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2008 - SEPTEMBER YEAR TO DATE REPORT ON PERFORMANCE

GENERAL RELEASE

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

This performance report covers the 3-month period ending on 30 September 2008. For statistics prepared on a rolling 12-month basis, data prior to 1 July 2008 is used.

Business Results

Net loss after tax for the 3-month period was \$11.2M compared to budgeted loss of \$9.0M.

The unfavourable variance to budget was due mainly to unrealised fuel hedging loss as a result of unfavourable oil price movement.

Capital expenditure to date is \$12.9M with customer-driven projects comprising \$2.6M

Total debt of \$187.9M contributed to a debt/equity ratio of 82/18 (with leased liabilities).

Corporate Citizenship

The major highlight of the first quarter was the announcement of the Marble Bar and Nullagine Power projects which will see the construction of two new power stations that will incorporate high-penetration photovoltaic arrays. The power stations will be hybrid diesel/solar plant that will be among the most efficient in Australia for the ratio of solar to conventional generation.

Horizon Power completed the pilot testing of a new "Green Energy" product in September. The product was successfully delivered and will be made available to all Horizon Power Customers in a formal roll-out in November. The product, GreenSelect will be the first "Green Energy" product to be made available to people living outside the South West Interconnected System.

Horizon Power completed the undergrounding of the Carnarvon Foreshore in mid-August. The project was a joint initiative of Horizon Power and Carnarvon Shire and adds to the safety, reliability and amenity of power supplies in the town.

Horizon Power published the Network Quality and Reliability of Supply Annual Report in September.

Employee Safety

Horizon Power recorded zero Lost Time injuries and two Medical Treatment injuries during the first quarter.

There were two Medical Treatment injuries reported:

- (1) Employee slipped on the bottom step and wrenched his knee while exiting his truck.
- (2) Employee slipped on a steel pole and sprained his ankle while unloading a vehicle.

Stakeholder Service

Horizon Power recorded no negative Ministerials during the first quarter.

System Reliability

At the end of September, 25 of Horizon Power's current 34 reportable locations complied with reliability key performance indicators. This result is in line with the expectation.

1.1 Balanced Scorecard

Monthly Performance Measures

Performance Measures	#	Status	FY 08/09 Target	Frequency	Year to Date Performance			Analysis/Action Items
					TARGET	ACTUAL	VAR	
Customer Value								
SAIDI Complying Town	1	GREEN	>28/34	Monthly	>26/34	25	-1	(1) Halls Creek became non-complying. (2) For 2007/08 there were 9 feeders exceeding utilisation compared to a target of 8. Corrective action is scheduled for these feeders prior to the 2008/09 peak loads. It should be noted that these feeders are not exceeding their rated capacity on a continual basis. They run within capacity 99% of the time. Next measure in June 2009. (3) The first quarter achieved an excellent overall performance against the service level agreements in the Customer Charter to the point where we have met or exceeded the targets. We are achieving KPI's (=> 90%) for each element including Complaint handling, Billing and Credit Control internally and with SLA data supplied from Synergy. Repairs to faulty streetlights have complied with repairs conducted within the target of supply being restored within 5 working days. (4) New Commercial REBS approved by Exec, Board to be informed before market launch.
Feeders Exceeding Utilisation Limits	2		<8	Yearly	<8	TBA		
% Compliance Against Customer Charter	3	GREEN	>90%	Monthly	>90%	97%	7%	
New Products Delivered to Market	4		1	Yearly	1	TBA		
Community Value								
Notifiable Public Safety Incidents (number)	5	GREEN	<6	Monthly	1	0	1	(5) No Notifiable Public Safety Incidents reported in the last three months.
LTIFR (12-Month Moving Average)	6	RED	0.0	Monthly	0.0	6.0	-6.0	(6) No Lost Time Injuries reported in the last three months.
AMIFR (12-Month Moving Average)	7	RED	<14.0	Monthly	<14.0	16.0	-2.0	(7) Two Medical Treatment Injuries reported in the last three months.
Remote and Indigenous communities regularised	8	GREEN	11	Monthly	0	0	0	(8) The TRRP 2 program, of 12 communities, has been approved by DHW. ARCPSP Phase 2 has been stalled due to FaCSIA declining to release funds. Horizon has been informally told that the State Treasurer has approved the release of the States half share and has lifted the requirement that their funds be match by commonwealth funds. This will facilitate the commencement of the first two ARCPSP 2 community projects. Two ARCPSP 2 communities are expected to be completed in 2009. It is planned that the MD will raise with the new Minister the need for formal advice of the decision to release funding.
Training Programs - Indigenous and Other Trainees (number)	9	GREEN	>16	Monthly	>16	19	3	(9) ESO for Warmun has been appointed and is expected to start on 13 Oct 08.
Combined Residential & Business Customer Survey Rating (%)	10	GREEN	83%	Yearly	83%	84%	1%	(10) Last measured in November 2007. New survey under review and commencement date yet to be decided.

1.1 Balanced Scorecard
Monthly Performance Measures

Performance Measures	#	Status	FY 08/09 Target	Frequency	Year to Date Performance			Analysis/Action Items
					TARGET	ACTUAL	VAR	
Operating Impacts								
Pollution Intensity (kg/MWh generated)	11	GREEN	20.7	Monthly	20.7	19.1	1.6	(11) PSS export data has changed with the completion of WKPP, recent previous reports overestimated this KPI.
Greenhouse Intensity (kg CO2/kWh sold)	12	AMBER	0.80	Yearly	0.80	0.84	-0.04	(12) Includes generation, T&D losses, vehicle fleet and upstream emissions. Average HP generation = 0.760, IPP generation = 0.804
Fuel Conversion Efficiency (MJ/kWh)	13	AMBER	12.55	Yearly	12.55	12.72	-0.17	(13) Calculated from 2007/2008 data.
Electricity Generation from Renewable Sources (GWh)	14	GREEN	82.0	Monthly	20.5	21.4	0.9	(14) Renewable Energy is provided by East Kimberley, Denham, Hopetoun, Coral Bay, Esperance, Exmouth and Carnarvon Solar Farm.
Customer Impacts								
Green Product Delivered to Market	15	GREEN	1	Yearly	0	0	0	(15) Decision analysis completed and "Green Select" will be launched in October 2008.
Surveyed Awareness	16		65%	Yearly	65%	TBA		(16) Campaign (school/community) awareness on energy efficiency. Next survey due Nov 08.
Business Value								
EBITDA (\$M)	17	GREEN	20.8	Monthly	1.3	1.9	0.6	(17) Inclusive of \$2.3M & \$0.5M unbudgeted fuel hedge unrealised & realised loss respectively.
Cumulative new sales margin (\$M)	18	RED	6.1	Monthly	1.5	0.4	-1.1	(18) Woodside supplied under interim agreement subject to Board approval for long term agreement.
NPV of Approved Investments (\$M)	19		75.0	Yearly	75.0	TBA		(19) Calculation will be performed after 2008/2009 financial year end.
Average revenue received (cents/kWh)	20	GREEN	26.9	Monthly	28.3	36.9	8.6	(20) Capacity revenue from FMG against lower than budgeted kWh sales to FMG are key drivers to increase average revenue received.
Average unit cost (cents/kWh)	21	RED	27.7	Monthly	30.9	36.1	-5.2	(21) The delay in signing the Alinta contract is the key driver for higher operating cost per average unit. So far this financial year majority electricity generated in Pilbara region was through Pilbara Iron Power Station which is less efficient and therefore more gas was consumed. The variable charge per unit is also higher compared to Alinta contract. FMG gross margin is retained.
Business Capability								
Corporate Reputation Index (%)	22	GREEN	73%	Yearly	73%	73%	0%	(22) Last measured in November 2007.
Employee Opinion on Organisational Image - Employee Engagement	23	GREEN	62%	Yearly	62%	89%	27%	(23) Pulse survey results received in August 2008.
Employee Perception Survey Rating - Staff Satisfaction Index	24	GREEN	70%	Yearly	70%	79%	9%	(24) Pulse survey results received in August 2008.
Planned Training Programs Delivered (%)	25	GREEN	90%	Monthly	75%	77%	2%	(25) 6 programs to be completed during November and December 2008.
Course Evaluation Rating	26	GREEN	>4.5	Monthly	>4.5	4.6	0.1	(26) 6 programs to be completed during November and December 2008.

GREEN Monthly and YTD performance is on track.

AMBER Monthly and YTD performance slightly below target.

RED Monthly and YTD performance significantly below target.

2.1 Business Results -- Profit & Loss

	Year to Date
	ACT \$M
<i>INCOME</i>	
Sales of Electricity	26.9
TEF Revenue	18.0
Miscellaneous Revenue	8.9
CSO Revenue	5.6
Developer and Customer Contribution Revenue	2.3
TOTAL INCOME	61.7
<i>EXPENDITURE</i>	
Fuel and Electricity Purchases	
Gas	11.5
Fuel Oil	1.6
Fuel Hedging - Unrealised Loss/(Profit)	2.3
Electricity Purchases	32.6
Electricity - Finance Lease Adjustment	-9.4
Total Fuel and Electricity Purchases	38.6
Total Operating Labour and Materials	21.2
Total Depreciation and Others	7.4
TOTAL EXPENDITURE	67.2
EARNINGS BEFORE INTEREST & TAX	-5.5
Interest Expenses and Income Tax	5.7
PROFIT/(LOSS) AFTER TAX	-11.2

Year to Date Analysis

Horizon Power ended the period to September 2008 with a Net Loss of \$11.2M.

Factors influencing the results are:

- (1) Hedging loss due to unfavourable oil price movement.
- (2) The milder weather than anticipated and adverse economic conditions have negative impact to sales.
- (3) Miscellaneous revenue included the sales of gas which was offset by higher gas costs.

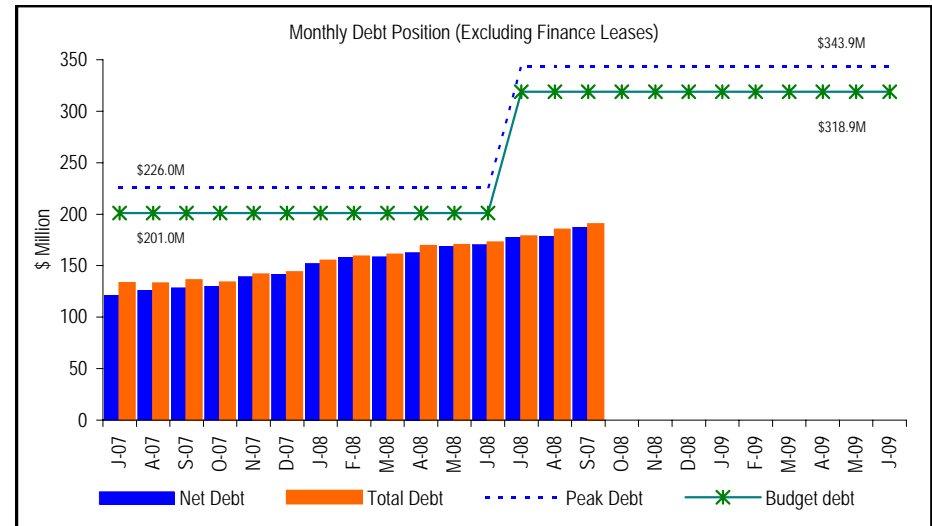
2.2 Business Results -- Balance Sheet

Balance Sheet

	Opening 1-Jul	30-Sept Closing	Movement
			VAR \$M
ASSETS			
Current Assets			
Cash Assets	2.3	2.6	0.3
Receivables	32.8	18.7	-14.1
Inventories	7.5	7.1	-0.4
Current Tax	0.0	0.0	0.0
Other	0.3	1.1	0.8
Total Current Assets	42.9	29.5	-13.4
Non-Current Assets			
Property, Plant & Equipment	314.0	323.9	9.9
Future Income Tax Benefit	115.3	120.1	4.8
Leased Assets	329.2	324.6	-4.6
Other	0.0	0.0	0.0
Total Non-Current Assets	758.5	768.6	10.1
TOTAL ASSETS	801.4	798.1	-3.3
LIABILITIES			
Current Liabilities			
Payables	43.7	35.0	-8.7
Tax Liabilities	-0.7	-1.1	-0.4
Interest Bearing Liabilities	53.1	61.9	8.8
Leased Liabilities	8.7	8.7	0.0
Provisions	7.8	7.7	-0.1
Derivatives	0.0	2.3	2.3
Other	5.9	7.0	1.1
Total Current Liabilities	118.5	121.5	3.0
Non-Current Liabilities			
Payables	0.0	0.0	0.0
Interest Bearing Liabilities	119.5	126.0	6.5
Tax Liabilities	99.6	99.6	0.0
Provisions	11.1	11.6	0.5
Leased Liabilities	326.7	324.6	-2.1
Other	1.1	1.1	0.0
Total Non-Current Liabilities	558.0	562.9	4.9
TOTAL LIABILITIES	676.5	684.4	7.9
EQUITY			
Contributed Equity	130.1	130.1	0.0
Retained Profits (Accumulated Loss)	-5.2	-16.4	-11.2
TOTAL EQUITY	124.9	113.7	-11.2

YTD Analysis - Balance Sheet

- (1) The decrease in Leased Assets by \$4.6M is accounted for the YTD depreciation expenses. Leased Liabilities reduced by \$2.1M as a result of net interests and lease payments for the year.
- (2) Movement in cash assets and interest bearing liabilities reflect the application of funds for daily operations and capital works.
- (3) Receipts of \$7.2M from EDL (liquidated damages) and \$7.4M from Pilbara Iron (gas curtailment arrangement) contributed to the lower balance of Receivables by \$14.1M. These two transactions were billed and accrued in June 08.
- (4) Payables dropped \$8.6M because the accrual for electricity and gas purchases was higher in June 2008 due to the gas curtailment arrangement and the late billings from suppliers mainly for office relocation projects and software upgrade resulted in carry over accruals from previous months.
- (5) No change noted for contributed equity.



3.1 Summary of Acronyms & References

Acronyms	Explanation
KPI Definitions in the SDP	
Achievement of Service Standards (%)	Achievement of customer service performance through measurement of the number of incidents of non-conformance with customer charter. Performance over 12 months expressed as a percentage.
AMIFR - 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.
Average Revenue Received (c/kWh)	Total operating revenue from all sources / Total Sales (KWh)
Average Unit Cost (c/kWh)	Total operating expenditure (excluding interest) / Total Sales (KWh)
Combined Residential & Business Customer Survey Rating (%)	Customer satisfaction survey undertaken on annual basis by external agency.
Complying Towns/Systems (number)	Achievement of acceptable system reliability performance standards (as agreed or per the Reliability Code) for each township or integrated system. Number of complying towns or systems / total number of towns or systems.
Corporate Reputation Index (%)	Corporate reputation measured by an annual survey of regional customers and stakeholders. Result expressed as a percentage.
Course Evaluation Score	At the completion of each training course the attendees will rate its effectiveness. Overall satisfaction/evaluation score of all training programs delivered, as measured by attendees.
Customer Awareness Survey	Use the reputation measure "Encouraging customers to conserve electricity thereby helping to minimise the environmental impact of electricity generation" from the independent survey results. Proportion of customers with a positive view of Horizon Power's performance expressed as a percentage.
Electricity Generation from Renewable Sources (GWh)	Total number of MWh's produced from renewable sources.
Employee Perception Survey Rating	Employee survey undertaken by a respected external organisation to determine the proportion of staff that view employment with Horizon Power as an overall positive experience. Formula: Measurement of total survey performance expressed as a percentage.
Feeders Exceeding Utilisation Limits	Number of feeders which exceeded their designed utilisation level as specified in the Network Asset Management Plan.
Fuel Conversion Efficiency (MJ/KWh)	Efficiency of energy conversion from all sources used to meet electricity sales. Total energy consumed in fuel for generation divided by total sent out KWh.
Greenhouse Intensity (kg CO2-e/KWh sold)	Total number of Kilograms of CO2 equivalents produced, divided by the number of KWh's of electricity sold by Horizon Power.
Green Products to Market	The total number of new green energy products released to HP's customer groups over 12 months.
LTIFR - 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.
New customer sales (GWh)	Number of GWh's sold to new connections within the financial year.
Pollution Intensity (kg/MWh)	Total Kilograms of pollutants emitted divided by MWh's of electricity produced from Horizon Power plants that meet National Pollution Inventory criteria.
Products to Market	The total number of new energy products released to HP's customer groups over 12 months.
Profitability	Achieving and EBITDA performance in excess of the efficient running of the business.
Public Safety Incidents (number)	Number of incidents caused by Horizon Power asset or people failing to perform at an appropriate standard that resulted in, or had potential to result in, an injury to a member of the public.
Remote and indigenous communities (number)	Power supply regularisation to number of remote and indigenous communities per year.
Stakeholder Satisfaction Index (%)	Proportion of stakeholders with a positive view of Horizon Power's performance, expressed as a percentage.
Training Programs - Indigenous and Other Trainees (number)	Number of indigenous or local people in a Horizon Power training program.
General Definitions	
ARCPSP	Aboriginal and Remote Communities Power Supply Program
Average Selling Price c/kWh	Selling Price is an average of all selling prices. Formula: Total Sales (cents) / Total Sales Units in kWh.
CAIDI	Customer Average Interruption Duration Index
CES	Customer Extension Scheme
Debt to Equity (%)	$Debt / (Debt + Equity) * 100$
EBIT	Earnings before Interest and Tax. Formula: Total Income - Total Expenditure.
EBITDA (\$M)	Earnings before interest, taxation, depreciation and amortisation
Energy Sent Out	Number of energy (MWh) entering the transmission grid from a generation plant
ENMAC	Name of an application
ERA	Economic Regulation Authority of Western Australia
FACSA	Department of Families, Community Services and Indigenous Affairs
FTE	Full Time Equivalents
IPP	Independent Power Producer
Line Losses	The % of energy lost from transmission and distribution of electricity to the customer
Negative Ministerial (#)	A complaint or issue submitted via or by the Minister

3.1 Summary of Acronyms & References

Acronyms	Explanation
Net Debt Levels (\$M)	Borrowings - Cash
NMS	Network Management System
NWIS	North West Interconnected System
PPA	Power Purchaser Agreement
Return on Assets (ebilda/nca)	The return on assets employed by the business. Formula: EBITDA / Total Non Current Assets.
Return on Equity (%)	$((\text{Operating Result})/\text{Equity}) * 100$
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SCI	Statement of Corporate Intent
SDP	Strategic Development Plan
SLA	Service Level Agreements
TCS	Trouble Call System
TEF	Tariff Equalisation Fund
WK IPP	West Kimberley Power Project