



# Quarterly Performance Report

For the period October - December 2011

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

# Performance Overview



- This performance report covers the three month period ending 31 December 2011. For statistics prepared on a rolling 12-month basis, data prior to 1 July 2011 is used.

## Financial Performance

- Horizon Power reported a YTD NPAT of \$21.6 million, compared to the YTD target of \$16.6 million, resulting in a positive variance of \$5.0 million due, mainly, to lower labour costs (vacancies and timing of recruitment), lower overheads (efficiency savings) and lower depreciation (timing difference resulting in lower capitalisation).
- Capital expenditure to date is \$60.4 million with customer driven projects comprising \$7.3 million.
- Total debt of \$837.4 million (including finance leases) contributed to a debt/equity ratio of 72:28.

## Business Highlights

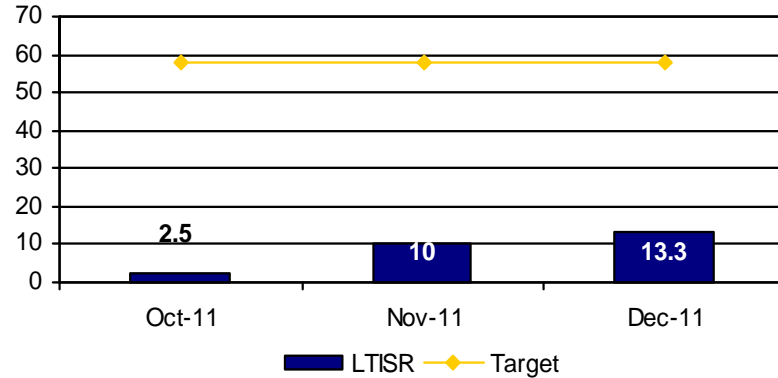
- The Business Transformation programme continues to progress the standardisation and simplification of Horizon Power's processes and systems. The managed service desk solution and Meter to Cash processes were implemented in October 2011 and Core operational process development is now underway with the plan to implement new systems in 2012 that allow full separation from Western Power business systems.
- The Aboriginal and Remote Communities Power Supply Project completed go-live with the upgraded power network in Kalumburu on 2 November and Yungngora on 17 November 2011.
- WorkSafe Plan Assessments have been submitted to WorkSafe WA for review. Horizon Power has applied to WorkSafe WA for Gold and Silver Achievement Awards for Kununurra and Broome (Gold) and Port Hedland and Carnarvon (Silver). An official response is expected in January 2012.

## Stakeholder Service

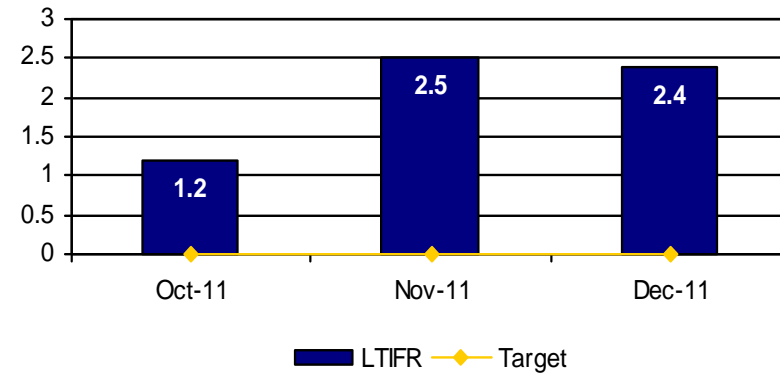
- Horizon Power received two negative ministerials during this quarter: 1) power supply in Wyndham; and 2) concerns around network power fluctuations and work performed by an alleged unlicensed electrical contractor.

# Safety, Health & Environment

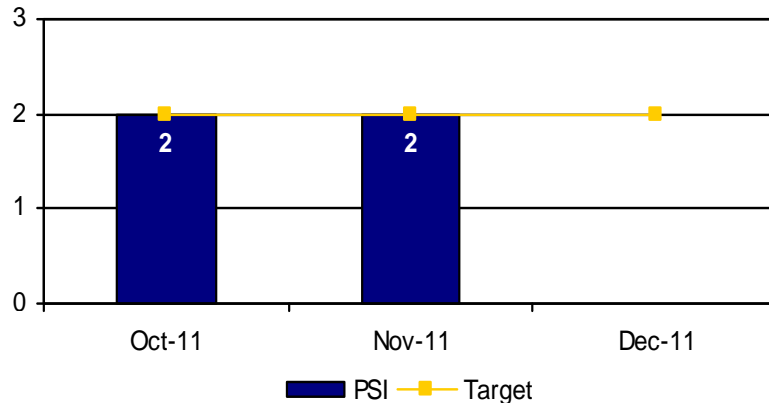
Lost Time Injury Severity Rate



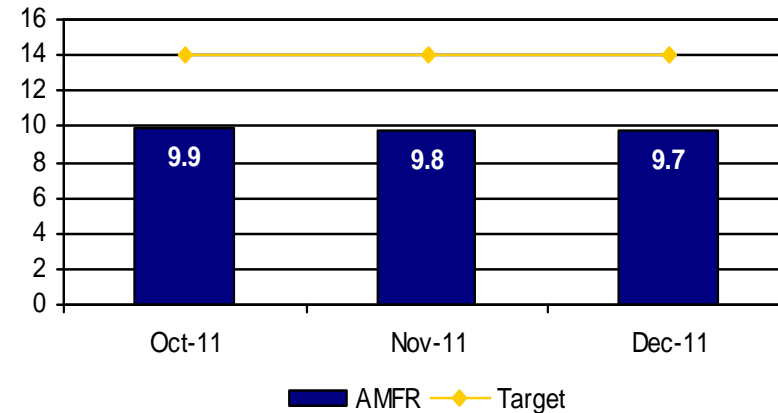
Lost Time Injury Frequency Rate



Public Safety Incidents



All Medical Frequency Rate



## Commentary

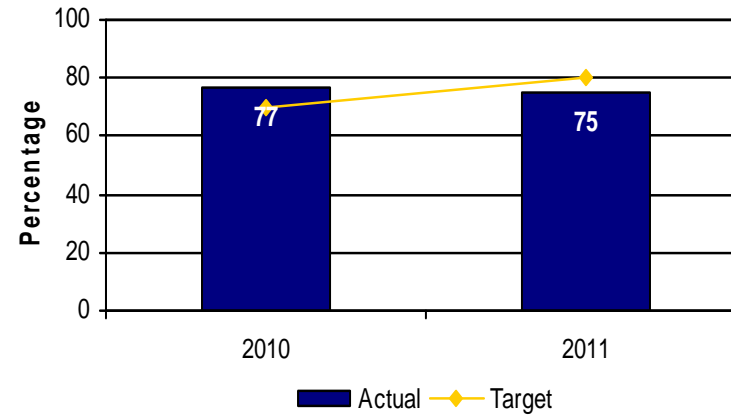
- There were no public safety incidents and one employee injuries recorded for the period.
- The Greenhouse Gas Intensity has stabilised at 0.60 CO<sub>2</sub>e/kWh during the period against a target of 0.68. This measure has been stable throughout the quarter.

# Customer Service and Electricity Delivery



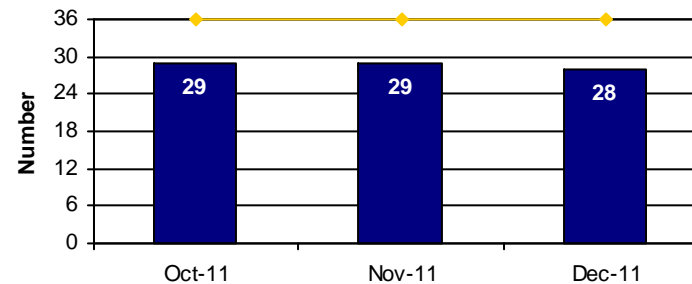
- Customer satisfaction has remained stable over the past two years. This year's survey also invited residential and commercial customers to complete the survey online, with additional telephone interviews conducted to top up certain regions.

### Customer Satisfaction



- Performing Systems are expected to improve to meet Strategic Development Plan targets by the end of 2012.

### Performing Systems (out of 36 systems)



# Financial Performance

## Business Results -- Profit & Loss Summary (in \$M)

	Half Year ended Dec 2011		
	ACT	MYR	VAR
Income	228.4	233.2	-4.8
Fuel and Electricity Purchases	68.4	73.8	5.4
Operating Labour, Overheads & Materials	67.2	69.3	2.1
<b>EBITDA</b>	<b>92.8</b>	<b>90.1</b>	<b>2.7</b>
Depreciation & Amortisation	28.9	32.8	3.9
<b>EBIT</b>	<b>63.9</b>	<b>57.3</b>	<b>6.6</b>
Interest	33.0	33.7	0.7
Income Tax (Benefit)	9.3	7.1	-2.2
<b>PROFIT/(LOSS) AFTER TAX</b>	<b>21.6</b>	<b>16.5</b>	<b>5.1</b>

**The EBITDA for the period ended December 2011 shows a positive variance of \$+2.7 million broken down as follows:-**

### 1. Income

A negative variance of \$-4.85 million in income mainly relating to:

(i) Electricity sales recorded a shortfall of \$ -4.4 million (actual \$107.1 million v budget \$111.5 million ) due mainly to lower volume (-6%) in the Non-Interconnected System. This negative variance is predominantly caused by shortfalls in Kununurra, Broome and Esperance primarily driven by slower than expected increase in economic activity, delays in discrete loads and to a lesser extent to milder weather.

(ii) Lower CSO revenue of \$-3.8 million due to delays in Aboriginal and Remote Communities Power Supply Project Phase 2.1a (\$-2.4 million) and unfavourable variance on Tariff Migration (\$-1.3 million) which is also driven by the shortfall in volume noted above.

(iii) Unfavourable variance of \$-0.4 million is due to timing differences in the recognition of developer and customer contributions.

(iv) Above negative variances were off set by higher non-energy revenues including interest on funds invested in term deposits (\$+1.3 million) and recognition of grant (\$+0.8 million) in respect of energy audit.

### 2. Fuel and Electricity Purchases

The positive variance in Fuel and Electricity(\$+5.4 million) is related to lower volume

### 3. Operating Labour, Overheads and Materials.

The net positive variance of \$+2.1 million relates mainly to vacancies and timing of recruitment and efficiency savings.