



PERFORMANCE REPORT

March Year to Date 2010

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



Overview

This performance report covers the 9-month period ending on 31 March 2010. For statistics prepared on a rolling 12-month basis, data prior to 1 July 2009 is used.

Business Results

Horizon reported a YTD March 2010 NPAT of \$20.9M compared to the mid year review (MYR) budget of \$9.4M, resulting in a positive variance of \$11.5M

Capital expenditure to date is \$80.7M with customer-driven projects comprising \$15.1M.

Total debt of \$298.8M contributed to a debt/equity ratio of 66:34.

Corporate Citizenship

Safety

Horizon Power recorded zero Lost Time injuries during the third quarter but had and two Medical Treatment injuries.

West Pilbara Power Station

The major highlight of the third quarter was the first gas turbine at the West Pilbara Power Station in Karratha reaching commercial operations in February 2010. The power station will be operated by Canadian power company, ATCO Power.

WA Sustainable Energy Association Awards

Horizon Power was awarded two WA Sustainable Energy Association Awards. The Outstanding Achievement in Excellence and Innovation Award was presented in recognition of Horizon Power's efforts to pursue sustainable energy solutions to reduce greenhouse gas emissions, such as the construction of the new Marble Bar and Nullagine power stations that use innovative technology on a scale not yet seen in Australia, and its work in helping customers reduce their energy use. The Community and Regional Initiatives Award was presented in recognition of the energy audit and education program being conducted in Indigenous communities.

Stakeholder Service

Horizon Power recorded no negative Ministerials during the third quarter.





Safety & health




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

EMPLOYEE SAFETY – No employee or contractor will suffer injury at work						
Performance Outcome	Units	Frequency	Status	Target	Actual	Variance
LTIFR (12 Month rolling average)	Rate	Monthly	■	0	1.4	-1.4
AMIFR (12 month rolling average)	Rate	Monthly	■	12.5	5.7	+6.8
PUBLIC SAFETY – No injury occurs to the public due to substandard assets or work practices						
Performance Outcome	Units	Frequency	Status	Target	Actual	Variance
Public Safety Incidents	Each	Monthly	■	4 (yr)	12	-8
SUMMARY						
<ul style="list-style-type: none"> • There were no lost time injuries and two medical treatment injuries reported in the March quarter. • There were eight Public Safety incidents reported in the March quarter. 						

Electricity delivery

Deliver a quality product meeting customer expectations.

RELIABILITY – By end of financial year 2011/2012, all individual systems will meet our service standards and will be maintained to such standards						
Performance Outcome	Units	Frequency	Status	Target (YTD)	Actual	Variance
Performing Systems (normalised)	#	Monthly		29	29	+0
Change Programmes	Status	Status Update				Completion
Pilbara Undergrounding Power Project Provide cyclone affected north west towns with a safe and reliable power supply, by replacing ageing overhead networks with underground networks.		<ul style="list-style-type: none"> The State Government confirmed a further \$65 million in addition to that already committed to install underground power in the communities of Karratha, Roebourne, South Hedland and Onslow. Tenders for the design were issued on 2 February 2010 and closed on 19 February 2010. Two design companies have been appointed namely APD and UPD. A third was not appointed as they did not comply with Horizon Power's Terms and Conditions. Risks have now been allocated to risk owners. A specification and tender workshop is scheduled for 14 April 2010. Tenders are expected to be issued 22 April 2010. 				June 2013
SUMMARY						
The first quarter for 2010 was warm for WA with significant storms in the southwest however HP recorded a low number of faults to maintain favourable performance. Performing Systems continue on target with 29 out of 34 systems delivering reliability above performance minimum requirements. All Faults reliability performance has continued its Performing Systems reliability with a SAIDI of 267 minutes which is below our 290 minute benchmark. Normalised reliability performance continues to perform well with a SAIDI of 200 minutes.						

QUALITY AND CAPACITY – Quality and capacity of power supply will comply with all applicable service standards						
Performance Outcome	Units	Frequency	Status	Target	Actual	Variance
Feeders utilisation Improvement works	%	YTD		75	66	-9
Generation capacity exceeding limits	#	Monthly		0	0	+0
Change Programmes	Status	Status Update				Completion
West Pilbara Power Project Ensure sufficient secure generation capacity under HP control in the NWIS to meet electricity demand of its customers in the Pilbara.		<ul style="list-style-type: none"> GTG 1 reached commercial operations on 14 February 2010. GTG 2 will reach commercial operations on 9 April 2010. The project team will continue to formalise the close-out of the project and ensure smooth transition to operations. 				April 2010
SUMMARY						
<ul style="list-style-type: none"> Feeders Capacity Improvement Program status is on track. Amber status is due to late data updating. We are progressing with expansion as per Independent Power Producer and network expansion plans. There are no significant quality issues. 						



Customer service

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

PRODUCTS – Provide products that meets the customers’ needs and wants						
Performance Outcome	Units	Frequency	Status	Target	Actual	Variance
Customer Satisfaction Survey	%	Yearly	■	80	83	+3
SERVICES – Ensure services are linked to products and that they are relevant and represent value for money to our customers						
SUMMARY						
Stakeholder satisfaction survey is being conducted, and is expected to continue into May. Results will be presented in the next financial year.						



Regularisation

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

REGULARISATION						
Performance Outcome	Units	Frequency	Status	Target (YTD)	Actual	Variance
Remote & Indigenous Communities Regularised	Community	Yearly	■	5	16	+11
Change Programmes	Status	Status Update				Completion
ARCPSP 2.1A Kalumburu & Yungngora Remote service extension. Upgrade power stations and network distribution systems and implement retail services, with aim to provide full supply arrangements to new communities.	Kalu. ■ Yung. ■	Final efforts are now being made to resolve site access issues at Yungngora. If the issues cannot be resolved before the end of April a recommendation will be made to the State ARCPSP Steering Committee to consider replacing Yungngora with another community on the ARCPSP programme.				Gate 4 Oct 2011
SUMMARY						
Go-Live for Town Reserve Regularisation Program (TRRP) communities of Irrungadji (Nullagine) and Goodabinya (Marble Bar) was completed 30 March 2010. This completes TRRP Phase Two, six months ahead of schedule. Discussions continue with Department of Housing for Phase 3 of the TRRP programme.						

Business value

Increase profitability and grow the business

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

Performance Outcome	Units	Frequency	Status	Target	Actual	Variance
EBITDA	\$M	Monthly	■	83.3	91.8	+8.5
Average Unit Costs*	Cents/kWh sold	Monthly	■	31.38	29.77	+1.61

SUMMARY

- HP reported a YTD March 2010 NPAT of \$20.9M compared to the mid year review (MYR) budget of \$9.4M, resulting in a positive variance of \$11.5M.
- The YTD positive result was achieved despite an overall sales revenue reduction of 6.7%, mainly driven by below budget consumption in the NWIS. Gross margin fell by \$1.2M for the NWIS due to this, fully offset by savings in cost of sales in the NIS (\$2.8M) from below forecast sales volume.
- The positive variance is mainly driven by: 1) underspend in materials and overheads (timing), 2) interest savings due to lower than budgeted interest rates (approximately 1% variance), 3) the lower than budgeted depreciation expenses due to timing of capitalisation and spend, and 4) overall positive gross margin of \$1.6M contributed by reduced NIS sales volume.

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

Business value

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

	Month - March 2010			Year to Date		
	ACT	MYR	VAR	ACT	MYR	VAR
Income	33.6	32.9	0.7	269.6	280.6	-11.0
Fuel and Electricity Purchases	12.6	13.7	1.1	98.6	109.8	11.2
Operating Labour, Overheads & Materials	8.4	9.9	1.5	79.2	87.5	8.3
EBITDA	12.6	9.3	3.3	91.8	83.3	8.5
Depreciation & Amortisation	3.5	4.0	0.5	26.7	30.6	3.9
EBIT	9.1	5.3	3.8	65.1	52.7	12.4
Interest	4.6	5.9	1.3	35.3	39.3	4.0
Income Tax (Benefit)	1.4	-0.2	-1.5	8.9	4.0	-4.9
PROFIT/(LOSS) AFTER TAX	3.2	-0.4	3.6	20.9	9.4	11.5

Environment

Create a better outcome for the environment.

EMISSIONS – Minimise the environmental footprint of current and future operations						
Performance Outcome	Units	Frequency	Status	Target	Actual	Variance
Greenhouse Gas Intensity	kg CO ₂ /kWh (Sent Out)	Monthly	■	0.71	0.60	-0.11
Change Programmes	Status	Status Update				Completion
Environmental Management	■	<ul style="list-style-type: none"> Work has commenced on determining Horizon Power's requirements for an automated Greenhouse and Energy Reporting System. Several existing off the shelf systems will be assessed against our requirements. A business case will be developed prior to implementation. 				End March 2010

SUMMARY
<ul style="list-style-type: none"> Karratha Power Station has commenced operation resulting in a noticeable decrease in the Greenhouse Gas Intensity from 0.69, in December 2009, to 0.60 kg CO₂e/kWh (Sent Out) in March 2010.

Summary of Acronyms and References

Acronyms	Explanation
AMIFR (12-Month Rolling Average)	All Medical Frequency Rate – The number of medicals (workers compensation claims) per one million hours worked. Reported as a 12 month average. Formula: Total # of Medicals / One Million Hours worked.
ARCPSP (Aboriginal and Remote Community Power Supply Project)	Remote service extension. Upgrade power stations and network distribution systems and implement retail services, with aim to provide full supply arrangements to new communities.
Average revenue received (cents/kWh sold)	Total operating revenue from all sources / Total Sales (KWh)
Average unit cost (cents/kWh sold)	Total operating expenditure (excluding interest) / Total Sales (KWh)
EBITDA (\$M) (Target is MYR budget)	Earnings before interest ,taxation, depreciation and amortisation
ERA	Economic Regulation Authority of Western Australia
Feeders Exceeding Utilisation Limits	This uses project milestones to assign a value for percentage complete for each distribution network CAPEX project with the primary driver of Capacity.
Green Product Delivered to Market	The total number of new green energy products released to HP's customer groups over 12 months.
Greenhouse Intensity (kg CO ₂ /kWh sold)	Total number of Kilograms of CO ₂ equivalents produced, divided by the number of KWh's of electricity sold by Horizon Power.
Generation capacity exceeding limits	The number of Power Systems where the load in the coming 12 months is forecast to exceed generation capacity.
LTIFR (12-Month Rolling Average)	Lost Time Injury Frequency Rate – The number of lost time injuries per one million hours worked. Reported as a 12 month average. Formula: Lost Time Injuries / One Million Hours worked.
MYR	Mid Year Review
NIS	Non Interconnected Systems. Power systems that are not connected to the NWIS (e.g. Esperance, Carnarvon, Marble Bar, Nullagine, Wyndham, Broome and Kununurra).
NPAT	Net Profit After Tax
Public Safety Incidents	<ul style="list-style-type: none"> Fire or explosion - Fire or explosion, caused by Horizon Power (HP) assets (e.g. exploded cable joint or transformer, pole top fire, wire down etc. starting grass fire etc.) Electric shock (Reportable incident/Not notifiable incident) - Electric shock caused by HP network. (E.g. crossed phasing, open circuit network/service neutral, missing neutral on HP side of meter box, but does not include minor network neutral caused electric shock of 5 volts or less due to either load unbalance or neutral resistance.) Any Energy Safety notifiable incident - Any incident that is caused, or significantly contributed to, by a HP asset or action that result in: Serious injury – (1) An injury that is fatal or requires the victim to be admitted to hospital; (2) Damage to Private property if the value of the damage is likely to exceed \$5,000 in total.
NWIS	North West Interconnected System. A set of transmission lines between Dampier and Port Hedland
Remote and Indigenous communities regularised	Power supply regularisation to number of remote and indigenous communities per year.
Residential satisfaction survey Rating (%)	Customer satisfaction survey undertaken on annual basis by external agency.
Performing Systems	Achievement of SAIDI and SAIFI system reliability performance (as agreed or per the Reliability Code) for each System.
SAIDI Complying Towns	System Average Interruption Duration Index – The sum of the duration of each sustained customer interruption (in minutes) divided by the total number of distribution customers over a 12 month average.
YTD	Year to Date (July 2009 – March 2010)
TEF	Tariff Equalisation Fund - is used to recompense Horizon Power for the difference between the cost of supply throughout the service area and the revenue stream.
TRRP	Town Reserve Regularisation Program