



PERFORMANCE REPORT

October - December 2010 - Quarterly Report

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



Overview

This performance report covers the 3-month period ending on 31 December 2010. For statistics prepared on a rolling 12-month basis, data prior to 1 July 2010 is used.

Business Results

Horizon Power reported a YTD December 2010 NPAT of \$19.7M compared to the mid year review (MYR) budget of \$21.8M, resulting in a negative variance of \$2.1M due to lower sales revenue than budgeted partly offset by savings from efficiencies in overheads and materials.

Capital expenditure to date is \$56.3M with customer-driven projects comprising \$9.2M.

Total debt of \$323M contributed to a debt/equity ratio of 77:23.

Corporate Citizenship

Safety

The third quarter of 2010 saw an increase in medical treatment injuries, mainly due to incidents occurring where the task was not considered particularly dangerous or able to cause harm. A series of risk awareness and perception workshops along with the development of site hazard registers is planned for Q2 2011 to help our teams better identify and formally control the hazards and risks in the workplace.

The draft safety and health strategy was formally endorsed by the Executive which focuses on four key pillars: leadership; respect for process; appreciation of risk; and developing meaningful and effective communications.

Project Delivery

Nullagine power station was commissioned on 1 October 2010 and has completed its reliability test without incident. Similar to the Marble Bar Pippunyah solar diesel power station, the Nullagine power station incorporates a single axis tracking solar farm with diesel technology and a fly wheel energy storage system. This combination of technology is the first of its kind in the world and ensures a very high level of solar energy penetration and a reliable supply of power to Nullagine.

Stakeholder Service

Horizon Power recorded two negative Ministerials during the second quarter. One related to Horizon Power's management of overhead powerlines and destruction caused by the Corella population in the East Pilbara. The other related to a customer connection.

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	R	0	2.6	-2.6
AMIFR (12 month rolling average)	Rate	Monthly	R	10.5	11.6	-1.1
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	G	2 (yr)	1	+1



Electricity delivery

Deliver a quality product meeting customer expectations.

RELIABILITY – By end of financial year 2014/2015, all individual systems will meet our service standards and will be maintained to such standards (DMS# 3204503)						
Performance Outcome	Units	Frequency	Status	Target (YTD)	Actual	Variance
Performing Systems (total of 36 systems / normalised reliability) (December)	#	Monthly	G	31	32	+1
Change Programmes	Status	Status Update				Completion
®PUPP (Pilbara Network Hardening) Provide cyclone affected north west towns with a safe and reliable power supply, by replacing ageing overhead networks with underground networks.	G	Work on Phase 1 will re-commence in early January 2011. Designs for Karratha LIA, South Hedland and Wedgefield are in progress and on track.				December 2012
SUMMARY						
Kununurra experienced three incidents of total loss of generation in December. Each incident required the starting of Kununurra Power Station for the quick restoration of power to Kununurra. Local generation at Wyndham automatically restored power to Wyndham following these incidents.						
Carnarvon and Gascoyne Junction experienced severe flooding starting on the 18 th December 2010. Incidents associated with the flooding have been excluded from normalised reporting as these incidents are associated with a declared Natural Disaster and exceeded the Major Event Day threshold for these systems.						

QUALITY AND CAPACITY – Quality and capacity of power supply will comply with all applicable service standards						
Performance Outcome	Units	Frequency	Status	Target	Actual	Variance
Systems exceeding generation capacity	#	Monthly	G	0	0	+0
Change Programmes	Status	Status Update				Completion
Fairway Drive Substation Ensure sufficient distribution capacity to meet Broome load growth.	G	The project is on time within budget.				Expected completion Feb 2014
SUMMARY						
There were eleven quality complaints received during the quarter. All have been resolved.						

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.

SERVICES – Ensure customers value the experience provided by Horizon Power						
Performance Outcome – December	Units	Frequency	Status	Target	Actual	Variance
Volume Phone Calls	#	Monthly	G	8190	6397	-1793
Respond to Customer Complaints within 4 Business Days	%	Monthly	G	100%	100%	0%
Resolve complaints within 15 Business Days	%	Monthly	G	98%	100%	2%

PRODUCTS – Provide products that meets the customers' needs and wants						
Performance Outcome	Units	Frequency	Status	Target	Actual	Variance
Customer Satisfaction Survey	%	Yearly	A	80	77	-3



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	G	5 (for 2010/11)	0	0
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. G Yung. G	Installation of meters in both Kalumburu and Yungngora was completed before Christmas. In Kalumburu construction of the new underground distribution system is complete, with works on the Yungngora distribution system scheduled to commence after the wet season. Works will resume in April 2010. The upgrading of domestic internal house wiring in Kalumburu and Yungngora is continuing. Tendering for the design and construction of the two new power stations is complete, with the UON Pty Ltd chosen as the successful bidder. Detailed design work for the two new power stations is well underway.				Gate 4 Oct 2011

Business value

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
Normalised EBITDA	\$M	Monthly	R	61.6	57.1	-4.5
Average Unit Costs *	Cents/kWh sold	Monthly	G	35.6	34.7	+0.9

SUMMARY

Actual YTD average unit cost is lower than budget by 2.5% resulting from efficiencies mentioned above particularly from savings in overheads and fuel and gas purchases.

Capital Efficiency shows a favourable variance for the half year period. Capital spend to date is below budget by \$6.9M and relates mainly to safety driven projects in Operations (\$2.3M), Carnarvon power station (\$2.3M) and three asset service driven projects (\$1.3M). Underspend related to timing differences between budget and actual.

Net Debt at December stands at \$323M and we are comfortably operating within our debt ceiling.

* 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

	Year to Date		
	ACT	MYR	VAR
Income	209.5	227.9	-18.5
Fuel and Electricity Purchases	63.2	68.3	5.1
Operating Labour, Overheads & Materials	62.2	68.8	6.6
EBITDA	84.1	90.8	-6.7
Depreciation & Amortisation	23.4	25.6	2.2
EBIT	60.7	65.2	-4.5
Interest	32.6	34.1	1.5
Income Tax (Benefit)	8.4	9.3	0.9
PROFIT/(LOSS) AFTER TAX	19.7	21.8	-2.1

The above are the actual reported results and include the following:

1. Finance leases - No variance was recorded for finance lease adjustments.
2. Unrealised fuel hedge transactions - in line with the Financial Risk Management Policy, fuel hedge contracts were placed for price certainty of fuel requirements for September 2010 to June 2011. Accounting Standards require the contracts to be valued at the 'market' price. An unrealised net hedging loss of \$0.40M was recorded for current hedging contracts. This includes an unrealised hedge loss of \$0.01M in December 2010.

Environment

Abate Emissions and Reduce Consumption – Create a better outcome for the environment through reduced emissions and improved customer energy efficiency.

POWER SYSTEM EFFICIENCY – Improve efficiency by producing more electricity for less fossil fuel						
Performance Outcome	Units	Frequency	Status	Target	Actual	Variance
Greenhouse Gas Intensity	kg CO ₂ /kWh (Sent Out)	Monthly	G	0.71	0.58	-0.13

Glossary

Term	Definition	Formula	Unit
Social Benefit			
Customer Service			
Customer Survey Rating	Customer satisfaction will be measured by an annual survey undertaken by an external agency.	Average measurement of survey response on a scale of 0 to 10 of HP overall performance expressed as a percentage.	%
Volume of Calls	Describes the number of calls taken by our customer call centre and customer care provider.	Number of calls	#
Respond to Customer Complaints within 4 Business Days	Describes the percentage of customer complaints that have had responses within 4 business days.	Percentage of customer complaints that have had responses within 4 business days.	%
Resolve complaints within 15 Business Days	Measure of the number of customer complaints that have been resolved within 15 business days.	Measure of the number of customer complaints that have been resolved within 15 business days.	%
Reliability			
Performing Systems	<p>Achievement of SAIDI and SAIFI system reliability performance (as agreed or per the Reliability Code) for each System.</p> <p>The measures are defined as:</p> <ul style="list-style-type: none"> • SAIDI: 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. • SAIFI: The total number of sustained customer interruptions divided by the total number of distribution customers over a 12 month average. <p>(These measures exclude momentary interruptions (one minute or less))</p> <p>SAIDI / SAIFI events are normalised to exclude incidents due to:</p> <ul style="list-style-type: none"> Customer equipment Planned work Vehicle / Mobile equipment Water / Flood Wilful damage Major events <p>These events are outside the control of HP.</p>	Performing systems count.	#

Term	Definition	Formula	Unit
Reliability Delivery	This measure uses project milestones to assign a value for percentage complete for each CAPEX project with the primary driver of Reliability. The average percentage complete is then calculated for all CAPEX projects with the primary driver of Reliability.	Average of percentage delivery of all CAPEX Reliability projects.	%
Quality and Capacity			
Systems Exceeding Generation Capacity	This is formally know as "Generation Capacity Exceeding Limits". The number of Power Systems where the load in the coming 12 months is forecast to exceed generation capacity.	Count of Systems where 12 month Forecast Peak Load > Generation Capacity	#
Quality Complaints	The number of verified Power Quality complaints received in the month divided by the total number of customers divided by 10,000.	# verified PQ complaints/ (#customers/ 10,000)	#
Public Safety			
Public Safety Incidents	A Public Safety Incident comprises of 3 elements <ul style="list-style-type: none"> • Fire or explosion, caused by HP assets (e.g. exploded cable joint or transformer, pole top fire, wire down etc. starting grass fire etc.) • 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 incident that is caused, or significantly contributed to, by a HP asset or action that result in: <ol style="list-style-type: none"> (1) Serious injury or death - 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. 	Incident count.	#
Regularised Towns			
Remote and Indigenous Communities	The number of remote and indigenous communities in which power supplies are regularised to a standard equivalent to supply quality within mainstream townships. Includes metering services and programs under ARCPSP and TRRP.	Count of communities where regularised supply has been completed within the financial year.	#
ARCPSP	Aboriginal and Remote Communities Power Service Program		
TRRP	Town Reserve Regularisation Program		
Economic Benefit			
Business Value			

Term	Definition	Formula	Unit
Normalised EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization, but exclude revenue and expenditure that is outside the control of management or that do not relate to the reporting period.	EBITDA adjusted for finance leases adjustments, unrealised hedging transactions and CSO wash up.	\$M
Average Unit Cost	The average cost per unit of electricity sold.	Sum of Total Fuel & Electricity Purchases (excl Finance Lease Adjustment) and Total Operating Expenses / Total Sales (kWh).	c / kWh
MYR	Mid-Year Review		
NPAT	Net Profit After Tax	Incomes less Expenses less Tax.	\$M
Environmental Benefit			
Greenhouse Emissions			
Greenhouse Gas Intensity	Greenhouse gas equivalents released from sources directly linked to the supply of electricity or gas by HP (including those from Independent Power Providers).	Total number of kilograms of CO2 equivalents produced divided by the number of kWh of electricity sent out.	kgCO2-e / kWh (Sent Out)