the last 10 years.

In order to understand the reason for the cost escalation, as well as implement the required mitigation actions, a full, detailed and independently verified review of the scope was completed.

The result is the implementation of a new approach for the execution of the PUPP, with particular focus on scope, cost, schedule and project management.

This plan was approved by the Horizon Power Board in June 2012.

Horizon Power recognises that this is such a critical project that we need to balance the pace of delivery with the need to be fiscally responsible and ensure we allocate available funds effectively and efficiently.

The new PUPP schedule includes the following key elements:

- Delivery is staged across the four towns with completion expected by 2015.
- Completion of Millars Well and majority of Bulgarra (suburbs in Karratha), along with South Hedland and Wedgefield, by mid 2013.
- Integration of the PUPP within Horizon Power for greater in-house control.
- Introduction of smaller work packages with a view to balancing the pace of delivery with available funding i.e. ensuring work is only released once funding is approved.
- Development and implementation of an Aboriginal engagement strategy for project works.
- Horizon Power will work with the State Government and local governments in the Pilbara to identify funding required to complete the project.

### *Karratha short-term generation project*

Horizon Power is due to install an additional 20 megawatts (MW) of energy in the Pilbara in early 2013, following the State Government's allocation of \$43.5 million in the State Budget.

The 20 MW of gas generation for the North West Interconnected System (NWIS) – the Horizon Power network that provides power to residents and businesses in Port Hedland and Karratha – is currently scheduled to be available to meet peak power requirements from the first quarter of 2013.

Additional capacity has also been secured through the renewal of a contract to purchase electricity from Alinta Energy Ltd in Port Hedland. The reliability of this contract will, however, reduce as large resource companies drive expansion and increase power uptake.

These measures will boost the total generation capacity on the NWIS to approximately 160 MW, in line with forecast demand for 2013/14.

The new gas turbine will be located adjacent to the ATCO power station in Karratha which feeds power into the NWIS for Horizon Power customers.

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### *South Hedland power project*

Horizon Power is developing a medium-term power solution to meet the Pilbara's energy requirements up until 2016, when a longer-term power solution will be required to meet demand.

Horizon Power is working with the State Government through the Pilbara Power Procurement Board, on this medium-term solution. This Board is considering the staged development of a multi-user power precinct for the South Hedland project.

Horizon Power has acquired a site under a management order at the Boodarie Industrial Estate, Port Hedland. With the uncertainty in the broader macro-economic environment and its emerging effect on iron-ore expansion, it is important that Horizon Power, the State and the private sector work closely to assure security of supply through optimised power development.

The aspiration is to assure short-term supply and in the medium-term aggregate demand through involvement of the private sector, and develop the site into a power precinct involving common user services.

### *Pilbara transmission projects*

#### **East Pilbara Link**

Horizon Power is developing a submission to address transmission network capacity limitations in the Pilbara.



Horizon Power has signed a Memorandum of Understanding with Canadian power company ATCO (owners of the Karratha Power Station which Horizon Power buys electricity from to service Pilbara customers) to jointly develop a proposal which will be submitted to potential foundation companies to support new resource projects in the Pilbara.

The probability of success has been reduced in recent times as resource companies grapple with the dynamics

in the sea-borne iron-ore market. The project itself was promoted by Horizon Power, with Ministerial support, because it is critical to underpinning supply security, reducing costs and energy market evolution in the Pilbara. The timing was dictated by an opportunity to aggregate sufficient demand to commercially underwrite the transmission links without recourse to financial support from governments.

The regional development benefits of reducing barriers to entry of junior mining resource holdings along the East Pilbara corridor were also thought to be considerable.

The project is entirely consistent with recommendations of studies that have been completed over the last 10 years by Government agencies, industry bodies, independent consultants and energy companies.

### High voltage transmission underground project

Horizon Power was asked by Main Roads WA and BHP Billiton (BHPB) to underground high voltage transmission lines in Port Hedland to facilitate high and wide load transportation.

Horizon Power's Operations and Engineering and Projects divisions combined forces to overcome the impediment lifting powerlines poses to resource companies in the Pilbara.

Horizon Power has been engaged by Main Roads Western Australia to underground six 66kV-operated overhead transmission lines at locations where they cross the proposed Great Northern Highway to the Wedgefield realignment heavy haulage route being planned to service new port facilities in Port Hedland.

Horizon Power has also been contracted by BHPB to arrange undergrounding of the Anderson Street Substation to Mount Newman

Mines Substation (AST – MNM 71) 66kV overhead transmission line where it crosses Gilbert Street in Port Hedland.

The lines currently operate at 66 kV however the cable installations will be designed and constructed at 132 kV to allow for future upgrading of the Port Hedland transmission system.

SKM has been engaged by Horizon Power to carry out the design, documentation and technical support for the works. Horizon Power is overseeing the construction and commissioning of works.

Horizon Power is excited at this opportunity to work closely with these respected partners on projects which will remove obstacles to regional development by streamlining vehicle movement.

### Mungullah Power Station

Horizon Power is scheduled to complete construction of the \$73 million Mungullah Power Station and related transmission infrastructure in 2012/13. The new energy-efficient station will operate on both diesel and gas, and will serve the growing needs of the Carnarvon community.

The project represents a significant investment by the Government of Western Australia into power infrastructure in the Gascoyne region.

The 18 MW power station is being built at Brown Range, about 6.5 kilometres from the town centre and residential

areas. It will service the needs of 6,600 people for approximately the next ten years and has been designed to ensure extra generation capacity can be installed.

Horizon Power has worked with the traditional owners and custodians of the area, the Gnulli People, and the State Government to acquire the land for the new station. The Gnulli People have given the name for the power station as part of an agreement with Horizon Power. Mungullah is a Yinggarda word for the hill on which the power station is located.

The project is taking place in two phases, which means power will continue to be generated from the existing site for some time. The new power station will deliver increased performance as well as reduced maintenance costs and will be operational in early 2013.

The project will largely be completed within budget despite an increase in scope to bring forward the installation of some generators originally planned for 2015/16. This avoids the technical complexity and operational cost of running the two power stations concurrently for a number of years.

# Sharing our stories Engaging with communities

In Horizon Power's service area of regional and remote Western Australia, a significant proportion of the population are Western Australians who identify as being of Aboriginal descent.

Horizon Power is committed to engaging with our Aboriginal customers in a respectful way and ensuring Aboriginal communities are fully informed about any work taking place. We also want to ensure our workforce is representative of the communities we serve.

In 2011, the Board and Executive of Horizon Power committed to an Aboriginal Employment and Engagement Strategy that includes targets for employment and training and improving our service to communities.

During the year we illustrated our improved focus on engagement through a number of projects that are delivering improved power supplies in Aboriginal communities.

During 2011/12 we carried out work in the large, remote community of Yungngora, formerly Noonkanbah Station, upgrading the power supply and preparing to build a new power station under the Aboriginal and Remote Communities Power Supply Project.

***We illustrated our improved focus on engagement through a number of projects that are delivering improved power supplies in Aboriginal communities***

Our Remote Community Utilities Worker employed in Yungngora, Brendan Walters, and Aboriginal Community Liaison Officer Sam Lovell (who is also a member of Horizon Power's Aboriginal Community Advisory Council, see page 12), assisted with the upgrade of the electrical network and provided payment and energy efficiency education to residents when they became Horizon Power customers in November 2011.

Work on upgrading the electrical networks in the town-based Aboriginal communities of Bayulu, Looma and Mowanjum also began in 2011/12 under the Town Reserve Regularisation Project.

Looma, 120 kilometres south east of Derby, has a new multi-functional police station connected by Horizon Power.



*Sam Lovell having a yarn with Bayulu resident Cyril Churchill*



*Terry Shadforth at the Bayulu store*

Looma Police Senior Sergeant Kevin Hall, Officer in Charge of Looma Multifunctional Police Station said, "Our new facility here is quite sophisticated in terms of its power needs, and the upgrade appears to have catered for those needs well."

Mr Lovell, Community Compliance and Mentor Coordinator Terry Shadforth and Community Development Officer Jason Oakley, together with the people of Bayulu, have been exploring ways to save power and reduce consumption. Bayulu is 10 kilometres south of Fitzroy Crossing.

## Business highlights

# Improving reliability and safety in Aboriginal communities

### *Town Reserves Regularisation Project*

Under the Town Reserves Regularisation Program (TRRP) phase three, the Department of Housing has contracted Horizon Power to audit, design and undertake electricity network upgrades for the West Kimberley communities of Looma and Mowanjum. In the town-based community of Bayulu, Horizon Power has designed the network upgrade and the work is being undertaken by Department of Housing contractors. Work is nearly complete in Bayulu and will begin in the third quarter of 2012 in the communities of Looma and Mowanjum. Work in all three communities is expected to be completed by the end of 2012.

Between 2005 and 2010 Horizon Power has upgraded electrical networks in 25 town-based communities under TRRP.

### *Aboriginal and Remote Communities Power Supply Project*

Residents of two remote communities in the Kimberley region, Kalumburu and Yungngora (Noonkanbah), became Horizon Power customers this financial year when we connected them to an upgraded electrical network.

In November 2011, Horizon Power took responsibility for the Kalumburu electricity network after installing underground power to improve safety and reliability of power supplies, particularly important in cyclone-prone areas.

In November, residents in the West Kimberley community of Yungngora were connected to the upgraded network.

Horizon Power has undertaken the upgrades under the Aboriginal and Remote Communities Power Supply Project (ARCPSP) funded by the State Government through the Public Utilities Office.

Due to a review of the project scope, the delivery of new power stations in those communities has been delayed. Work on the power stations on those communities will begin in the next few months and Horizon Power is committed to delivering the new power stations by the end of 2013.

As part of ARCPSP, Horizon Power has also delivered to the residents of Kalumburu and Yungngora education on safety, energy efficiency and the new way of paying for power. As Horizon Power customers, residents will pay the same price per unit of electricity as most other Western Australians and are now able to apply for State Government energy rebates and subsidies.

### *Aboriginal Employment and Engagement Strategy*

Horizon Power's Aboriginal Employment and Engagement Strategy came into effect in October 2011.

Key projects under the Strategy include the review and development

of protocols for training, job and procurement opportunities for Aboriginal people at Horizon Power

At the end of June 2012, Horizon Power's workforce included 43 Aboriginal people, exceeding a progress target for the employment of five per cent of Aboriginal people across the business.

Horizon Power also established the Managing Director's Aboriginal Community Advisory Council (ACAC) to ensure the business can improve delivery of services to Aboriginal people and communities.

Other key initiatives and projects include:

- In a joint bid, Horizon Power and Parsons Brinckerhoff won a tender to fill the role of program manager for the Remote Area Essential Services Program (RAESP), a State public sector program delivering services to remote Aboriginal communities.
- A cultural competency assessment of Horizon Power staff was undertaken. This will inform a new cultural awareness program under development. The program will identify with various Aboriginal protocols, values and interests and is representative of the diversity and richness of Aboriginal culture and heritage throughout regional Western Australia.

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***At the end of June 2012, Horizon Power's workforce included 43 Aboriginal people, exceeding a progress target for the employment of five per cent of Aboriginal people across the business***

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- Innovative ways of improving communication with Aboriginal communities were investigated with new technology being introduced in August 2012.

### ***Upgrading metering technology in communities***

Horizon Power is currently preparing to trial a new pre-payment meter (PPM) for Aboriginal communities, in order to meet Economic Regulation Authority regulations gazetted in June 2010 which took effect in January 2011. These regulations required Horizon Power to cease installing the existing pre-payment meters in Aboriginal communities after 31 December 2010. Horizon Power has since sought a culturally and technically appropriate solution and will soon begin a trial of a new pre-payment meters which meets the regulation requirements, including:

- Abolition of emergency credit function of existing PPMs and establishment of a \$20 maximum debt pool in each meter.



- The new meter can only disconnect automatically between the hours of 9.00 am and 2.00 pm on Monday through Thursday, or when the debt pool reaches \$20.

Feedback from residents in Aboriginal communities serviced by Horizon Power is that PPMs help residents manage their power costs as they pay for their power as they use it, rather than receiving bi-monthly bills.

The trial of new PPM technology is expected to be completed by the end of 2012 with a new meter being available to install in 2013.

Horizon Power is in the process of regularising three town-based Aboriginal communities, Bayulu, Mowanjum and Looma. Bayulu and Mowanjum already have

PPMs however Looma does not. Horizon Power will be required to install credit meters, or meters which result in a bi-monthly bill, in Looma given the ERA regulations which prevent the existing meter being installed.

### ***Promoting renewable energy installations***

During 2011/12, Horizon Power has focused on assisting customers with the installation of renewable energy installations. As at 30 June 2012, Horizon Power had a total of 7.4 MW of customer renewable energy systems connected or approved to connect to its networks, an increase of 1.8 MW over the past 12 months.

To facilitate further growth in customer renewable energy installations, Horizon Power has implemented industry-leading generation management requirements for connecting renewable energy systems onto its networks. Generation management controls the output of renewable energy systems and will help minimise the impact of the intermittency of renewable energy generation on the security and supply of power to the whole network. This means Horizon Power can connect more renewable energy onto its networks.

Renewable energy systems with generation management will provide customers with more choice because the renewable energy buyback offer is now available to more customers and provides the ability to install much larger systems.

Horizon Power has also introduced a new pricing structure for its renewable energy buyback scheme (REBS), effective from 1 July 2012. The new pricing structure is a variable rate aligned to the cost of generation in each town. By linking the buyback rate to real cost drivers, the product offer is consistent with Horizon Power's commercial focus and provides the industry with greater price certainty and transparency



### *Native Title and Heritage*

The Environmental Management Utility (EMU) system, implemented in 2010, has continued to prove a success with an ever increasing number of heritage and native title clearance request forms being submitted from across the business.

The EMU system includes a well established native title and cultural heritage approvals process. Through this process we have been able to continually meet our commitment to provide preliminary heritage and native title advice for new projects within five working days, despite an average 22 per cent increase in requests received this financial year.

Horizon Power has also commenced a case study of its existing Esperance network which involved consultation with local Aboriginal groups. This audit will continue onto the rest of the networks and lead to the establishment of heritage protection agreements. Through these efforts we can ensure Horizon Power continues to improve its heritage and native title processes.

### *Carbon pricing*

The price on carbon took effect on 1 July, 2012 with the introduction of the Federal Government's Clean Energy Future legislation. In this first year, the price per tonne of carbon dioxide-equivalent greenhouse gases is \$23. Carnarvon Power Station's emissions in 2010/11 were approximately 30,000 tonnes, exceeding the scheme's facility-based annual threshold of 25,000 tonnes.

Horizon Power also purchases energy from its suppliers, many of whom are also liable entities. These organisations will pass their carbon costs on to Horizon Power and we estimate these costs to be \$16 million in the first year of the scheme.

In 2011, Horizon Power launched a comprehensive program of work aimed at achieving compliance with the carbon pricing mechanism, and ensuring accurate and timely pass-through of emissions costs from its energy suppliers to its customers.

# Sharing our stories Helping our customers save energy

Horizon Power is helping our customers manage the impact of rising electricity tariffs by providing information about ways to reduce energy use.

In November 2011, our business ran the *Betterways Battle* in our *On The Horizon* customer newsletter; a four-month long energy-saving competition in which four randomly chosen households competed to see who could lower their electricity use the most.

Because of the varying climate across our vast service area and to ensure fairness, Horizon Power compared the energy use of each entrant at the end of the four month period with their own energy use during the same period the previous year.

The biggest savings were made through reducing air-conditioner usage and using higher temperature settings, reducing hot water use and being vigilant about turning off lights and appliances when not needed.

The two winning households received a \$5,000 energy efficiency refit or appliance upgrade and the runners-up were rewarded with \$2,000 worth of new appliances or refit work.

In June 2012, Horizon Power joined Synergy and Western Power in the Future Energy Alliance.

*Helping our customers reduce their electricity bills is at the forefront of our minds, not only to ease the financial burden, but to work towards building a more sustainable future for generations to come*

Through the delivery of the State Government's energy saving campaign, *Switch the Future*, the Future Energy Alliance is committed to helping Western Australians understand how they can reduce their environmental impact and save money on their electricity bills.

The competing families also agreed to support this campaign by being part of the *Switch the Future* television and print advertising.

Helping our customers reduce their electricity bills is at the forefront of our minds, not only to ease the financial burden, but to work towards building a more sustainable future for generations to come.



**\$71** weekly saving on electricity bills

**Hinkley family - Karratha**

Daily energy use last year*	66 units a day
Reduction over four months	30 per cent



**\$28** weekly saving on electricity bills

**Pusep and Cahill family - Broome**

Daily energy use last year*	33 units a day
Reduction over four months	23 per cent



**\$42** weekly saving on electricity bills

**Witt-Stone couple - Port Hedland**

Daily energy use last year*	14 units a day
Reduction over four months	71 per cent



**\$19** weekly saving on electricity bills

**Best couple - Norseman**

Daily energy use last year*	9 units a day
Reduction over four months	53 per cent

\*Savings based on 1 July 2012 residential tariff rates. The annual cost savings depend on each appliance and frequency of use.

# Business highlights

## Upgrades and transformations

### *Wood Pole Testing Technique Evaluation Program*

Horizon Power has developed a Wood Pole Testing Technique Evaluation Program in consultation with EnergySafety that aims to reduce the risk to the public created by aged wooden poles and optimise expenditure on the wood pole assets.

Specifically, Horizon Power is striving to improve the accuracy by which it identifies poles that are at high risk of unassisted pole failure. The data obtained from the Program will be qualitative information used to support Horizon Power’s decision making process to further improve the current wood pole inspection regime.

A report of the data compiled has been tabled with EnergySafety and Horizon Power is now moving forward with two testing systems, with blind trials to be conducted in 2012/13.

Horizon Power and Western Power are working together on further trials to increase the understanding of previously reinforced wood poles and the suitability of those reinforcement methods. The outcomes of the program will provide Horizon Power with a condition-based wood pole monitoring system, replacing the age-based monitoring system that currently dominates the wood pole asset management strategy. Horizon Power is working with regulator EnergySafety

to obtain an exemption from AS1720.2. This process may take up to five years. Once exempt, Horizon Power will be allowed to move to a condition-based wood pole management system. This will provide cost savings in excess of \$100,000 per year for testing, and means that poles can be replaced on condition rather than age. This means that the process has the potential to save millions of dollars by extracting the maximum life from assets and managing work programs more effectively.

### *Esperance upgrade work complete*

Horizon Power and alliance partners Transfield Services have completed a program of works to upgrade the single phase network six months ahead of schedule bringing safer and more reliable power supplies to over 14,000 residents in the Esperance district.

The program began in April 2010 with a focus on ensuring the electrical network continued to meet all current safety standards and reduce the number of unplanned power interruptions.

In two years, the team has replaced 508 wooden power poles with steel poles, installed an additional 868 power poles to reduce the distance between power poles and raised the height of 398 powerlines to meet ground clearance requirements.

Horizon Power and Transfield Services are now focused on replacing or reinforcing wooden poles throughout the district.

### *Training our people*

#### **Learning and development**

Horizon Power is reviewing its learning and development programs to align with the development of the organisation’s culture. Once implemented, these programs will contain core training and development modules. Our technical workforce continues to be trained in the core competencies required to maintain appropriate certification.

#### **Training**

The following table outlines the training programs we have in place and the number of individuals in these programs, as well as how many Aboriginal trainees are involved.

Training Program	No. of employees	No. of Aboriginal employees
Apprentice Distribution Workers	16	3
Remote Community Utility Workers	7	6
Administration Trainees	3	3
Field Services Officers	14	12



### *Transforming the business*

The work that began in 2008 to separate core operating systems and business processes from Western Power is managed under two major programs. Both programs moved into the final implementation stages this financial year.

#### **Business Transformation**

The purpose of the Business Transformation Program is to implement resource management and planning systems more suited to the size and scale of Horizon Power. The systems Horizon Power shared with Western Power did not address our generation and retail requirements and posed challenges for the management of network assets.

The Business Transformation Program remains on target for completion by the end of 2012.

Upon completion, Horizon Power will be aligned with industry standards for asset management technology and have a lower technology 'cost per user'. Transformation also means Horizon Power will avoid future cost increases to upgrade and maintain technology.

The entire Business Transformation program will cost some \$30 million and will have taken approximately four years to deliver in a phased approach. It will significantly reduce the costs associated with antiquated and bespoke main-frame systems that were being managed by both Synergy and Western Power. Horizon Power has opted for standardised fit-for-purpose systems that meet our requirements as a dispersed, vertically integrated energy company. To date five out of nine systems covering capital works management, metering, billing and customer services have been successfully implemented on budget and with minimal impact on customers.

The remaining systems will "go live" this year and will be followed by a period of refinement and adjustment. Horizon Power is justifiably proud of the fact that thus far we have delivered a comprehensive and fundamental overhaul and replacement of key processes and systems within budget and with only minor disruptions.

*Upon completion, Horizon Power will be aligned with industry standards for asset management technology and have a lower technology 'cost per user'*

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#### **Technology Transition**

The Technology Transition Program was completed in June 2012, on time and on budget. The Program was a series of complex projects that successfully brought IT systems under the strategic control and management of Horizon Power. This included technology infrastructure, desktop and application support services.

Horizon Power's IT help desk was transitioned to Fujitsu Australia, which shares Horizon Power's commitment to Aboriginal employment and training.

# Environment

## Greenhouse gas and carbon intensity

Energy industry participants have a key role in controlling carbon emissions from energy generation, transmission and consumption. In 2010, Horizon Power completed the construction of the new solar-diesel hybrid power stations in Marble Bar and Nullagine and partnered with ATCO for the construction of the new gas power station at Karratha to service the North-West Interconnected System. Horizon Power is currently constructing a new gas power station in Carnarvon to replace the existing power station. Once the new power station is operational, the existing power station will be scheduled for decommissioning and site remediation.

Horizon Power reports total carbon emissions per financial year in accordance with the *National Greenhouse and Energy Reporting Act 2007 (NGER)*. Total greenhouse gas emissions (as carbon dioxide equivalent) are submitted to the Clean Energy Regulator (CER), by 31 October each year. The 2011/12 NGER's report will be the fourth year of reporting for Regional Power Corporation (Horizon Power) and is made publicly available in the first quarter of 2013. Table 1 provides a summary of the previous year's NGER's reports. An estimate is made for the Scope 1 emissions for 2011/12 based on the most up to date information as at

**Table 1** Greenhouse gas emissions

Reporting year	Greenhouse gas emissions (tonnes CO <sub>2</sub> -e)		
	Direct emissions (Scope 1)	Direct emissions (Scope 1)	Total energy consumption (GJ)
2008/09	37,218	43,786	43,786
2009/10	37,242	31,655	31,655
2010/11	37,460	40,491	40,491
2011/12	36,816 (estimate)	Reported to CER by 31 October 2012, publicly available Q1 2013	

**Table 2** Carbon intensity

Reporting year	Carbon Intensity kgCO <sub>2</sub> /kWh sold	Target kgCO <sub>2</sub> /kWh sold
2008/09	0.71	No target set
2009/10	0.65	
2010/11	0.58	0.68
2011/12	0.60 (estimate)	

4 July 2012. Greater complexity exists in establishing Scope 2 emissions; therefore it is too early to accurately estimate this value at the time of publishing.

Carbon intensity, measured as kgCO<sub>2</sub>/kWh sold, of Horizon Power's total operations provides the key performance indicator (KPI) for greenhouse gas emissions. Based on data available on 4 July 2012, the 2011/12 Carbon Intensity is calculated as 0.60 kgCO<sub>2</sub>/kWh sold, which is

consistent with the previous reporting year. The decrease in carbon intensity achieved the previous reporting year is primarily attributed to a full year of operation from new power stations with lower emissions at Karratha, Marble Bar and Nullagine. The commencement of operations at Mungullah Power Station is expected to assist in reducing the carbon intensity further.

### Management of contaminated sites

Horizon Power is actively managing 29 sites reported under the *Contaminated Sites Act 2003*. The sites are typically former power stations where historical spills and/or leaks of hydrocarbons have resulted in soil and/or groundwater impacts. Tables 3 and 4 provide a summary of key investigations completed during 2011/12.

The Act requires work to be undertaken in various stages and we are working through these for each site under the watch of the robust regulatory authority.

Horizon Power is currently developing a comprehensive strategic plan to guide the ongoing contaminated sites management program as the program moves from investigation phase to remediation and site close out.

### Environmentally Sensitive Areas Review Program

Horizon Power is completing a comprehensive review of the Environmentally Sensitive Areas (ESA) Program. The program identifies ESAs that intersect Horizon Power assets and provides staff and contractors with processes and procedures to follow when working within these areas.

This review is being undertaken on a regional basis due to Horizon Power's large service area. During the 2011/12 financial year, desktop and field based surveys of Horizon Power's networks in Esperance and the Kimberley regions were undertaken. Site specific

**Table 3 Former power station sites subject to contamination investigations**

Groundwater monitoring events (GME)		
Broome 12 Mile	Broome	Carnarvon Power Station (Operational)
Fitzroy Crossing	Onslow	Wiluna
Detailed site investigations (including additional DSI's)		
Broome 12 Mile	Gascoyne Junction	Halls Creek
Hopetoun	Laverton	Marble Bar
Nullagine		
Other investigations		
Broome – Quantitative Health Risk Assessment	Broome – Natural Attenuation Modelling Report	Derby – Review of Data Gaps (Regulation 58b)
Fitzroy Crossing – Remedial Action Plan (RAP) (Review of Remedial Options)		

**Table 4 Former power station site investigations subject to external auditor review**

Groundwater monitoring events (GME)		
Exmouth – Review of GME and RAP	Fitzroy Crossing – Review of Preliminary Site Investigation (PSI), DSI, ADSI and RAP	Menzies (Voluntary) – Review of ADSI
Onslow – Review of PSI, DSI and GME		

procedures have been developed in consultation with the Department of Environment and Conservation (DEC), to minimise the risk of Horizon Power activities impacting these areas. The number of ESAs recorded along these networks included:

- 52 sites within the Esperance/Hopetoun network;
- 9 sites within the Broome network; and
- 10 sites within the Kununurra/Wyndham network.

During the surveys, nine new populations of five different priority species were recorded in the Esperance region. Of these, five new flora populations of *Acacia amyctica* (Priority 2) were recorded. This species has not been recorded in the area since 1971.

### *Environmental Management System*

The Environmental Management System (EMS) was established in early 2010. A key principle of the international EMS standard, AS/NZS ISO14001:2004, is continuous improvement. Accordingly the EMS and site Environmental Management Plans (EMP's) will be reviewed and revised during 2012/13 to ensure fit for purpose environmental management and consistency with current operations.

### *Air emissions*

Horizon Power reports annual air emissions for the period 1 July – 30 June to the National Pollutant Inventory (NPI) no later than 30 September each year. These reports are made publicly available on the NPI website ([www.npi.gov.au](http://www.npi.gov.au)). An estimate of combined air emission data from the Horizon Power generation facilities on page 30. This estimate is based on information available on 4 July 2012 and is consistent with the prior year's report. The final data

supplied to the NPI may alter slightly from the estimated emissions and will also include additional reporting parameters.

Horizon Power is currently developing a comprehensive strategic plan to guide the ongoing contaminated sites management program as the program moves from investigation phase to remediation and site close out.

### *Noise*

Due to the age of the Carnarvon Power Station and changes to relevant legislation, operations are undertaken in accordance with the Environmental Protection (Carnarvon Power Station Noise Emissions) Approval 2010. This approval allows the power station to operate within a set of approved noise limits. Annual compliance monitoring was completed in February 2012 to coincide with the highest load and therefore worst case noise emissions. Noise levels at all receivers demonstrated ongoing compliance with the approval.

### *Environmental incidents and spill response training*

One reportable spill occurred during the reporting year. This incident occurred in December 2011 on the Great Northern Highway approximately 70 kilometres north of Broome, as a result of a faulty

trailer separating from the towing vehicle while transporting transformers. Approximately 600 litres of mineral insulating oil leaked onto exposed soil within the road reserve. Impacted soil was removed and replaced with clean fill.

Spill response training has commenced for personnel within Horizon Power's depots. This training teaches the skills required to manage spills of chemicals and hydrocarbons including appropriate disposal of waste. This program will be continued with the remaining depots during 2012/13.

# Sharing our stories Sharing with all generations



Carnarvon children from five different schools participated in the Horizon Power education tour in early April, coordinated by Community and Customer Relations Manager Dave Shelton. The children saw electricity generators in action at the Carnarvon Power Station and learned how electricity travels to their homes, schools and community. They also visited the site of the new fuel-efficient Mungullah Power Station and the recently constructed EMC Solar Farm for a guided tour.

In Broome, Community and Customer Relations Manager Jodie Lynch was the guest speaker at the Broome Over 50's Club in June with a strong crowd turning up to hear information about the new tariff increases and rebates and energy efficiency.

## *Educating our children*

Horizon Power's electricity education program, Horizon Discovery Zone (HDZ), and its lovable mascot Gilbert, the frill-necked lizard, is becoming well known in regional Western Australian schools, with our Education Officer Julie Hughes visiting schools in most of our regions during 2011/12. This year, Horizon Power has also produced a new set of resources for younger children in primary schools, including a

book of lesson plans and activities, a kit of experiments and a reference website due to be launched in August 2012.

Schools in communities we visited during 2011/12 included Beagle Bay, Lombadina, One Arm Point, Kununurra, Wyndham, Halls Creek, Broome, Bidiyadanga, Tom Price, Paraburdo, Dampier, Wickham and Pannawonica. The geographically vast nature of our supply area means that all towns are rotated over a two year cycle, with a focus on the Kimberley and Pilbara during the last financial year and the Mid West, Gascoyne and Goldfields the priority for 2012/13.

Horizon Power is also partnering with Rio Tinto to include all of the company's service towns' schools in our program. More than 1,000 school children in these Pilbara towns were visited in June.

Paraburdo Primary School teacher Tamra Quadrio said her students were all "highly engaged and learnt a lot about electricity and how to use it efficiently and safely". A year 4/5 student from Pannawonica Primary School said that the Horizon Power and Rio Tinto presenters were really nice.

"I think they were awesome and had a good way of teaching us how to use electricity and save energy."



The Discovering Electricity and Discovering Junior Electricity resource books were recently added to the Department of Education website for teachers. The resources are available for teachers to download free of charge and communicate messages about electrical safety, energy efficiency and renewable energy resources through a variety of engaging, hands-on activities.

The Department of Education's Principal Project Officer E-Schooling Vicki Delves says the books are brilliant. "I am sure they will be well used by teachers in our schools," she said.

Horizon Power has also developed the Horizon Discovery Zone website for children across the State with interactive activities and lots of information about energy efficiency, safety, how electricity works and renewable energy.

## Key statistics

# Electricity generation and sales

June 2011/12 Power Station	Generated Power (kWh)	Generated Power-Wind/Solar	Purchases (kWh)	Total Power Purchased/Generated (kWh)	Used in Works	Sent Out (kWh)	RE buyback import into HP network (kWh)
Ardayaloon	0	0	1,503,086	1,503,086	0	1,503,086	0
Beagle Bay	0	0	1,481,868	1,481,868	0	1,481,868	0
Bidyadanga	0	0	2,488,727	2,488,727	0	2,488,727	0
Broome	0	0	126,816,908	126,816,908	0	126,816,908	959,290
Looma	0	0	2,398,883	2,398,883	0	2,398,883	0
Carnarvon	48,456,140	0	0	48,456,140	2,372,740	46,083,400	689,747
Coral Bay	0	0	3,143,310	3,143,310	0	3,143,310	40,617
Cue	0	0	2,117,064	2,117,064	0	2,117,064	2,859
Denham	3,388,689	2,043,176	0	5,431,865	112,718	5,319,147	109,753
Derby	0	0	32,927,779	32,927,779	0	32,927,779	120,320
Djarindjin	0	0	1,372,421	1,372,421	1	1,372,421	0
Esperance	0	0	70,798,955	70,798,955	2	70,798,955	389,608
Exmouth	0	0	24,878,249	24,878,249	3	24,878,249	326,189
Fitzroy Crossing	0	0	12,453,559	12,453,559	4	12,453,559	0
Gascoyne Junction	0	0	578,798	578,798	5	578,798	550
Halls Creek	0	0	10,191,440	10,191,440	6	10,191,440	0
Hopetoun	0	0	5,469,385	5,469,385	7	5,469,385	37,552
Kununurra	538,139	0	65,443,244	65,981,383	1,315,431	64,665,952	12,037
Lake Argyle	0	0	385,775	385,775	0	385,775	0
Laverton	0	0	4,110,782	4,110,782	0	4,110,782	3,958
Leonora	0	0	10,087,145	10,087,145	0	10,087,145	33,661
Marble Bar	0	0	0	0	0	0	0
New Marble Bar	1,628,006	611,456	0	2,239,462	368,965	1,870,497	0
Meekatharra	0	0	6,973,833	6,973,833	0	6,973,833	2,639
Menzies	0	0	691,522	691,522	1	691,522	1,513
Mount Magnet	0	0	4,141,949	4,141,949	2	4,141,949	4,708
Norseman	0	0	4,356,510	4,356,510	3	4,356,510	7,735
Nullagine	0	0	0	0	1	-1	0
New Nullagine	1,257,103	250,391	0	1,507,494	343,712	1,163,782	1,017
Onslow	293,056	0	6,708,740	7,001,796	0	7,001,796	5,875
Sandstone	0	0	668,928	668,928	0	668,928	0
Warmun	0	0	2,533,324	2,533,324	0	2,533,324	0
Wiluna	0	0	2,536,603	2,536,603	0	2,536,603	605
Wyndham	0	0	2,735,821	2,735,821	0	8,993,672	0
Yalgoo	62,406	0	948,853	948,853	0	948,853	0
NWIS	525,377,000	0	525,377,000	525,377,000	29,711,907	495,665,093	210,826
<b>TOTALS</b>	<b>581,000,539</b>	<b>2,905,023</b>	<b>936,320,460</b>	<b>994,786,616</b>	<b>34,225,508</b>	<b>966,818,993</b>	<b>2,961,059</b>

## Key statistics

## Employment and network assets

Table 1 Employment

	Active Full-time Equivalents			Total
	Permanent full-time	Permanent Part-time	Fixed-term, temporary	
<b>Overall Horizon Power</b>	415	9.73	29.53	<b>454.3</b>
<b>Corporate Services</b>	76	4	6	<b>86</b>
<b>Engineering &amp; Projects</b>	37	0.6	5	<b>42.6</b>
<b>Commercial &amp; Business Development</b>	33	1.73	4	<b>38.73</b>
<b>Knowledge &amp; Technology</b>	22	0	1	<b>23</b>
<b>Office of Managing Director</b>	12	3.4	2	<b>17.4</b>
<b>Operations</b>	235	0	11.53	<b>246.5</b>

Table 2 Network assets

Network type	Carrier	Kilometres
<b>Transmission</b>	220 kV	196.71
	132 kV Underground	1.83
	132 kV Overhead	196.71
	66 kV Overhead	150.0
	66 kV Underground	0.54
<b>Distribution</b>	HV 3-Phase Overhead	2102.06
	HV 3-Phase Underground	558.98
	HV Single Phase Overhead	2731.32
	LV Overhead	697.55
	LV Underground	894.77
	<b>Total</b>	<b>7,443.56</b>

<b>Total transformer capacity</b>	644 MVA
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<b>Number of Transformers</b>	3956
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# Directors' report

## Corporate governance

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

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

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

- provides structure and consistency to the way we do business with our customers and stakeholders
- allows everyone to respond to situations as they arise with confidence that we understand the requirements of the business
- promotes our business values and corporate governance principles, systems and practices, including the roles, responsibilities and authorities of the Board and Executive
- encourages the creation of inter-generational assets, consistent with our Business Model
- is aligned with our Strategic and Business Plans

- provides accountability and control systems commensurate with the risks involved
- is an essential component to the overall success of the business

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

This means that employees are able to perform their activities in a responsible, thoughtful, knowledgeable and consistently professional manner, contributing to the overall direction and success of the business.

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

## Board of Directors

In accordance with the *Electricity Corporations Act 2005*, Horizon Power must be governed by a Board of between four and six Directors appointed by the Governor on the

nomination of the Minister for Energy. The Board is responsible to the Minister for Energy for the performance of the business.

The primary role of the Board is to set the strategic direction of the organisation, approve major expenditure and provide advice to the Minister for Energy on regional power issues.

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

Horizon Power's Board consists of the following people:

Mr Brendan Hammond, Chairman  
 Mr Ian Mickel, Director  
 Mr Ron Johnston, Director  
 Ms Lynne Craigie, Director

### Brendan Hammond (Chairman)

Brendan brings with him a wealth of experience as Horizon Power's inaugural Chairman. He has worked in large mining corporations for most of his career, progressing through all levels of line management, and until recently, served as Managing Director of Argyle Diamond Mines in Western Australia.

In 2011 Brendan was appointed Adjunct Professor of Sustainability at Curtin University.

Also in 2011, Brendan was awarded WA Citizen of the Year under the category of the Governor's Award for Regional Development.



**Lynne Craigie**

Lynne was appointed a Board Director in October 2011.

Lynne is a psychologist and director of Workplace Consultancy Services in Newman, providing employee assistance programs, counselling and training programs and workers compensation case management. Lynne also manages the Newman Visitors' Centre.

Lynne was elected to the East Pilbara Shire in 2003 and was elected Shire President in 2005. She was also appointed to the Board of the Pilbara Development Commission in early 2011.

**Susan Bradley JP CMC**

Susan has over 40 years extensive business and community experience in the Kimberley which has included owning and operating cattle stations, farms on the Ord Irrigation Area and a caravan park in Kununurra.

She has held positions including the Wyndham-East Kimberley Shire President, Chair of the Ord Development

Study, Inaugural Chairman of the Kimberley Development Commission, Chair of the Kimberley Regional Water Resources Development Study, Director of the Australian Maritime Authority, Federal Councillor of the Royal Flying Doctor Service and WA Councillor on the Northern Australia Development Council.

Susan is General Manager of two North Kimberley Dunkeld Pastoral Company Pty.Ltd. properties and Ellenbrae Station Pty.Ltd.

She is a Director of the Kimberley Foundation Australia Ltd and a member of the Australian Institute of Company Directors.

Susan Bradley retired from the Horizon Power Board on 30 September 2011.

**John Elkington**

John is experienced in all facets of the mining industry and provides general management and financial performance consultancy to the mining sector worldwide.

He has most recently evaluated and reported on the financial performance of mining projects, negotiated and managed joint ventures with major resource companies and prepared management reviews for company directors. John has negotiated with native title parties including representing companies at the National Native Title Tribunal.

John lives in York and is a graduate of the WA School of Mines, with a Master's degree in Mineral Economics.

John Elkington resigned from the Horizon Power Board on 23 February 2012.

**Ian Mickel**

Ian has been a farmer and grazier in the Esperance region for more than 30 years. He has a strong focus on local government, especially in the areas of finance and economic development. Ian was elected to the Esperance Shire Council in 1989 and has served as Vice President from 1991 to 1993 and as President from 1994 to 2001 and again from 2003 until October 2011 when he retired from Local Government.

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

**Ron Johnston**

Ron has specialised experience in land developments and tourism, having worked in various roles with Ansett Airlines and the Broome International Airport for 30 years.

Ron has served his community as Broome Shire President and Councillor, President and Executive Member of the Broome Chamber of Commerce, Deputy Chair of the Kimberley Development Commission, President of the Kimberley Tourism Association, President of the Broome Turf Club and memberships on the North West Tourism Association and TAFE.

Ron received the Sir David Brand Medal for Tourism in 1995.

**David Powell (Special Adviser to the Board)**

The Horizon Power Board has retained the services of David Powell as a Specialist Adviser to enable the Board to prudently discharge its Audit and Risk obligations.

David has over 28 years accounting industry experience, including 10

years as a partner in consulting to clients in a range of industries on risk management, corporate governance and internal, external and IT auditing. In particular, he has been involved with some of the largest corporate and government internal audit assignments in Australia providing advice to management and Boards of major Australian enterprises in both the private and public sector.

David is a Chartered Accountant, Certified Internal Auditor, Certified Information Systems Auditor and member of the Institute of Company Directors.

David is the Chair of Horizon Power's Audit and Risk Management Committee.

**Ian Fletcher (Special Adviser to the Board)**

Horizon Power has retained the services of Ian Fletcher as a Special Adviser to the Board. Most recently with BHP Billiton, Ian brings with him a wealth of experience, with over forty years in the private sector, and in local, State and Federal Government.

Ian was responsible for media and investor relations and the ongoing working relationship between BHP Billiton and the West Australian Government, as well as the Federal Government and local governments.

In October 2011, Ian was appointed Chair of the Regional Development Council, the peak advisory body for

regional development across Western Australia, which is also responsible for the delivery of the Royalties for Regions programs.

Ian's involvement in regional Western Australia and with the State Government places him in a very significant position to assist Horizon Power to achieve its long term, strategic goals.

**Frank Tudor (Managing Director Elect)**

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

Frank holds first class degrees in engineering, economics and business administration from Curtin University (WA), London School of Economics (UK) and AGSM (University of NSW). Frank also completed the eight week Advanced Management Program at Harvard Business School in September and October 2008.

Frank has been the National President of the Australia China Business Council (ACBC) since November 2008. Frank has also lectured in Oil and Gas Economics and Legal Frameworks at the University of Western Australia over the last 10 years and is Vice Chairman of the Chamber of Commerce and Industry's Energy and Resources Forum.

**David Tovey (Company Secretary)**

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

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

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

**Attendance at Board meetings**

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

**Audit and Risk Management Committee**

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

**Board Meetings**

	Number of meetings attended	Number of meetings eligible to attend during the time the Director held office during the year
Brendan Hammond	13	13
Ian Mickel	13	13
Ron Johnston	12	13
Lynne Craigie	9	9
David Powell	8	8
Ian Fletcher	4	4
Susan Bradley	4	4
John Elkington	8	9

**Horizon Power Directors' Terms of Appointment**

Director	Appointed	Expires
Brendan Hammond	1 December 2005	31 March 2009
<i>Second Term</i>	1 April 2009	31 March 2012
<i>Third Term</i>	1 April 2012	2 April 2015
Ian Mickel	1 May 2011	30 April 2013
Ron Johnston	1 May 2011	30 April 2013
Lynne Craigie	1 October 2011	30 September 2014
Susan Bradley	1 April 2006	30 June 2007
<i>Second Term</i>	1 July 2007	30 June 2008
<i>Third Term</i>	1 July 2008	30 September 2011
John Elkington	11 August 2009	23 February 2012
Special Advisers to the Board	Appointed	Expires
David Powell (Chair Audit and Risk Management Committee)	11 February 2011	10 February 2012
<i>Second Term</i>	11 February 2012	Ongoing
Ian Fletcher	30 January 2012	Ongoing

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

### Financial reporting

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

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

### Internal Control and Risk Management

The ARMC provides oversight of the identification of risks and threats to Horizon Power and the processes by which those risks and threats are managed. The ARMC also assesses and adds value to Horizon Power's

### ARMC Meetings Attended

	Number of meetings attended	Number of meetings eligible to attend during the time the Director held office during the year
Mr David Powell (Chair)	7	7
Mr Ian Mickel	7	7
Ms Lynne Craigie	4	4
Mr John Elkington (resigned October 2011)	1	2

corporate governance, including its systems of internal control and internal audit function.

### Composition of ARMC

The ARMC comprises of:

- David Powell, Chair
- John Elkington, Board member (retired from ARMC October 2011)
- Ian Mickel, Board member
- Lynne Craigie, Board member (appointed 13 December 2011)

ARMC meetings in the 2011/12 financial year were attended by:

- Frank Tudor, Managing Director Elect
- David Tovey, General Manager Corporate Affairs and Company Secretary
- Ben Hamilton, General Manager Corporate Services
- Amelia Yam, Chief Financial Officer (resigned 3 January 2012)

- James Deacon, General Manager Knowledge and Technology (invitee)
- Craig Young, Manager Risk, Audit and Governance
- Liang Tay, Risk and Audit Manager
- Henry Thong, Chief Financial Officer

# Directors' report

## Governance disclosures

### *Ministerial reporting requirement*

In compliance with the accountability provisions of the *Electricity Corporations Act 2005 (the Act)*, Horizon Power will provide the Minister with a Quarterly Report for the first three quarters and an Annual Report for the whole financial year. Each Quarterly Performance Report will be submitted one month after the end of the quarter and include an overview of performance and highlights of important achievements. The Annual Report will follow the end of the financial year and be provided to the Minister within the time specified by the Act. It will include:

- consolidated statutory financial statements and other statutory information required of any company under the Act.
- an overview of major achievements and an appraisal of future prospects,
- a comparison of performance with Statement of Corporate Intent targets
- other information required by the Act to be included, such as the particulars of any directions given by the Minister for Energy

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

- a five-year Strategic Development Plan and a one-year Statement of Corporate Intent

- a separate report on staff compliance with any Board issued codes of conducts
- any information in Horizon Power's possession requested by the Minister

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

### *Ministerial Directives*

There were no Ministerial Directives issued to Horizon Power during the financial year 2011/12.

### *Shares in Statutory Authorities*

N/A

### *Shares in Subsidiary Bodies*

N/A

### *Declarations of Interest*

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

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

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

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

### *Declarations of Interest*

#### **Brendan Hammond**

- Seymour Associates (Director/ Owner)
- Dampier Port Authority (Chairman)
- Adjunct Professor of Sustainability, Curtin University

#### **Ian Fletcher**

- Chair of the Regional Development Council
- Holds BHP Billiton and Commonwealth Bank shares

#### **Ron Johnston**

- Owns properties in Karratha and leases properties through the Kimberley and Pilbara

#### **Ian Mickel**

- Holds Commonwealth Bank shares

### Lynne Craigie

- Chair of Pilbara Regional Council
- President of Shire of East Pilbara
- Holds BHP Billiton shares
- Spouse works for BHP Billiton

### Frank Tudor

- Chair of Australia China Business Council
- UWA lecturer
- Chamber of Commerce and Industry Energy and Resources Forum Vice-Chairman

### Indemnification of Directors

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

The Directors' and Officers' Liability Insurance Policy forms part of the Corporations' 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

#### Legislation

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

### Electricity Licences

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

The Integrated Regional Licence requires Horizon Power to comply with a number of Codes, including:

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

Horizon Power is also required to submit a Licence Performance Audit and an Asset Management System Review to the Economic Regulation Authority at intervals determined by the Authority. The next Licence Performance Audit will be for 1 April 2011 to 31 March 2013. The next Asset Management System review will be for the period 1 April 2011 to 31 October 2013.

#### 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 [www.horizonpower.com.au/foi.html#process](http://www.horizonpower.com.au/foi.html#process)

### Compliance with other legislation

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

### Restriction on the area within which Horizon Power may operate

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

### Observance of the Code of Conduct for Horizon Power

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

The Board confirms that consistent with Section 31 of the Act, Horizon Power's Code of Conduct was developed after consultation with staff and the Public Sector Commissioner and was adopted by the Board at its



meeting on 18 October 2006. The Code of Conduct was revised and signed off by the Board in February 2010.

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

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

There were four reported incidents that breach the Code of Conduct for the 2011/12 financial year. Appropriate action has been taken in relation to these including reporting to relevant authorities.

Our Code of Conduct is due to be reviewed again in the first quarter of 2013.

#### **Public Interest Disclosures**

Public Interest Disclosures help mitigate the adverse effects of

corruption and other improper conduct. Horizon Power has a Disclosures of Public Interest Policy that encourages the disclosure of information in the public interest.

The principles of the policy ensure personnel will be supported and protected by Horizon Power when making disclosures about corruption or other improper conduct. They also provide protection for those who are the subject of a disclosure, thus protecting the assets, profitability, performance and reputation of Horizon Power.

There were no public interest disclosures in relation to the activities of Horizon Power during the 2011/12 financial year.

#### **Disability Services Act**

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

***Web 2.0 technologies have been implemented to create a better user experience and the business has also implemented an ongoing process to improve accessibility standards***

On October 2011, Horizon Power re-launched its external website with a focus on standards, user interface and accessibility improvements. Our Public Affairs and Communication team followed W3C standards to improve stability and performance, Web 2.0 technologies have been implemented to create a better user experience and the business has also implemented an ongoing process to improve accessibility standards.

### State Records Act

Horizon Power maintains and supports quality record-keeping practices in its day-to-day business activities. The function of managing records resides within the Knowledge and Technology division.

Horizon Power's record-keeping plan is reviewed annually to ensure currency and any updates are submitted to the Minister for Energy for approval. The approved plan is then presented to the State Records Office.

### Environmental Regulations

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

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

- *Environmental Protection Regulations 1987* provide generally for the prevention and control of pollution and ensure that appropriate processes are established to manage pollution, noise and other environmental impacts generated by construction projects and operations.
- *Environmental Protection (Controlled Waste) Regulations 2004* provide for the licensing of carriers, drivers and vehicles involved in the transportation of controlled waste on public roads.

- *Environmental Protection (Native Vegetation Clearing) Regulations 2004* protects all native vegetation in Western Australia. Clearing native vegetation is prohibited, unless a clearing permit is granted by the Department of Environment and Conservation (DEC) or the clearing is for an exempt purpose. These exemptions ensure that low impact day to day activities involving clearing can be undertaken.
- *Environmental Protection (Unauthorised Discharge) Regulations 2004* provide for the prevention of unauthorised discharge of potentially environmentally harmful materials.
- *Environmental Protection (Noise) Regulations 1997* provide for noise emitted on a premises or public place and received on another premises. There is a special provision allowing persons who are unable to reasonably comply with the assigned levels to apply to the Minister for approval to vary from the assigned levels, via an Environmental Protection Authority (EPA) assessment process (regulation 17).

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

- *Environmental Protection and Biodiversity Conservation Act 1999 (Commonwealth)*
- *Contaminated Sites Act 2003*

- *Dangerous Goods Safety Act 2004*
- *National Greenhouse and Energy Reporting Act 2007*
- *National Environment Protection (National Pollutant Inventory) Measure*

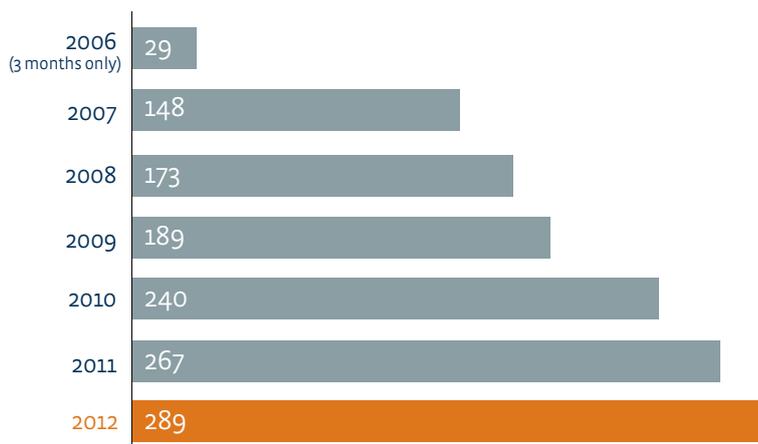
Horizon Power has a site-specific licence to operate the existing power station at Carnarvon. This licence contains specific requirements and conditions relating to air emissions, air and noise emissions monitoring, guidelines for storing liquid fuels and chemicals and supplying an annual report to the DEC on power station operations.

### Financial performance

Horizon Power delivered a Net Profit after tax for the year of \$33.3 million for the year ended 30 June 2012, down from \$40.5 million in 2010/11. Revenue from electricity sales increased by \$30.6 million, up 16 per cent, a combination of price increases and consumption in regional Western Australia. Developer and customer contributed assets were less than last year, down by \$12.7 million however this was offset by other non-core revenue streams. The State Government's contributions from the Tariff Equalisation Fund was \$181.2 million in 2011/12, up 3 per cent on 2010/11 and remained stable for the year.

Horizon Power continued to manage its costs tightly within an operating environment with significant upward

Annual Revenue by financial year (\$M)



cost pressures. During the year, efficiency initiatives delivered savings of \$6.2 million in line with the State Government's five per cent efficiency dividend target. Tight fiscal measures were implemented across a range of discretionary expenditure items to achieve these savings. Electricity and fuel purchases increased by 6.4 per cent, reflecting increased sales. Labour costs, \$55.6 million, up 1.1 per cent, were lower in real terms however the cost of contracted services, up 7.6 per cent from 2010/11, more accurately reflected the upward cost pressures in regional Western Australia. Abnormal costs absorbed by the business included \$10.1 million in impairment charges in accordance with Australian Accounting Standards. Depreciation and amortisation charges increased by \$8.5 million as a result of newly-capitalised assets and the ongoing assessment of

the useful life of assets in accordance with Australian Accounting Standards. The business also absorbed the cost of higher reactive maintenance and emergency response arising from the cyclone and wet season in the North-West of the State.

#### Balance Sheet

Horizon Power net assets increased by \$39 million achieved through the \$2.5 million equity injection for the Murchison Radio-astronomy Observatory Project and Profit for the year.

Property, plant and equipment increased by \$96 million from 2010/11 and this was funded by an increase in interest bearing loans with the West Australian Treasury Commission of \$75 million, taking interest bearing loans to a total of \$392.2 million as at 30 June 2012.

#### Capital Expenditure

Capital expenditure excluding gifted assets and decommissioning assets for 2011/12 was \$131 million, \$5 million below the expenditure in 2010/11. Horizon Power invested \$37.1 million through its Asset Management Plan (AMP) to maintain safety and reliability of its systems during 2012/13. This continued investment is necessary if Horizon Power is to remain compliant with our statutory obligations and deliver against key service delivery targets agreed with our stakeholders.

Other major items included the Pilbara Underground Power Project, \$36.9 million (funded by Royalties for Regions and local government contributions) an equity injection of \$100 million received in prior years, Mungullah Power Station, \$27.0 million, and Business Transformation costs (core information systems migration and enhancements) of \$9.3 million.

#### Dividends

No dividends have been declared or paid for this financial year. The Horizon Power Board will continue to consider this issue through the course of the year and it will be the subject of continuing discussions between the Horizon Power Board and Government.

**Significant Changes in Horizon Power's state of affairs**

**Tariff Equalisation Contribution**

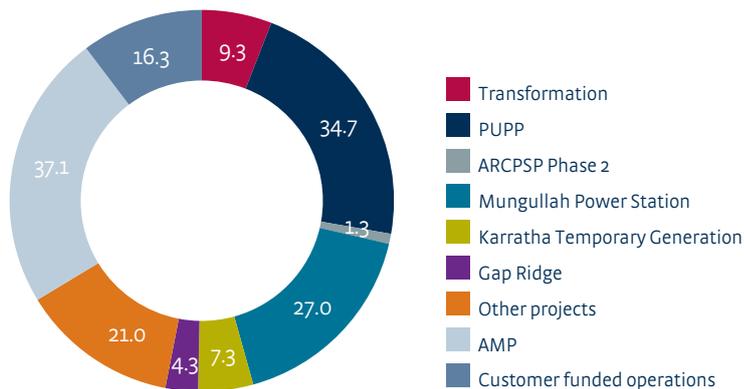
Following the Economic Regulatory Authority's 2011 inquiry into the funding arrangements of Horizon Power, the Department of Treasury commenced a review of the methodology used to calculate the Tariff Equalisation Contribution (TEC) funding received by Horizon Power.

This included a review of the methodology for formulating the required subsidy amount, associated modelling and consideration of the funding source with an original view to delivering a recommendation to Government in the 2012/13 Budget process.

Horizon Power has been provided with the opportunity to review the Model in detail and a project initiative is underway to clarify the impact of the Department of Treasury's recommendations, both in terms of the methodology and the absolute level of TEC funding.

The scope of this work involves reviewing the methodology of the Model, evaluating the validity of inputs used and assessing the costs, benefits and risks associated with changes to the methodology currently employed.

Horizon Power is now in the process of reviewing the Methodology and Model in detail with the following objectives:



- assess the impact of the Model outputs on Horizon Power, primarily in regards to the total funding level, but also how using the Model will affect future investment decisions;
- determine whether the modelling adopted by the Department of Treasury accurately reflects Horizon Power's cost to serve, including how items such as carbon liability and in-house generation costs are calculated; and
- advise on whether particular aspects of the methodology are appropriate.

While the Treasurer has already implemented its preferred TEC recommendation and gazetted a subsidy amount, Horizon Power remains in a position to amend the inputs and therefore the calculated subsidy requirement and possibly the methodology. In addition to the analysis undertaken internally,

Capital spend financial year 2010/11 (\$M)



Horizon Power is also actively working with the Department of Treasury and Public Utilities Office.

**Capital funding for asset management**

The outcomes of Horizon Power's State Budget forecast submissions resulted in a lower than requested capital funding amount for Horizon Power in the outer years of the forward estimates. This translates into the Asset Management Plan being allocated less capital than required to address all currently classified high risk matters in accordance with the Board approved Risk Mitigation Strategy in financial years post 2012/13. Horizon Power is reassessing the risk rating and, where required, enhancing business cases to justify additional capital requirements for discussion and resubmission to government.



### **Pilbara Power Procurement Board**

Following a decision by the State Government through the 2012 State Budget process, the Pilbara Power Procurement Board (PPPB) was established to ensure adequate generation capacity was available to meet expected demand in the North West Interconnected System.

The PPPB comprises of representatives from the Department of Finance (Chair), Horizon Power, Department of Treasury, Department of Regional

Development and Lands and the Department of State Development.

The matters described above represent the significant changes in the state of affairs of the Corporation for the year ended June 2012.

# 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 Corporations Act 2005, including:
  - i. giving a true and fair view of the Corporation's financial position as at 30 June 2012 and of its performance for the 12 month period ended on that date; and
  - ii. complying with Accounting Standards, AASB Interpretations and Corporations Regulations; and
- (b) there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Ian Mickel  
DEPUTY CHAIRMAN



Lynne Craigie  
DIRECTOR

4 SEPTEMBER 2012

*Horizon Power continues to provide leadership and develop quality relationships with stakeholders to achieve the best possible outcomes for regional Western Australians*

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