



PERFORMANCE REPORT

January - March 2011: Quarterly Report

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



Overview

This performance report covers the 3-month period ending on 31 March 2011. For statistics prepared on a rolling 12-month basis, data prior to 1 July 2010 is used.

Business Results

Horizon Power reported a YTD March 2011 NPAT of \$33.8M compared to the mid year review (MYR) budget of \$31.3M, resulting in a positive variance of \$2.5M due to savings from efficiencies in overheads and materials.

Capital expenditure to date is \$83.3M with customer-driven projects comprising \$12.9M.

Total debt of \$332.6M contributed to a debt/equity ratio of 76:24.

Corporate Citizenship

Safety

The third quarter of 2010/11 saw two medical treatment injuries recorded: one laceration to the hand and a sprain injury to the right shoulder. There was one lost time injury reported where an employee injured his right knee when walking between office buildings in Bentley, where he had to move quickly off and back onto the road due to oncoming traffic. The injury required minor surgery to clean out torn meniscus cartilage. The issue of pedestrian access (pathways) and safety has been raised with the local council and Horizon Power is awaiting their official response.

A series of risk awareness and perception workshops along with the development of site hazard registers is scheduled for the fourth quarter 2010/11 to help teams better identify and formally control the hazards and risks in the workplace.

Horizon Power's Safety strategy was formally endorsed in late 2010 and work is under way to develop the implementation plan to embed the strategy with particular focus on leadership, respect for process, appreciation of risk and effective and meaningful communication. The implementation plan includes the development of a Horizon Power 'Safety Case' as the platform to drive the strategy. The development of the Safety Case will bring improvements to the quality of Horizon Power's processes and risk management, and drive rigour around adherence to process, with both the quality and application of Safety Case monitored through a structured audit process.

Project Delivery

Aboriginal and Remote Communities Power Supply Project (ARCPSP) Phase 2.1A - Detailed design of the remote power stations for Kalumburu and Yungngora is almost complete. Tender bids for the High Voltage & Low Voltage network installation at Yungngora are being assessed.

Pilbara Underground Power Project (PUPP) - Designs for Karratha Light Industrial Area, Roebourne, South Hedland and Wedgefield have been completed by the consultant and are being reviewed by Horizon Power. The construction tenders for South Hedland, Wedgefield and Roebourne are undergoing legal review and will be released mid-April 2011.

Stakeholder Service

Horizon Power recorded one negative Ministerial during the second quarter relating to a customer's dissatisfaction with being refused a 30 kW Renewable Energy Buyback Scheme (REBS) connection in Broome. The application was rejected as network capacity limits have been reached in Broome, limiting the ability to connect renewable generation without negatively impacting the performance of the network. The customer was advised she is eligible to apply for installation of a 1.5 kW renewable energy system, however, Horizon Power can no longer accept applications for systems as large as 30 kW in Broome.

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	3.8	-3.8
AMIFR (12 month rolling average)	Rate	Monthly	R	10.5	13.9	-3.4
¹ LTISR (Lost Time Injury Severity Rate)	Rate	Monthly		TBA	37.9	



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)	#	Monthly	G	31	31	+0
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.	A	<p>Difficulties are still being experienced in finalising the main installation contract with O'Donnell Griffin (ODG), and we remain operating under an implied contract via a Letter of Intent. Discussions have now been elevated to General Manager & Managing Director level.</p> <p>The extreme weather conditions have passed and construction in March proceeded without weather-related disruptions. Construction of the first pilot cell is now around 70% complete.</p> <p>The civil works subcontractor is experiencing resource constraints and is subsequently struggling to fulfil his contractual obligations which is now impacting the project schedule severely. This subcontractor is also experiencing financial difficulties, and Horizon Power is working actively with ODG to mitigate the situation. A few minor incidents are still occurring, mainly due to inaccurate or unavailable Dial Before You Dig information.</p> <p>Designs for Karratha Light Industrial Area, Roebourne, South Hedland and Wedgefield have been completed by the consultant and are being reviewed by Horizon Power. The construction tenders for South Hedland, Wedgefield and Roebourne are undergoing legal review and will be released mid-April 2011. Fortnightly progress meetings are being held with the Shire of Roebourne and Shire of Port Hedland. An introductory meeting was held with the Shire of Ashburton.</p>				December 2012
SUMMARY						
<p>The adverse weather conditions, over the last two months, have continued to challenge our performance however we have remained on target with 31 of our systems achieving performing status.</p> <p>Since 15 December 2010, the Emergency Management Team (EMT) and Local Response Teams (LRT) have been active for a total of 43 days responding to storms, cyclones and flood situations.</p>						

Electricity delivery

Deliver a quality product meeting customer expectations.

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 Metrics						
Quality Complaints (Received)	#/10,000 customers	Monthly	G	1.6	0.75	0.85
Change Programmes	Status	Status Update				Completion
Fairway Drive Substation Ensure sufficient distribution capacity to meet Broome load growth.	G	Stage 2 of the project specifications are complete with the following tender documents ready for issue: 1. High Voltage Electrical Specification 2. Relocation of point of common coupling at Frederick Street Scope of Work 3. Frederick Street Substation Earthing Philosophy and 4. Frederick Street 33 kW Switch Board Protection System Single Line Diagram				Expected completion Feb 2014

SUMMARY

There were 14 Quality Complaints received during this quarter.

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	Units	Frequency	Status	Target	Actual	Variance
Volume Phone Calls	#	Monthly	G	8190	8297	107
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	Actual	Variance
Remote & Indigenous Communities Regularised	Community	Yearly	G	5 (for 2010/11)	0	0
Change Programmes	Status	Status Update				Completion
ARCPS 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. A Yung. A	Detailed design of the 2 power stations is almost complete. Procurement of long lead items has commenced. Geotechnical investigation at Yungngora has been delayed due to extensive flooding in the community cutting off access via road. Tender for the High Voltage & Low Voltage network installation at Yungngora has closed and bids are being assessed. The project is within Budget with some schedule risk due to weather and supplier delays.				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	G	90.7	92.0	+1.3
Average Unit Costs *	Cents/kWh sold	Monthly	G	34.08	33.38	+0.7

Business value

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

	Month - March 2011			Year to Date		
	ACT	MYR	VAR	ACT	MYR	VAR
Income	40.7	40.1	0.6	324.8	346.7	-21.9
Fuel and Electricity Purchases	12.8	14.1	1.2	97.6	110.0	12.4
Operating Labour, Overheads & Materials	11.6	11.3	-0.3	94.2	102.2	8.0
EBITDA	16.3	14.8	1.5	133.0	134.5	-1.6
Depreciation & Amortisation	4.2	4.3	0.1	35.7	38.4	2.7
EBIT	12.1	10.5	1.6	97.3	96.1	1.2
Interest	5.5	5.8	0.3	49.0	51.3	2.3
Income Tax (Benefit)	2.0	1.4	-0.6	14.5	13.4	-1.0
PROFIT/(LOSS) AFTER TAX	4.6	3.3	1.3	33.8	31.3	2.5

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 have been placed for price certainty of fuel requirements for April 11 to March 2012. Accounting Standards require the contracts to be valued at the 'market' price. An unrealised net hedging gain of \$1.2M was recorded for current hedging contracts. This includes an unrealised hedge profit of \$1.06M in March 2011.
3. Changes in treatment of IT expenditure: Following a review of work-in-progress at 30June 2010, costs of \$2.6M have been taken to the Profit and Loss. These costs related to IT projects that are not proceeding.
4. Similarly, an amount of \$0.7M relating to East Pilbara Link which was previously accounted in WIP has now been expensed in Consultancy fees.
5. Income for the year includes a prior year revenue recovery of \$1.0M for electricity consumed by Woodside last year which was billed this year due to delays in invoicing.
6. CSO revenue includes a negative accounting adjustment of \$1.9M to adjust excess revenue accounted for last year on ARC1 following annual reconciliation with the DTF.

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	0.57	-0.14

Environment

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.	#

Environment

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			

Environment

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)