

Annual Report

2016-17



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Our profile

Horizon Power is a commercially-focused, State Government-owned energy utility that generates, procures, distributes and sells energy to residents and businesses in remote and regional Western Australia.

The business continues to reduce the subsidy it receives from the State Government, while strategically developing and implementing innovative and sustainable solutions that meet customers' needs and provide a reliable and safe power supply.

Horizon Power services the biggest area with the fewest customers in the world – a service area of approximately 2.3 million square kilometres and an average of one customer for every 53.5 square kilometres of terrain.

Our customers range from people living in remote, isolated communities with fewer than 100 people to residents and small businesses in busy regional towns and major businesses in the resource-rich Pilbara region. Horizon Power's interconnected and isolated networks are exposed to intense heat and cyclonic conditions in the north and severe storms in the south.

As at 30 June 2017, Horizon Power serviced 48,436 customer connections in the Pilbara, Kimberley, Gascoyne/Mid West and Goldfields/Esperance regions. Horizon Power manages 38 systems: the North West Interconnected System (NWIS) in the Pilbara; the connected network covering three systems including Kununurra, Wyndham and Lake Argyle; two rural systems in Esperance and Hopetoun; and 32 non-interconnected systems in regional towns and remote communities.

Horizon Power's regional business is based on four profit centres: the North

West Interconnected System and the non-interconnected systems of the Kimberley, Mid West and Esperance, supported by the administration centre in Bentley.

Horizon Power's commitment to regional Western Australians is to be their local energy partner: creating customer choice by being the world's best microgrid company. In 2017, Horizon Power achieved its Strategic Review target of reducing its operating subsidy by \$100 million per annum by 2017/18. Recognising that efficiency alone will not ensure long-term sustainability in the rapidly changing energy market, Horizon Power is exploring new business opportunities and developing options that will help it remain relevant to its customers over the long term.

Horizon Power operates under the *Electricity Corporations Act 2005* and is led by a board of directors accountable to the Minister for Energy, representing all Western Australians.



Stand-alone power system in Esperance.

Our supply area

- Office
- Current Supply Areas



Fast facts

CUSTOMERS

48,436

supplying more than 100,000 residents and 10,000 businesses

CUSTOMER CALLS

83,764

83,764 customer calls in 2016/17

NEW CUSTOMER CONNECTIONS

520

520 new customer connections in 2016/17

ASSETS

\$1.8B

\$1.8 billion in assets

REVENUE

\$493M

\$493 million in 2016/17

SERVICE AREA

2.3M^{KM}²

2.3 million square kilometres service area, which includes the Kimberley, Pilbara, Gascoyne/Mid West and Goldfields/Esperance

TRANSMISSION & DISTRIBUTION

8,198^{KM}

8,198 kilometres of overhead and underground transmission and distribution lines

POLES & TOWERS

56,920

56,920 distribution poles, 968 transmission poles, 870 transmission towers in service

KILOWATT HOURS OF RENEWABLE ENERGY

7,284,964

7,284,964 kilowatt hours of renewable energy imported into Horizon Power's network

TOTAL SYSTEMS

38

38 systems consisting of:

- 32 non-interconnected systems
- 3 systems (Kununurra, Wyndham and Lake Argyle) connected in the East Kimberley
- 2 rural systems associated with Esperance and Hopetoun
- the North West Interconnected System

Executive summary

Horizon Power has reduced the average time customers were without power over the past four years through the effective management of its assets. Of our 38 systems, 32 met performance reliability standards, up from 28 in 2015/16. This is a result of our drive to continuously improve the reliability of power supply to our customers.

Customers experienced an average 2.13 supply interruptions during the year, well below the regulated limit of 6.6 interruptions per annum (System Average Interruption Frequency Index – SAIFI). The average length of an interruption to power supplies in Horizon Power’s service area (System Average Interruption Duration Index – SAIDI) was reduced to 126 minutes in 2016/17, compared with the regulated limit of 290 minutes.

Horizon Power once again exceeded its target of 70 per cent for customer satisfaction with a result of 77 per cent, up from 73 per cent in 2015/16. This year’s improvement is also reflected in our reputation, with favourable ratings increasing from 67 per cent to 75 per cent. Customer concerns about rising prices, advanced meters and inaccurate billing have reduced significantly this year as the benefits of the advanced meter rollout are embedded.

There were six notifiable public safety incidents in 2016/17. Even though an increase in reporting was evident under the new network safety regulations, the number of notifiable incidents remains under our target. The incidents were related to equipment failures.

Horizon Power recorded a net profit after tax in 2016/17 of \$35.4 million, slightly down compared to the previous year (\$36.7 million).

Total income was slightly higher than last year (\$492.5 million v \$490.4 million) with lower sales of electricity (\$20.2 million, -7 per cent) being offset by higher contributions from Community Service Obligations (9.3 million) and the Tariff Equalisation Fund (\$9.0 million). Operating expenses increased marginally (<1 per cent) whilst finance costs recorded a reduction of \$3.5 million. Depreciation increased by \$5.1 million (\$88.4 million v \$83.3 million) in line with the higher level of capital assets recorded in the year.

During the year, Horizon Power paid \$16.9 million to the State Government, representing a second and final dividend on the profits of 2015/16.

Reliability Performance SAIDI (using normalised data) over a four year period

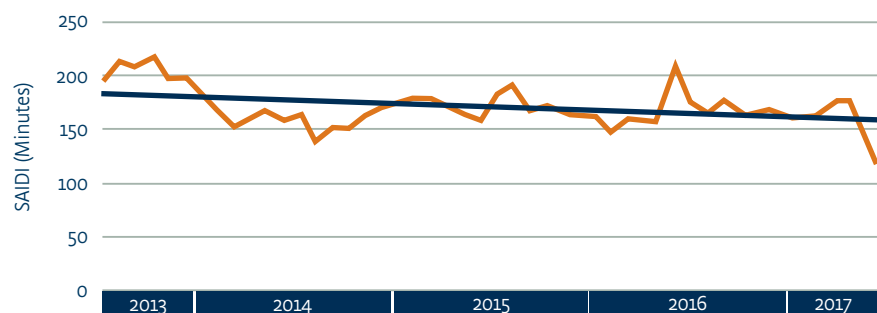


Figure 1: SAIDI 2013/14 - 2016/17

Chairman's report

Creating customer choice

In 2013, Horizon Power initiated a significant cost-reduction program and strategic review. A series of 'quick win' revenue leakage reform projects, procurement reviews, benchmarking exercises and strategic cost reduction programs were driven throughout the company as part of the first phase of the review. Horizon Power realised immediate savings by streamlining its central support functions, identifying IT efficiencies, and putting a limit on non-essential spending. Phase 2 was then about innovating and positioning for growth and sustainability. Horizon Power initiated the implementation of major projects, such as upgrades to the call centre and metering fleet, tariff reform, paperless billing, as well as launching the foundational distributed energy

resources (DER) microgrid project in the town of Onslow. Since initiating the company-wide strategic review in 2013, Horizon Power has successfully reduced its subsidy by over \$100 million per annum, achieving its overall strategic review target 16 months ahead of schedule.

Building on the success of the review, we recognised that, whilst high cost, our portfolio of isolated power systems provides an ideal platform for us to evolve towards the highly distributed microgrid future that is emerging. Being a vertically-integrated utility provides Horizon Power with a unique advantage, which can be used to capitalise on the innovations in new technologies, and will be integral to developing renewable energy microgrids that can accommodate significantly more renewables that

remain resilient. With 38 small and remote systems, Horizon Power is already the largest operator of microgrids in Australia (by kilowatts per hour) and one of the largest in the Asia Pacific, and as such, the company has recognised its unique placement at the forefront of the innovations occurring in the energy industry.

The capability and solutions we are developing have relevance globally as evidenced by the United Nations Sustainable Energy for All initiative, which recognises the electrification challenges being faced around the world. By confronting the challenges on our own networks, we will be able to contribute to the global conversation in a meaningful way through development of applicable technologies, knowledge sharing and collaboration.

South Hedland Power Station. Photo courtesy of TransAlta Energy.



In October 2016, Horizon Power launched its new vision, 'creating customer choice by being the world's best microgrid company'. This was directly based on feedback from our customers who are spread far and wide across our massive footprint of 2.3 million square kilometres. Despite the vastness of the terrain and the variations within our service area, the message from our customers is consistent: in order for us to be their trusted energy partner, they want more innovation and greater choice around where they get their energy and more control over their bills. As the cost of the enabling technology continues to fall, we are developing the solutions to meet these needs. As I wrote my report, Horizon Power was recognised by the national renewable energy industry by being awarded the Clean Energy Council Innovation Award for our pricing pilot which, once implemented broadly, will provide customers with more control and choice around their energy use and how much they pay for it. We launched our Power Ahead pilot in December 2016 to a trial group of 400 customers in Port Hedland. They were given the opportunity to earn financial incentives by modifying their energy use and consumption at peak times. The pilot enabled customers to take control over their power bills by changing the way they used electricity, particularly during peak times. Based on these learnings, Horizon Power is now actively working with government and consumer groups to deliver

customers' choice with new pricing options. In addition, we are working hard to enable more customers to install renewable energy solutions, whilst protecting the stability and reliability of the grid by delivering world-first technology, allowing Horizon Power to manage energy from solar panels. The hosting of renewable energy is a challenge for utilities all over the world. Power systems were not designed to receive energy, but to send it out which means the intermittent nature of solar, and other renewables can result in frequency fluctuations, tripping power stations and impacting the reliability of power supplies to everyone connected to the network. Horizon Power will be a pioneer in delivering solutions such as generation and feed-in-management that enables utilities to add increased levels of renewable energy to networks without losing the relevance of the grid for customers.

Strong performance

Horizon Power has once again enjoyed a strong performance despite challenging economic conditions. This was reflected in a continued decrease in operating subsidies by over \$102.3 million per annum, and net profit after tax of \$35.4 million. We continue to drive efficiencies and focus on innovation to ensure we take advantage of the opportunities presented by the unprecedented levels of change affecting our industry.

Showcasing innovation

In addition to being Chairman, I am also one of Horizon Power's more isolated customers. Because of this, I understand first-hand the challenges associated with providing a reliable supply of electricity to customers in the most isolated parts of the State.

I am immensely proud of the solutions we have adopted to address this problem. Over the past twelve months, Horizon Power has successfully installed five stand-alone power systems in the Esperance region as an alternative to replacing hundreds of kilometres of overhead powerlines.

Horizon Power is now working with other customers in regional and remote Western Australia to remove poles and wires where this will provide a more efficient and cost-effective solution. Recent CSIRO research has shown that a traditional grid connection will remain critical for most customers over the coming decades. However, at the remote fringes of our isolated systems, or microgrids, replacing older poles and wires with stand-alone power is becoming viable for utilities today.

These systems are just one example of the ground-breaking initiatives we are creating to provide our customers with more choice and control, as well as providing sustainable utility services locally with an emphasis on developing innovative solutions to industry challenges and barriers to change.

Support for remote communities

In June I was immensely honoured to attend the Broome graduation ceremony for some of our most remote employees. Keith Hunter of Bidyadanga; Clinton (Minty) Sahanna of Beagle Bay; Robert Hassett of Kalumburu; and Brendan Walters of Yungngora, recently became Australia's first Remote Community Utilities Workers (RCUWs) by completing a unique national apprenticeship created by Horizon Power to improve outcomes in remote communities. Before the apprenticeship program began, it could take several hours for crews to get to towns like Kalumburu if there was a power outage, and even longer during the wet season. The four RCUWs were closely involved in the development of the apprenticeship, to ensure it met the unique needs of remote communities and, critically, safety requirements given their isolation and requirement to work alone. Importantly, they also serve as role models for young people in their community, and are on hand to assist their community with issues relating to their power supply.

Keeping up with the times

As the electricity industry undergoes its greatest transformation in a century, Horizon Power has begun an important piece of work to identify the future skills required in the business. This is expected to lead to new training positions, including new apprenticeships, along with new opportunities for existing employees.

We continue to listen to our people through ongoing culture surveys. I was especially pleased to see strong results for engagement with our vision, which demonstrates clarity and understanding of our strategic direction throughout the business.

I am very proud of the way our people have continued to adapt to changes in the energy industry, learning new skills through training and on the job. Horizon Power will continue to invest in our people to ensure they remain engaged and able to meet the new challenges ahead.

Grateful thanks and welcome

It is with sadness that we farewelled two long-standing Board directors, Ron Johnston and Lynne Craigie. I am personally very grateful to both Ron and Lynne for their support, expertise and guidance during their tenure and wish them every success for the future.

I sincerely welcome former Curtin University Vice-Chancellor, Professor Jeanette Hackett AM and former Managing Director of the Virgin Velocity Frequent Flyer Program Neil Thompson to the Board. Both Jeanette and Neil bring a wealth of experience to Horizon Power during this time of disruption and growth, as customers become more involved with both the generation and trading of electricity. Neil's experience in utilising data to predict customer needs and wants and Jeanette's talent for building and utilising collaborative relationships will prove invaluable as we work towards developing and implementing

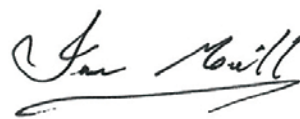
new and refined distributed energy resources, such as emerging battery and renewable technologies.

I would also like to acknowledge the former Minister for Energy, Dr Mike Nahan for his support of Horizon Power's vision and strategy. I enjoyed many opportunities to meet with Dr Nahan during his term and his considered analysis and guidance was much appreciated.

I would like to formally welcome and congratulate our new Minister, the Honourable Ben Wyatt, on his appointment to Energy. We also look forward to working with him in his portfolio of Aboriginal Affairs.

I would like to thank all Horizon Power employees, including Chief Executive Officer Frank Tudor, for their excellent work over the last year. I believe that all our people play an equally important role in delivering energy for life to our customers.

In closing, I would also like to express my sincere thanks to my fellow Board members for their professionalism, diligence and wise counsel over the past year. I look forward to their continued support as we strive to achieve our vision of creating customer choice by being the world's best microgrid company.



Ian Mickel AM
Chairman



Chief Executive Officer's report

In 2017, Horizon Power achieved its annual \$100 million State Government subsidy reduction target 16 months ahead of schedule.

These savings were achieved without affecting customer service, safety or reliability, which our recent customer and corporate reputation surveys reflect with an increase in customer satisfaction from 73 per cent last year to 77 per cent this year.

Now that we have achieved our target, our focus is on adding value to our business and creating customer choice by being the world's best microgrid company.

Horizon Power already has expertise and experience in managing remote microgrids. Together with work underway to enhance these capabilities, this is strengthening our reputation as a trusted advisor to our customers and, at the same time, building a solid platform for growth.

Recognised as a test-bed of a new energy future that involves microgrids and distributed energy resources (DER), Horizon Power is at the forefront of the world's electricity revolution. Because of its scale, renewable resources and population density, Western Australia is uniquely positioned to develop and deploy new energy solutions and capitalise on multi-billion dollar global opportunities over the coming decades. For our part, we are already operating dozens of microgrids and we are one of the few utilities in the country with advanced metering infrastructure (AMI)

in place. This metering infrastructure, and the data it provides, has enabled the foundational platform for most of the modelling and trials Horizon Power is undertaking to lead islanded high-penetration DER microgrid system design.

The advanced metering infrastructure implemented by Horizon Power is transformational, the solution underpins efforts to analyse energy use at every point on the network, enabling the transition from traditional centralised generation to high-penetration distributed energy resources.

The falling costs of renewable technologies and batteries, combined with existing tariff structures, are driving more customers to distributed energy. Horizon Power wants to enable this change. Our strategy is to use our unique position as a vertically integrated operator of 38 microgrids to achieve much higher levels of DER over time to provide our customers with more choice.

To determine the most economically efficient method of supplying electricity to each of our microgrid systems, we have developed system blueprints that influence how we invest now to maximise value for our business and customers in the future. This approach to strategic planning aims to ensure that we provide customers with the most sustainable, cost-effective power solutions available and without unnecessarily stranding assets in this ever-changing environment. The system blueprint modelling was reviewed and refined in collaboration with the CSIRO and is very much in alignment with the subsequently

released ENA / CSIRO Electricity Transformation Roadmap.

Developing a microgrid operating platform

Through a series of strategic projects, we are developing a unique microgrid operating platform.

Our microgrid operating platform will lower the costs of energy while enhancing reliability and customer service, particularly in remote areas, where service provision is more expensive and must withstand tougher conditions.

Over the next two decades there will be an economic shift from traditional centralised design to a DER business future for the majority of our systems as well as other off-grid electricity systems in Australia. Horizon Power is implementing a number of trials to provide further insights into the operation of our microgrids with high levels of DER. These trials rely on our advanced metering infrastructure which we successfully delivered across our service area in 2016, and for which we received peer recognition and an award for the Best Value AMI Project at the 2016 Australian Utility Innovators Awards.

Trials in Carnarvon and Onslow will provide critical knowledge and experience to help us overcome the technical constraints associated with high-penetration DER. We will apply innovative forecasting techniques, data analysis and machine learning, to improve the way we manage microgrids that incorporate rooftop solar and batteries.

The trials will also enable us to develop an advanced model for renewable integration for towns that have reached their current available solar photovoltaic (PV) hosting targets. They will also explore the most economically efficient ways to design and manage a future grid that depends less on centralised fossil fuelled generation.

Reaping the benefits of advanced meters

Horizon Power's advanced metering project has delivered savings of \$7 million a year and benefits to customers ranging from the automation of meter reading, and therefore timelier billing, to faster reconnection times. Customer outcomes are also significantly improved with many customer metrics now at the best levels ever recorded. Bills are accurate and on time and reconnection timeframes are minutes rather than days.

The AMI platform is a cornerstone enabler for Horizon Power, creating opportunities in retail, generation and energy network management while helping us make the transition from a traditional centralised utility to a customer-focused organisation that succeeds in the era of DER.

Creating an innovation economy and hub for microgrids

Horizon Power is committed to a future in which renewable energy is increasingly the generation of choice. We are embracing innovation and new technology to prepare for that future.

Through the continued development of both our microgrid operating platform and our consumer energy offering, Horizon Power is clearly demonstrating significant innovation by strategic use of technological advancements and continuous trials.

In this dynamic context, our TechCo division will promote and facilitate business investment into renewable energy technologies by working with stakeholders to provide opportunities for emerging battery technologies as well as promoting the development of renewable industries.

Our newly created Consumer Energy division will expand the range of energy options and choices provided to customers across regional Western Australia. Consumer Energy will provide a trusted gateway to new energy solutions that increase access to renewable energy while ensuring safe, reliable and equitably-priced electricity for all Horizon Power customers.

The division is developing a range of new energy technologies and business models that will both empower Horizon Power customers and enable our microgrid future. Customer solutions to be progressively launched across our service area include solar photovoltaic panels, battery energy storage systems, home energy management systems and stand-alone power systems.

We believe our vision should be to maximise our competitive advantage to be recognised as both a centre of excellence and a world leader in the development and effective management of microgrids. In reaching

for our vision, our strategy will build on the experience and programs undertaken to reduce our subsidy by over \$100M per annum, combined with our expertise and innovations in operating microgrids, will enable us to realise high-penetration DER systems for the majority of our microgrids, facilitated by the TechCo and Consumer Energy divisions' products and services.

This strategy goes beyond simply delivering benefits to Horizon Power. A significant opportunity exists to leverage our unique service area and to capitalise on our diverse microgrid systems, by partnering with leading research institutions and unlocking investment by local, national and global companies engaged in providing new energy solutions. Horizon Power is proposing a collaborative microgrid research centre, we call M.A.T.I.L.D.A (Microgrid Architecture To Integrate And Leverage Distributed Assets), a test-bed for innovative technologies and products that will deliver significant financial and performance outcomes, benefiting consumers, shareholders and subsidy payers alike. This will accelerate microgrid development across regional Western Australia.

By addressing the challenges in providing low-cost electricity in regional WA, enabled by a fully integrated operating platform for microgrids, Horizon Power will also be solving problems with global applicability, addressing issues of energy access, sustainability, and economic development. Billions of people worldwide have unreliable

electricity affecting wellbeing and quality of life. Horizon Power's vision refers directly to the UN Sustainable Energy for All (SE4All), stating that through technology and collaboration, Horizon Power is actively addressing all of the enabling areas identified by the SE4All initiative by being a leading authority in microgrids.

Value

To ensure we remain sustainable now and into the future, we have laid the foundations for building our business through our new strategic vision. This continues to be about providing sustainable utility services locally, with an emphasis on developing innovative solutions to industry challenges and barriers to change.

These initiatives, combined with our price reform project, clearly demonstrate our ability to manage challenging conditions for the benefit of our customers and maximise our competitive advantage.

This capability was recognised recently when Horizon Power won an Innovation award at the Clean Energy Council Awards, for our retail pricing product 'Power Plans'.

The Roy Hill Transmission project has enabled us to provide improved energy management and the best possible service to our customers in the Pilbara by helping to deliver power at the lowest possible cost.

Community

Our job is much bigger than providing electricity to customers – it is providing the basis for health, safety, education, economic growth and self-determination. Horizon Power strives to be the local energy partner for the communities we serve and create *energy for life*.

Horizon Power is our customers' local energy partner and we take great pride in providing them with choices which not only enhance their experience with us, but also give them greater control and flexibility. Our online customer portal and paperless billing options provide mechanisms for customers to interact with us at their convenience. We are also developing an app which will provide customers with features including current and past data usage and current spend and predicted bill spending, meaning no more bill shock.

Our social media presence continues to grow, and we interact daily with customers to ensure they have the latest information about outages, what we are doing to improve power reliability and tips on energy efficiency and electrical safety.

Safety

Horizon Power has spent considerable time implementing the Electricity Network Safety Management System (ENSMS) before the regulatory deadline of 6 August 2017, and progressing implementation of the complimenting Safety and Health Management System.

The ENSMS will make a positive and effective contribution to improving the safety and security of our networks and

microgrids, through providing a greater understanding of the risk profile of our assets together with structured, asset focused, risk management practices.

Our continued efforts to effectively manage the safety and health risks within our operations has achieved sound performance results.

Horizon Power has recorded a lost time injury frequency rate of 3.8, with two non-complex, low-risk lost time injuries occurring this financial year. Our Pilbara Grid operations recorded zero lost time injuries and our primary contractor (GHD) successfully achieved one million hours without sustaining a recordable injury.

Grateful thanks

Along with my fellow Executive, I am extremely grateful for the stewardship provided by our board of directors, led by our chairman Mr Ian Mickel over the past 12 months. Their ongoing guidance and direction have been invaluable in helping us work towards achieving our vision of creating customer choice by being the world's best microgrid company.

Finally, I would like to acknowledge the ongoing efforts and dedication of Horizon Power employees and contractors, without whom we could not provide exceptional service to our customers and stakeholders.



Frank Tudor
Chief Executive Officer

Horizon Power's strategy and structure

Strategy

Since launching the Strategic Review in 2013, Horizon Power's primary key performance indicator (KPI) has been to pursue initiatives to reduce its operating subsidy by \$100 million by 2017/18. Reflecting our achievement of this goal, in December 2016 we launched our new vision: 'creating customer choice by being the world's best microgrid company'.

Having served customers in remote microgrids for over ten years, Horizon Power already has demonstrable experience and expertise in this area. Recognising the disruption to the traditional utility business model and the increasing involvement of customers in decisions about energy demand and use, Horizon Power has embraced a number of practices designed to make it the best in its field. Chief among these are our System Blueprints, which enable us to determine when it is economical to deliver energy via a new energy supply model or 'business future'.

Our System Blueprints show that a distributed energy resource (DER) supply model – one where over 50 per cent of the energy demand is supplied by the customer – will be the predominant model in the future. Modelling has indicated that by 2050, single microgrid systems may reach up to 80-90 per cent of the energy supplied by the customer. This development represents a paradigm shift for the way we view our business. Developing a microgrid operating platform and managing and controlling multiple generation sources as a single entity will be critical to realising this future.

Focusing on the DER supply model, Horizon Power is exploring alternatives to conventional electricity systems through streams of work aimed at reforming pricing structures, reducing operating costs, embedding renewable systems, developing intelligent system and network control, and empowering consumer choice. Delivery of these

streams of work is expected to reduce the long-run cost to supply, which is central to Horizon Power's goal of reducing the subsidy it receives from government.

Horizon Power is now also leveraging the power of data from its advanced metering infrastructure. Information about our customers' energy use and expenditure is enabling us to explore a range of new products and services that will remove barriers to renewables, provide customers with greater choice and control, and reduce our cost to serve.

Horizon Power's vision is underpinned by our core strategies, as illustrated below.

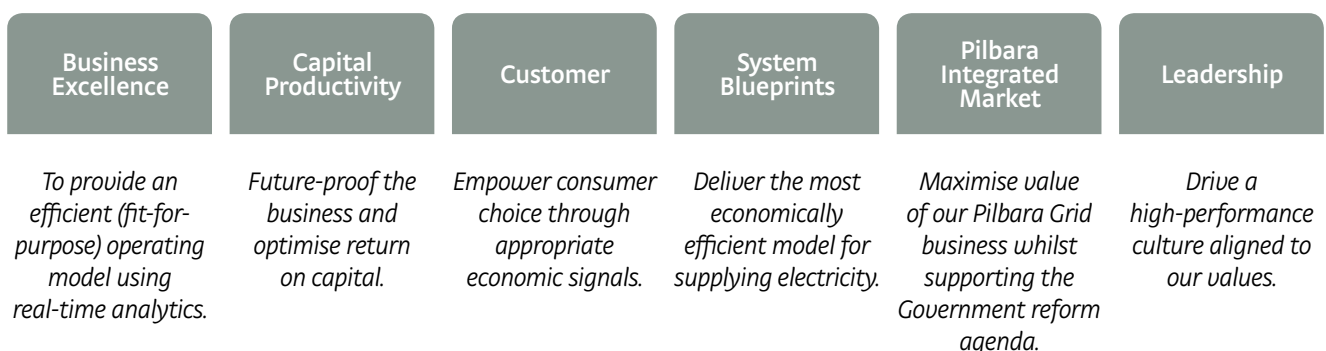


Figure 2: Horizon Power's six core strategies

Vision and corporate objectives

Horizon Power’s purpose – our fundamental reason for being – is **‘Energy for Life’**.

Our objectives of safety, value and community are:

- **Safety** – minimise the risk of harm
- **Value** – maximise long term value
- **Community** – be a high performing business

Since 2013, Horizon Power has had a primary KPI of delivering initiatives to reduce our annual operating subsidy by \$100 million per annum by 2017/18.

Now that the target has been met, in the 2017/18 financial year

Horizon Power will launch a new KPI that supports its vision of creating customer choice by being the world’s best microgrid company. A microgrid-focused vision is still aligned with

Horizon Power’s strategy to benefit our shareholder directly and indirectly by reducing the state’s net debt and net operating balance.

The new KPI – Enterprise Value – will measure the value of the ongoing operations of the organisation. Akin to a theoretical market price, it is the measure for calculating how much it would cost to buy a company’s business free of its debts and liabilities.

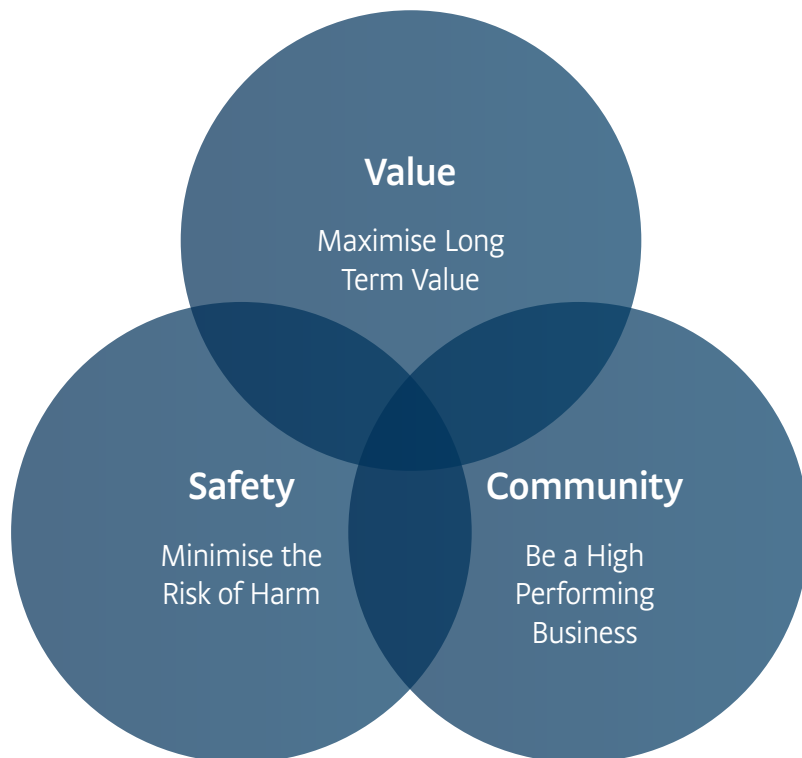


Figure 3: Horizon Power's objectives

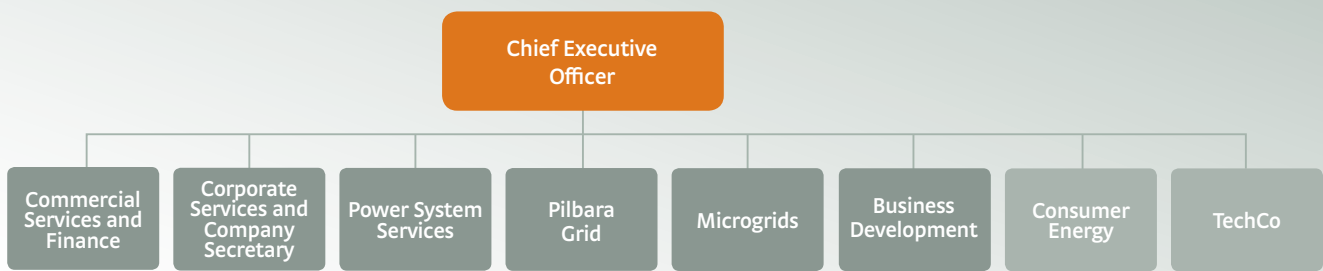


Figure 4: Horizon Power's organisational structure, including two divisions created in 2016/17

Organisational structure

Horizon Power's operating model is designed to support its vision of creating customer choice by being the world's best microgrid company.

Recognising the importance of consumer and technology driven shifts, and the pace at which disruption of the energy sector is occurring, in 2016/17 two new divisions were created: Consumer Energy and TechCo.

Commercial Services and Finance

The Commercial Services and Finance division provides customer service, analytics, digital, finance and strategy services. It develops energy delivery blueprints, which includes disruptive technologies (distributed energy/storage and digital initiatives). It drives the decentralisation of decision-making and accountability and ensures business objectives are achieved.

Corporate Services and Company Secretary

The Corporate Services and Company Secretary division provides support services within Horizon Power. It sets service offerings, standards and policies that promote regional accountability and capability, and provides lowest-cost human resources, communications, risk, legal, health and safety, procurement, facilities, and fleet management services.

The Company Secretary provides advice and administrative services to the board of directors and assists in its effective operation, as well as being the interface between the Board and the Executive team.

Power System Services

Power System Services supports Horizon Power's regional businesses, including engineering and project delivery, capacity planning, land, heritage, native title and environmental advisory services, asset management frameworks, policies, guidelines and standards, and Economic Regulation Authority and EnergySafety reporting.

Pilbara Grid

The Pilbara Grid division oversees the holistic performance of the North West Interconnected System (NWIS). It manages customers, stakeholders, assets and the provision of energy to meet the demands of the NWIS. This division serves Port Hedland, South Hedland, Wedgefield, Point Samson, Roebourne and Karratha, and supports Government-led market reforms.

Microgrids

The Microgrids division provides safe and reliable operational performance in the non-interconnected systems (NIS). Within the NIS are three regional centres: Kimberley (Kununurra and Broome), Gascoyne/Mid West (Carnarvon) and Esperance/Goldfields (Esperance). As with the Pilbara Grid, Microgrids is responsible for managing assets, customers and stakeholders.

Business Development

Business Development is leading the development of product, pricing and contracting strategies for large and medium enterprise customers and independent power producers (IPPs)

as well as managing the delivery of major developments, including significant network expansions, large-scale customer connections and large-scale IPP projects.

The division is also responsible for the medium and large enterprise customer segment and for key sourcing contracts, gas commodity, transport and IPPs.

Consumer Energy

Consumer Energy focuses on exploring and delivering products and services to consumers beyond the traditional utility business model. It will aim to help customers navigate a new energy landscape in a way that benefits them and our network business.

TechCo

TechCo is focused on resolving economic, technical and transition barriers to a DER future through the development of new technologies, capabilities and operating practices.

The division will also focus on collaborating with industry leaders and start-up companies to ensure our solutions are world-leading. TechCo is fast-tracking the microgrid operating platform using digital technology to accelerate the rate of high-penetration renewable energy in remote microgrids.

Performance overview

Horizon Power has established and agreed with the State Government a balanced set of critical business outcomes that measure our success in delivering social, environmental and economic benefits.

Horizon Power's performance against targets published in our Statement of Corporate Intent (SCI) is shown below. The SCI targets are consistent with Horizon Power's five-year Strategic Development Plan.

Table 1: 2016/17 performance overview: critical business outcomes, targets and actuals, 2015/16 and 2016/17

Critical Business Outcomes	Target performance result for 2016/17	Actual performance result in 2016/17	Target achieved	Actual performance result in 2015/16	Notes to the table	For more information see page
Employee Safety Lost-time injury frequency rating	0.0	3.8	✘	1.9	1	23
Public Safety Total number of Notifiable Public Safety Incidents	<8	6	✔	5	2	23
NPAT (\$M) Profit for the year after income tax	31.8	35.4	✔	36.7	3	45
Cost Management Cost to Supply Unit Cost (cents/kWh)	34.6	29.8	✔	27.9	4	N/A
Unassisted Pole Failure Rate	<1	1.11	✘	1.68	5	21
Customer Satisfaction Survey rating (%)	>70	77	✔	73	6	5
Reliability Reliability performance of each system	33/38	32/38	✘	28/38	7	5
System Reliability and Electricity Delivery System Average Interruption Duration Index – SAIDI	290	126	✔	199	7	5
System Average Interruption Frequency Index - SAIFI	6.6	2.13	✔	3.08	7	5

Table 1: 2016/17 performance overview: critical business outcomes, targets and actuals, 2015/16 and 2016/17

Critical Business Outcomes	Target performance result for 2016/17	Actual performance result in 2016/17	Target achieved	Actual performance result in 2015/16	Notes to the table	For more information see page
Return on Assets (%) Earnings before interest, and tax	6.6%	6.9%	✓	7.6%	8	N/A
Project Management Major project completion within ±5% of approved budget (%)	100	100	✓	100	N/A	N/A

Notes to the Performance overview table

- Horizon Power has recorded a 3.8 lost-time injury frequency rate this financial year; a slight increase from the 2015/16 rating of 1.9. This equates to two lost-time injuries this financial year. The increased trend is not posing additional risk, because the severity of both incidents was low.
- Six notifiable public safety incidents occurred in 2016/17; performance is maintained from previous year and remains below our target. These incidents were mainly due to equipment failure.
- NPAT compared favourably to the target, chiefly because of lower operating costs through tight cost control and efficiency initiatives.
- Lower cost-of-goods-sold and operating expenditure contributed to a favourable difference between the unit cost to supply (cents/kWh) we achieved and the target.
- The unassisted pole failure rate decreased, with 13 pole failures removed from the three-year rolling statistics. However, there were four new unassisted pole failures in the past 12 months: three in Port Hedland and one in Esperance.
- Horizon Power exceeded its target for customer satisfaction and improved on last year's performance. Although price still remains a concern for customers, it has had less influence on our performance compared to last year.
- Horizon Power's performing systems count is 32 for 2016/17, up from 28 in 2015/16. Generation issues in Kalumburu, Kununurra, Leonora and Onslow over the past 12 months affected achievement of reliability targets.
- Return on assets compares favourably to the target, with higher profits resulting from operating cost savings.

Operational performance

Horizon Power delivered safe and reliable electricity throughout 2016/17 and exceeded its reliability targets for the aggregate portfolio of systems. Of our 38 systems, 32 met performance reliability standards, up from 28 in the previous year. Generation outages affected reliability in Kalumburu, Kununurra, Leonora and Onslow.

Highlights

- Bidyadanga, Broome, Marble Bar, Wyndham, Esperance and Hopetoun rural became performing systems in 2016/17.
- Kununurra's SAIDI performance improved significantly as a result of upgrades to the back-up power station in November 2016. Although the frequency of town outages has reduced, it is still above the annual target of 6.6.

Challenges

- Onslow had several months without a generation failure, but a number of outages in April and May 2017 resulted in the town's non-compliance.
- Leonora had several generation outages in October 2016, causing the town to become non-performing.
- Equipment failure at Carnarvon's substation caused a major outage, resulting in Carnarvon becoming non-performing in April 2017.

The business' asset management processes have continued to mature since the Strategic Review in 2013. The process requirements accurately reflect the financial requirements to augment and improve assets, even during the current economic downturn. This has resulted in targeted activities being

performed on the network. A risk-adjusted value model is now applied to all projects, aligning long-term programs designed to deliver sustained safety and reliability improvements within economic conditions. Horizon Power has the ability to adjust the Asset Management Strategy without compromising safety.

Kununurra back-up power station.



Table 2: Transmission and distribution network lines through Horizon Power's service area

Network type	Carrier	Kilometres
Transmission	220 kV	202.7
	132 kV Overhead	109.6
	132 kV Underground	1.8
	66 kV Overhead	152.6
	66 kV Underground	1.6
Distribution	HV 3-Phase Overhead	2,021.5
	HV 3-Phase Underground	840.2
	HV Single Phase Overhead	2,773.4
	HV Single Phase Underground	12.3
	LV Overhead	595.7
	LV Underground	1,486.3
Total		8,197.7

Table 3: Other transmission and distribution assets

Total transformer capacity	801 MVA
Number of transformers	4,421
Number of distribution poles	56,920
Number of transmission wood poles	235
Number of transmission steel poles	733
Number of transmission towers	870

Table 4: Asset Management Plan drivers

AMP driver	Budget (\$) FY 16/17	Actual (\$) FY 16/17
Asset Service	\$11,999,000	\$9,651,636
Safety	\$6,696,000	\$15,713,564
Regulatory/Compliance	\$286,000	\$18,979
Reliability	\$2,680,000	\$2,150,272
Capacity	\$3,679,000	\$631,875
Knowledge and technology investment	\$3,855,000	\$3,182,669
Mobile plant and operational fleet	\$2,601,000	\$2,272,485
Property management	\$2,975,000	\$1,214,708
Total	\$34,771,000	\$34,836,188

In 2016/17 Horizon Power's overall actual expenditure on the asset management works program was within budgeted tolerance level of + / - 5 per cent. Expenditure on all the drivers were lower than budget except for Safety mainly due to the implementation of the Electricity Network Safety Management System (ENSMS) into the business and the complimenting Safety and Health Management System.

Table 5: Horizon Power 2016/17 electricity generation and sales, by town/community

Town/community	Generated Power (kWh)	Generated Power-Wind/Solar (kWh)	Purchases (kWh)	Total Power Purchased/Generated (kWh)	Used in Works	Sent Out (kWh)	RE buyback import into HP network (kWh)
Ardyaloon	-	-	1,770,737	1,770,737	-	1,770,737	35,103
Beagle Bay	-	-	1,676,536	1,676,536	-	1,676,536	
Bidyadanga	-	-	2,220,874	2,220,874	-	2,220,874	12
Broome	-	-	130,332,438	130,332,438	-	130,332,438	1,702,493
Looma	-	-	2,495,306	2,495,306	-	2,495,306	
Carnarvon	40,878,337	-	362,623	41,240,960	1,423,520	39,817,440	1,375,990
Coral Bay	-	-	3,328,983	3,328,983	-	3,328,983	3,569
Cue	-	-	2,668,930	2,668,930	-	2,668,930	65,048
Denham	3,156,929	2,237,464	-	5,394,393	176,454	5,217,939	237,434
Derby	-	-	33,499,593	33,499,593	-	33,499,593	165,360
Djarindjin	-	-	1,769,306	1,769,306	-	1,769,306	1
Esperance	-	-	66,960,856	66,960,856	-	66,960,856	1,572,774
Exmouth	-	-	18,686,229	18,686,229	-	18,686,229	647,579
Fitzroy Crossing	-	-	13,673,723	13,673,723	-	13,673,723	53
Gascoyne Junction	-	-	773,410	773,410	-	773,410	20,055
Halls Creek	-	-	11,141,092	11,141,092	-	11,141,092	504
Hopetoun	-	-	4,852,367	4,852,367	-	4,852,367	223,016
Kalumburu	2,270,182	-	-	2,270,182	91,928	2,178,254	2
Kununurra	247,892	-	60,838,889	61,086,781	134,677	60,952,104	394,089
Lake Argyle	-	-	673,476	673,476	-	673,476	283
Laverton	-	-	3,531,042	3,531,042	-	3,531,042	43,343
Leonora	-	-	8,307,556	8,307,556	-	8,307,556	26,303
Marble Bar	1,757,085	510,059	-	2,267,144	126,889	2,140,255	46,909
Meekatharra	-	-	7,629,987	7,629,987	-	7,629,987	202,464
Menzies	-	-	603,849	603,849	-	603,849	71,666
Mount Magnet	-	-	3,839,466	3,839,466	-	3,839,466	113,593
Norseman	-	-	3,601,173	3,601,173	-	3,601,173	116,275
Nullagine	826,053	277,986	-	1,104,039	248,344	855,695	33,830
Onslow	6,652,783	-	3,701,010	10,353,793		10,353,793	90,731
Sandstone	-	-	680,020	680,020	-	680,020	47,075
Warmun	-	-	2,630,874	2,630,874	-	2,630,874	247
Wiluna	-	-	2,412,713	2,412,713	-	2,412,713	17,058
Wyndham	142,329	-	7,249,543	7,391,872	142,329	7,249,543	26,599
Yalgoo	-	-	1,085,589	1,085,589	-	1,085,589	23,472
Yungngora	1,273,466	255,840	-	1,529,306	64,797	1,464,509	
NWIS			496,114,108	496,114,108		496,114,108	2,796,373
TOTALS	57,205,056	3,281,349	899,112,298	959,598,703	2,408,938	957,189,765	10,099,303

Safety

Pole management program

Pole replacement and reinforcement

Horizon Power continues to reinforce or replace its pole population in line with its condition-based asset management strategy. The business has managed high-risk poles in the Esperance region with the completion of the Myrup feeder pole replacement project in 2016/17. The Gibson feeder pole replacement will be completed in 2017/18. Testing of poles in the West Kimberley started in 2016/17, with an anticipated completion date towards the end of 2017/18. The Mid West has completed one round of pole testing based on the new methodology, and poles that were deemed at risk of failure were replaced. Onslow streetlight poles have been scheduled for testing and replacement after the completion of the Onslow undergrounding project.

Pole inspectors will be working in the Pilbara, Kimberley and Esperance regions in 2017/18. This will continue work conducted over the past seven years to improve our unassisted pole-failure rate.

Pole testing methodology

Horizon Power has worked with many experts, suppliers and stakeholders to ensure the most effective pole testing techniques are approved for use. Improvements in techniques that will further refine the process are being investigated. Horizon Power continues to use the techniques based on the experience gained by its pole inspectors in 2015/16.

Analysis of wood poles removed from the network started this year and is slated for completion in 2017/18, in line with our commitment to complete the strength curve for timber.

Pole testing contract

Through its maintenance contracts, Horizon Power has introduced a mechanism whereby the regions can more efficiently test poles. The West Kimberley is the first region to trial this model.

Highlighting Horizon Power's unassisted pole failure rate over three years, the graph below shows the impact of environmental factors on our pole population. Horizon Power has nearly reached its target of 1 in 10,000 unassisted pole failures. The current rate is 1.11 in 10,000 and this is expected to fall below the industry standard in 2017/18. Horizon Power has achieved this level through its work on pole reinforcements and replacements over the past 11 years. Three streetlight

poles, along with one wooden pole failure, are included in the statistics for 2016/17.

Knowledge built through the interpretation of pole testing results has enabled Horizon Power to take a risk-based approach to its pole replacement strategy.

Conductor management

National safety regulators have identified conductor (powerline) management as a major risk to electricity network businesses across Australia.

Acknowledging this risk, Horizon Power has a multi-year conductor replacement program underway, with full visibility by EnergySafety. This program is scheduled for completion by 2021.

Horizon Power has also quantified the risk of other conductor types across the network and has a strategy for the management of conductors.

Unassisted pole failure rate
(rate per 10,000 poles on a three year rolling average)

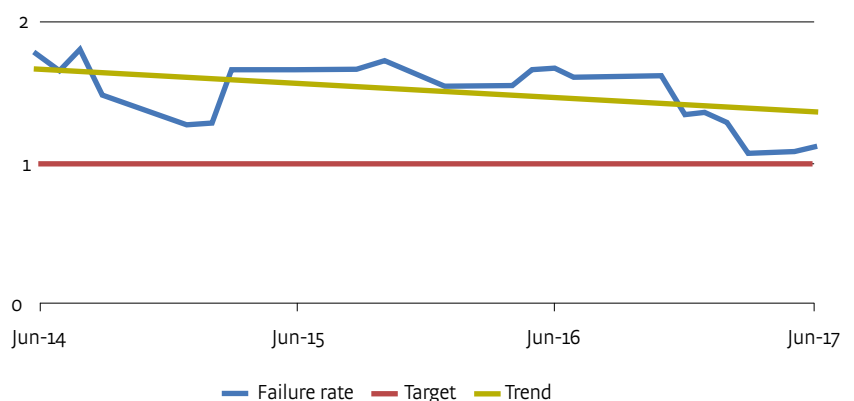


Figure 5: Unassisted pole failure rate, 2014/15 - 2016/17

Carnarvon depot staff have reviewed in detail the condition of conductors and ancillary components in Denham, and are now investigating options for the town's network. A 10 year program has begun in Carnarvon, focusing on high-risk areas (trafficable and bushfire-prone) and destructive testing of conductors.

Esperance also has a program of works to manage its conductors and funding for the next 10 years. Horizon Power continues with its arrangement with Western Power to share information derived from studies performed on all our assets.

Kununurra Generation and Reliability and Network Upgrade Projects

In Kununurra Horizon Power invested \$14.4 million to upgrade its back-up power station, in addition to the \$5.5 million invested in network upgrades.

Improved network performance and safety can be credited to the project's upgrade of the distribution network and reduction of the influence on power supply of external factors such as weather and wildlife

Since it was commissioned in late 2016, the fast-start back-up power station has successfully restored power on five separate occasions. In each case, supply to all customers in Kununurra was reinstated in under two minutes. Before the fast-start works, customers were experiencing power outages that averaged 45 minutes.

Safety advertising campaigns

As a generator, distributor and retailer of electricity, Horizon Power has an obligation to promote public safety. Horizon Power's Inspection System Plan, which was approved by EnergySafety, requires Horizon Power to inspect electrical work completed within consumer installations connected to our networks.

Recognising that safety is a priority and a part of our enduring culture, we have embarked on best practice in educating the public on potential hazards associated with the use of, and interaction with, electricity and seasonal issues such as cyclone and storm awareness. Horizon Power uses its website, marketing and customer service channels to inform customers and community members about electrical safety.

Be Aware of Electricity is our overarching public safety campaign, with two major communication streams:

Be Aware of Electricity - stay safe at home, work and play

The *Be Aware of Electricity* public safety campaign is our principal public safety product.

The aim of our campaign is to help educate the public on safely interacting with electricity and associated assets. Protection of our assets is also an important part of the messaging equation, but not to the detriment of genuine care for the well-being of people in our community.

Safety messages focused on:

- avoiding infrastructure
- home maintenance safety
- safety at work, including transport and agricultural industries
- appliance safety

Be Aware of Electricity - cyclone and storm safety

Horizon Power has actively promoted cyclone and storm safety since 2007. This campaign promotes safety strategies during the cyclone and storm seasons.

The current campaign focuses on the dangers of fallen powerlines and is aimed at reducing the risk of electrocution. The risk of injury or death increases exponentially the closer a person is to a fallen powerline. The campaign promotes a simple, two-part message – stay well clear of fallen powerlines, and call Horizon Power immediately.

Be Aware of Electricity - underground power

More and more of Horizon Power's electricity network supply is distributed through an underground network. Mini-pillars, or green domes, connect homes to this underground network and are located just inside the boundary of a property. A newspaper and digital advertising campaign provided safety messaging to inform customers that green domes contain live wires, they should never be tampered with and to immediately report any damaged domes to Horizon Power.

Safety within Horizon Power

In 2016/17, Horizon Power's safety and health strategy focused on implementing a fit-for-purpose safety and health management system, branded *The Zone*. *The Zone* continues to serve the business as a one-stop information portal for our policies, procedures, and work instructions, and everything else related to safety and health. Safety and health-specific roles have helped local adoption of approved safety and health practices across the business. Other safety and health programs in 2016/17 included:

- tailoring implementation of the Safety and Health Management System to the regions

- development and implementation of Horizon Power-specific safety and health training relating to *The Zone*, including:

- an online safety and health induction training course
- supervisor training course to educate those in leadership roles on requirements of *The Zone*
- an alcohol and other drug testing program designed to mitigate workplace risk and improve decision-making by our workers.

Our incident management system has seen an increase in workers' reporting safety and health-related incidents

and risks. The business identifies the reporting of incidents as being positive because it provides information on safety and health-related risks and empowers our management to resolve them.

Horizon Power recorded a lost-time injury frequency rate of 3.8, with two non-complex, low-risk lost time injuries occurring in the financial year.

The Pilbara Grid division has recorded zero lost time injuries in this financial year.

In 2016/17, our primary contractor (GHD) successfully achieved one million hours working on Horizon Power projects without sustaining a recordable injury.



Value

Managing assets: Electricity Network Safety Management System

Horizon Power is acutely aware of the critical nature of its obligations as a responsible asset manager of electrical infrastructure. The business undertakes a structured and rigorous process to determine the funding requirements for maintaining and upgrading its asset base to ensure safe and reliable power.

Horizon Power's asset management policy and standards are aligned to best-practice standards and to meet requirements set by the Economic Regulation Authority (ERA).

In August 2015, the *Electricity (Network Safety) Regulations 2015* required Horizon Power to have an Electricity Network Safety Management System (ENSMS) in place by 6 August 2017. The Regulations place accountability on Horizon Power for the management of the safety risks of the network and its assets over their lifecycle.

Horizon Power established a project team to manage the development and rollout of the ENSMS, which will ultimately help Horizon Power maintain a network that is safe for both its workforce and the public.

Advanced Metering Infrastructure (AMI) Project

Horizon Power completed its AMI project in 2016 under a \$34 million State Government-funded project that replaced more than 45,000 ageing electricity meters throughout regional and remote Western Australia.

The successful implementation of AMI has led to over \$7.5 million in savings per annum. This project was completed ahead of schedule and under budget

in September 2016. It has also been acknowledged with a national utility industry award, being voted Best Value AMI Project at the Australian Energy Week awards last year.

Horizon Power is using AMI to improve customer service, billing accuracy and timeliness, and safety. A customer portal has been developed and *My Account* was successfully launched, enabling customers to request services and check and pay bills online thereby reducing customer service costs.

AMI technology can also be used as a platform to support new pricing products, further promote energy efficiency, and increase the use of renewable energy across our service area.

Powering the Pilbara

The construction of the long-term power station by TransAlta Energy (Australia) Pty Ltd in Port Hedland is complete and following a period of commissioning, the power station achieved commercial operation status on 28 July 2017.

The 150 MW station will incorporate the balance of plant from the temporary power station built by Horizon Power in late 2014, the Hedland Precinct Power Project (HPPP). The project included a second 220 kV transmission line from the South Hedland Terminal to the Hedland Terminal.

Horizon Power has a contract with TransAlta Energy to purchase 110 MW of the generation capacity from the new station. Fortescue Metals Group is also contracted to buy power.

The combined-cycle natural gas power station captures the waste heat from

two of the three gas turbines and converts it into energy – so what would normally be wasted is now providing up to 25 per cent of the energy the station exports into the North West Interconnected System operated by Horizon Power. The new plant can be expanded to supply power to other commercial users from 2017 onwards.

The State Government provided \$138 million to build the HPPP, the cost of which will be fully recovered from TransAlta.

Roy Hill Transmission Project

Horizon Power's Roy Hill Transmission Project will deliver up to 25 MW of electricity to the Roy Hill port facility in Port Hedland, with transmission connection infrastructure covering almost five kilometres and incorporating the 150 MW TransAlta power station.

The project involves the construction of two 33 MVA (megavolt-amperes) transformers, a 33 kV switch room at South West Creek Substation, two express feeders connecting the Roy Hill Port facility, and port-side installation and connection of the transmission feeders within the Roy Hill port facility.

The Roy Hill Transmission Project is part of Horizon Power's commitment to building a more coordinated and efficient NWIS and is scheduled for practical completion in December 2017.

Onslow power supply

As part of its obligations under a State Development Agreement, Chevron is providing a capped financial contribution to Horizon Power for building new power infrastructure in Onslow.

Horizon Power's plans to showcase innovation in distributed energy resources (DER) and microgrids as a part of these works in the town of Onslow are well underway. The first phase of the project will deliver essential electricity network infrastructure, including a modular gas-fired power station and supporting underground transmission lines, is scheduled for completion in early 2018.

The second phase of the project, to begin in 2018, will include a mix of distributed solar generation and battery storage aimed at achieving a high level of renewable energy across the town. Accessible to both residential and business customers, these distributed resources will foster energy competition and efficiency. Stakeholder engagement and research recently conducted in the town demonstrated a strong commitment to renewable energy. Horizon Power will take this feedback on board as plans for the DER microgrid are completed.

System Blueprints

Recognising the disruption to the traditional utility business model and the increasing involvement of customers in decisions about energy demand and use, Horizon Power has embraced a number of practices designed to make it the best in its field. Chief among these are our System Blueprints, which enable the organisation to determine when it is economical to deliver energy via a new energy supply model or 'business future'.

A system blueprint is a framework for financial decision-making that investigates the most economical and sustainable future for each of our microgrid systems.

Each blueprint explores a system's profile – cost to supply, maximum demand and customer energy use – to help determine the best time to switch that system to a business future – centralised generation, distributed energy resource, or stand-alone power.

Each town's system blueprint provides its optimum renewable energy penetration level, along with guidance on investment decisions such as capital and network expenditure and technology price curves.

In 2016, Horizon Power collaborated with the CSIRO on two aspects of the system blueprints. In the first project, the CSIRO provided a peer-reviewed endorsement of the methodology we used in formulation of the blueprints. In the second project, we developed plausible future scenarios that align with those in CSIRO Future Grid Forum. The scenarios will be used to test the robustness of our strategies and tactical plans going forward.

Hosting capacity

Horizon Power is working hard on giving customers more choice and control over their energy use. With the falling costs of technology, renewable energy systems like rooftop solar and batteries are in high demand.

Renewable energy poses challenges to energy utilities all over the world, particularly those with smaller systems, or microgrids, like Horizon Power's, because it can affect the reliability of power supplies when that energy suddenly drops off, such as during cloud cover.

Horizon Power is conducting a number of research trials designed to enable more renewable energy to be incorporated into our microgrids.

We are also developing a range of advanced energy solutions, such as energy storage and home energy management systems, to enable greater customer choice and control.

Our commitment to the regional towns we serve is that additional capacity for solar will become available as the management of renewable energy becomes more refined. This additional solar capacity will help our customers reduce their power bills.

Square Kilometre Array and Murchison Radio-astronomy Observatory Power Supply Projects

In November 2015 Horizon Power reached final agreement with the CSIRO to build, own and operate a 2 MW solar diesel power station on Boolardy Station, which hosts the Australian Square Kilometre Array Pathfinder Project (ASKAP) site at the Murchison Radio-astronomy Observatory (MRO), approximately 400 kilometres north-east of Geraldton.

The ASKAP is a pilot project for what will be the largest telescope on the planet: the Square Kilometre Array (SKA). Co-hosted with South Africa, the SKA will involve the installation of radio telescopes over vast areas of both countries.

The new MRO power station began exporting power onto CSIRO's MRO distribution network in August 2016, and the power station was fully completed and operational in September 2016.

The power station is capable of integrating CSIRO's Commonwealth-funded 1.6 MW solar farm and 2.5 MWh battery systems. These facilities are under construction by CSIRO and will be integrated by the end of 2017.

Core Systems Review Project

This project was implemented to improve IT core systems, with a focus on asset management and customer services.

The project included changes to customer-funded works processes and systems, which has improved efficiency in the business and visibility of key governance steps and metrics. The project will also improve how changes are made through the Electricity Network Safety Management System. The alignment of our financial fixed asset register with our equipment register will improve financial efficiency in our asset replacement program, and improve the operation of the models used to price our network services.

Carnarvon Energy Storage Trial

Horizon Power is undertaking a trial of large-scale energy storage in Carnarvon to:

- investigate the benefits of a large battery system installed on a remote islanded microgrid
- help inform the development of a high-penetration distributed energy resources (DER) and microgrid operation strategy, and
- provide ongoing benefits to the Carnarvon power system.

Two large battery storage units capable of delivering up to 2 MW of power for one hour have been commissioned and will undergo a 12-month trial period.

The trial will enable Horizon Power to access the latest technology of a large-scale battery at a competitive cost, and gain experience and knowledge in using this equipment in an operating microgrid.

Carnarvon Distributed Energy Resources Trial

Horizon Power is conducting a trial on the Carnarvon network to accurately assess the impact of DER, particularly of behind-the-meter generation on our systems, by understanding how cloud movements affect solar PV electricity generation.

Over 50 customers in Carnarvon with solar PV systems are participating in the trial. Over the next three years, we will be measuring the renewable energy generated by their solar panels through a Solar Smart Monitor.

Data collected throughout the trial will be used to help Horizon Power better understand how much of participants' electricity requirements are met by their own solar PV systems at any given time of the day.

The trial will also help Horizon Power create lasting value for customers and the wider renewable energy industry by developing a pathway to the effective management of high-penetration DER generation and storage.

Managing business risk

Horizon Power's corporate risk management framework is aligned to the ISO 31000:2009 standard and includes processes to identify, assess, monitor, report and escalate risk exposures to management. The Executive manages aggregated corporate risks, which are reported bi-monthly to the Audit and Risk Management Committee.

The framework's integration with other corporate frameworks, in particular the strategic planning and corporate budgeting processes, helps prioritise important projects and promotes a risk-based approach to investment decisions.

Community

Power Ahead pilot

During the 2016/17 summer in Port Hedland, 346 residents and 61 businesses took part in Horizon Power's Power Ahead research pilot, which tested customers' willingness and ability to change their electricity usage given the right tools and incentives.

During the pilot, Horizon Power encouraged customers to keep their electricity use within a set peak allowance during the summer peak period (between 1 pm and 8 pm). Participants could access a range of tools and services to help them stay under their set allowance, including dedicated customer support and a smart phone app that provided near real-time usage data.

Most participants made changes to how and when they used electricity by shifting their electricity usage to the off-peak period.

Research findings for residential customers who made changes show that:

- 86 per cent of participants received a financial incentive for staying within their set peak allowance
- 84 per cent reduced the amount of electricity they used
- 78 per cent reacted when they received an alert
- 89 per cent changed the time they did things
- 82 per cent kept one or more air-conditioning units off as part of peak routine

- 85 per cent could sustain the changes for six months every summer
- 76 per cent said the financial incentive was worth it.

Business customers also indicated a willingness and ability to make changes. However, the research shows that businesses have less flexibility to make immediate changes or responses to alerts.

Of those who made changes:

- 63 per cent stayed under their peak allowance
- 45 per cent reacted when they received an alert
- 34 per cent changed the time they did things
- 79 per cent could sustain the changes for six months every summer
- 74 per cent said the financial incentive was worth it.

Based on the findings, Horizon Power is developing a new, fairer and more sustainable way for charging for electricity, similar to mobile and internet plans. The new pricing structure will empower customers to think about how and when they use electricity to better control and manage their electricity costs.

Horizon Power is in the process of consulting with the Minister for Energy to help inform policy decisions about potential changes to the existing pricing structure.

Stand-alone power systems

Horizon Power has successfully delivered a step-change in technology with the introduction of stand-alone power systems (SPS) for regional and remote customers. SPS removes the customer connection to the utility-owned distribution system entirely and provides a self-sufficient, permanent source of power with a combination of solar PV, storage, and a back-up diesel generator.

SPS was introduced as an emergency response for Esperance customers affected by the 2015 bushfires as a more reliable and cost-effective solution to replacing just over one hundred power poles and kilometres of powerlines destroyed in the fires. Since March 2016, these systems have been providing reliable power at the same price customers were paying when connected to the network.

Early analysis of Horizon Power's network has identified other locations where SPS could replace existing overhead lines at the fringe of grid.

This renewable energy solution will also be provided for the iconic Fitzgerald National Park west of Hopetoun to provide power to the ranger station inside the park entrance. The SPS for the Fitzgerald National Park will also replace four kilometres of powerlines

Horizon Power will also install a SPS at the Exmouth Golf Club that will retire the aged network asset and obviate a new overhead connection. The golf club will be completely removed from

the Horizon Power network, which means renewable energy will not be exported back into our system.

While a traditional poles-and-wires connection is the most cost-effective solution for a majority of electricity customers, the SPS solution may be a viable alternative for customers located on the remote outer fringes of the electricity grid or in remote areas away from the grid where powerline connection is not economic.

Pilbara Underground Power Project (PUPP)

The PUPP has dramatically improved the provision of an essential service to regional residents and businesses during, and immediately following, adverse weather events.

The project will be completed in Karratha ahead of schedule before June 2018, and local residents, along with those in Port Hedland and Roebourne, are now enjoying the benefits of this work, with improved streetscapes, better street lighting, and more reliable power supplies during extreme weather events.

The project has now commenced in Onslow following overwhelming support by ratepayers and is estimated to be completed by the end of 2017.

Remote Community Utilities Workers apprenticeship

Horizon Power has created a unique apprenticeship program aimed at improving outcomes in remote communities. The Remote Community Utilities Workers (RCUW) apprenticeship is designed to improve

the reliability of power supplies in remote Aboriginal communities and reduce the duration of outages, as well as to create jobs and boost the economic development and sustainability of these regional communities.

The National Certificate III RCUW trade qualification was registered as a Class A Apprenticeship in September 2016 by the State Training Board on behalf of the Western Australian Government.

In July 2017, four Horizon Power employees from some of the most remote Aboriginal communities in WA – Kalumburu, Yungngora, Beagle Bay and Bidgydanga – successfully completed the apprenticeship.

Work is underway for Horizon Power to offer more apprenticeships if we are able to expand our work to other remote Aboriginal communities.

Community advertising, programs and sponsorships

Recognising that our staff live and work in the communities we serve, we provide sponsorship and support for causes close to the hearts of those communities, including:

Wunan Foundation

Wunan is an Aboriginal development organisation based in the East Kimberley whose purpose is to drive long-term socioeconomic change for Aboriginal people by providing real opportunities, investing in people's abilities, and encouraging and rewarding aspiration and self-responsibility. Horizon Power supports the Kimberley Education Excellence Program, a scholarship program for Indigenous secondary students.

The Smith Family

Horizon Power supports The Smith Family's *Learning for Life* program in the Pilbara, which gives disadvantaged students financial support for education essentials, such as books, uniforms and school excursions.

Ronald McDonald House

Ronald McDonald House works to improve the health and well-being of seriously ill children and their families from regional Western Australia. Horizon Power has been a long-term partner of The Learning Program, which supports the educational needs of regional children recovering from serious illness through individual learning programs.

The business continues to develop and support partnerships with community organisations whose activities, interests and values are compatible with our own. Among the advertising, programs and initiatives Horizon Power has run and supported this year are:

Energy efficiency campaign – Easy Ways to Save

Horizon Power believes it is important to provide customers energy efficiency advice to help them save money and energy, and help strengthen its community standing as the 'local energy partner'.

Through our energy efficiency campaign, we aim to provide simple energy efficiency messages to help customers reduce their energy use and save money, and answer their queries and reduce complaints.

The main objective of *Easy Ways to Save* is to raise awareness of efficient energy use and the savings that can result. We want to break the culture

of habitual energy-wasting within the home and position Horizon Power as a responsible, approachable utility.

Customer service: enhanced online tools

To improve customers' experience, we developed an online customer portal, *My Account*, which enables customers to perform a number of simple, self-service functions online at their convenience. Available 24/7, *My Account* enables customers to remotely open an electricity account, pay power bills, update account information and register for paperless billing.

My Account and paperless billing provide more options for customers' interaction with Horizon Power, supporting the customer service functions already provided by the regional offices and the customer contact centre.

As at the end of June 2017, 6,216 customers had signed up for *My Account* and 12,983 customers had registered for paperless billing.

Complaints

In 2016/17 a total of 256 complaints were received, a decrease of 209 from the previous year. Of these, 49 per cent were resolved within 15 days. Horizon Power's standard business process for complaints determines that complaints are not closed until customer satisfaction is reached and all appropriate actions have been completed. This ensures customer complaints are acknowledged, investigated and resolved to the customer's satisfaction.

Of the complaints received, 35 related to residual meter reading errors in Broome. The majority of complaints

were rectified through the general complaints management processes and providing actual AMI data. There were 27 meter tests requested by customers, all were exchanged and tested and proven to be accurate.

Our people and culture

Horizon Power wants to be known as a company that is respected for delivery and recognises its people with opportunities, challenges and rewards. To achieve this, we recruit, develop and retain talented, high-performing employees who are motivated and share our vision and values. Through our annual performance appraisal and development plan process, we evaluate outcomes and demonstrated behaviours.

To acknowledge outstanding contribution and performance, we continue to improve and promote our recognition and reward program, SHINE, a points-based system through which employees accrue points and redeem rewards.

In 2016/17, we successfully negotiated an enterprise agreement for our salaried employees that reflects more sustainable terms and conditions.

Our Horizon Way and our Code of Conduct outline the behaviours expected of Horizon Power employees. We continue to focus on maturing our organisational culture to improve the way we do things and to drive high performance.

We measure our performance through an annual survey (one full survey every two years and a pulse survey in between). The 2016/17 results reflect improvement in all practices. We also achieved an outstanding result in the category of Strategic Direction and

Intent, which indicates all employees have a clear understanding of our strategic direction across the business.

Leadership

Horizon Power recognises the importance of developing engaging leaders to build and sustain a high-performance culture.

In 2016/17, Horizon Power invested in a leadership development program for 21 employees who learned to develop a range of leadership styles and tactical skills so they could create an engaging and enabling climate for their teams.

Training and development

Horizon Power recognises that having capable employees with an innovative mindset will be key to our success. As such, we are committed to investing in the continuous capability of our people. We offer a range of internal and external learning linked to the development objectives of our annual performance and development planning process. Other development opportunities include strategic projects and secondments throughout the business.

When positions become available, Horizon Power develops apprentices and administration trainees in the following training programs: Certificate II, III and IV Business Administration; Apprentice Certificate III ESI Remote Utility Community Workers; and Apprentice Certificate III ESI Distribution Linespersons.

Four employees from remote Aboriginal communities have just completed their Certificate III ESI Remote Utility Community Workers.

Table 6: Training program statistics

Training program	Number of employees	Number of Aboriginal employees
Remote Community Utilities Workers	4	4

Table 7: Employment statistics

	Active full-time equivalents (FTE)				Total
	Permanent full-time	Permanent part-time	Fixed-term full-time	Fixed-term part-time	
Overall Horizon Power	268.9	4.1	28.4	1.4	302.7

Note: Figures as at June 2017. The figures apply to employees only.

Aboriginal employment

Horizon Power serves regions of the State where significant proportions of the population are Aboriginal. Horizon Power employs 16 Aboriginal employees (5.3 per cent of the workforce) and seeks to offer direct employment opportunities where possible, while focusing on indirect opportunities through supporting Aboriginal businesses, contractors and suppliers, and by allocating sponsorships such as those listed on page 47. As mentioned above, four employees from remote Aboriginal communities who help maintain our assets have completed their Certificate III in ESI Remote Community Utilities Workers.



Environment and heritage

Greenhouse gas and carbon intensity

Horizon Power reports total annual greenhouse gas emissions as carbon dioxide-equivalent (CO₂-e) (shown in Table 8), in accordance with the *National Greenhouse and Energy Reporting Act 2007* (NGER). CO₂-e emissions attributed to Horizon Power have decreased from the previous reporting year. This is primarily because demand for generation has reduced from the temporary generators at South Hedland operated by APR Energy, under the operational control of Horizon Power, as commissioning of Transalta's new South Hedland Power Station (SHPS) commenced providing supply to the NWIS. The SHPS is not under Horizon Power's operational control and CO₂-e from this facility are reported by the operator.

The Clean Energy Regulator will make Horizon Power's 2016/17 NGER's report publicly available in the first quarter of 2018. An estimate is made below for Scope 1 emissions (direct)¹ based on available information as at 12 July 2017. Because Scope 2 (indirect)² emissions are more complicated to establish in accordance with the NGER Act, they cannot be accurately estimated at the time of publishing.

Carbon intensity is primarily influenced by IPPs, with relatively low influence from Horizon Power-operated power stations. The carbon intensity improved slightly between 2015/16 and 2016/17 mainly with the commissioning of the

new Transalta South Hedland Power Station. Carbon intensity remained within the internal target of 0.65 kg CO₂-e /kWh sent-out, as shown in Table 9.

Table 8: Greenhouse gas emissions (tonnes CO₂-e)

Reporting year	Greenhouse gas emissions (tonnes CO ₂ -e)		
	Direct emissions (Scope 1)	Direct emissions (Scope 2)	Total energy consumption (GJ)
2013/14	40,625	38,167	970,032
2014/15	82,670	38,543	1,842,181
2015/16	99,200	38,357	2,182,657
2016/17	81,200 ³	Final figures are reported to CER by 31 October 2017 and published Q1 2018.	

1. Direct emissions of greenhouse gas into the atmosphere from sources that are owned or controlled by the company, such as emissions from combustion in owned or controlled engines or equipment.
2. Indirect emissions of greenhouse gas from the generation of purchased electricity consumed by the company. This includes purchased electricity consumed in depots/offices, as well as line losses in networks operated by Horizon Power.
3. Estimated figure based on available information as at 12 July 2017.

Table 9: Carbon intensity of Horizon Power's sent-out electricity, actuals and targets, 2013/14 - 2016/17

Reporting year	Carbon intensity kg CO ₂ -e/kWh sent out	Target kg CO ₂ -e/kWh sent out
2013/14	0.58	0.65
2014/15	0.58	0.65
2015/16	0.57 ⁴	0.65
2016/17	0.56	0.65

4. A review of 2015-16 figures showed that the reported value of 0.56 should have been 0.57 kgCO₂-e/kWh sent out.

Air emissions

Horizon Power reports annual air emissions for the period 1 July – 30 June to the National Pollutant Inventory (NPI) for sites exceeding the NPI reporting thresholds. These reports and information on reporting requirements are publicly available on the NPI website (www.npi.gov.au). An estimate of combined air emission data from all Horizon Power generation facilities is provided in Table 10.

Total sulphur dioxide (SO₂) and normalised SO₂ emissions, shown as kg/MWh (generated), remain comparable to previous reporting years.

A decrease in total emissions of oxides of nitrogen (NO_x) is consistent with reduced production from the temporary generators at South Hedland as a result of the commissioning of the new Transalta SHPS and a change in the emission factor used in one location to better reflect operating conditions. This has correspondingly affected normalised NO_x emissions, shown as kg/MWh (generated). Final data supplied to the NPI may differ slightly from the estimated emissions and shall also include additional statutory reporting parameters.

Noise

No noise complaints were received during the year.

Table 10: Summary of air emissions, 2014/15 - 2016/17

		2016/17	2015/16	2014/15
Sulphur Dioxide (SO₂)	Total (Tonnes)	0.5	0.5	0.5
	kg/MWh (generated)	0.004	0.004	0.004
Oxides of Nitrogen (NO_x)	Total (Tonnes)	494	616	538
	kg/MWh (generated)	4.19	4.27	4.61

Table 11: Investigation and activities undertaken at contaminated former power station sites

Groundwater monitoring events (GME)		
Broome	Camballin (2)	Carnarvon
Derby	Exmouth	Fitzroy Crossing (2)
Kununurra	Marble Bar	Meekatharra (2)
Other investigations		
Broome – soil vapour monitoring event		
Carnarvon – plume stability assessment		
Derby – plume stability assessment		
Fitzroy Crossing – implementation of the Remediation Action Plan, which involved the excavation and offsite bio-remediation of contaminated soil and post-remediation validation sampling.		

Management of contaminated sites

Horizon Power’s contaminated sites portfolio includes 31 sites reported and managed under the State’s *Contaminated Sites Act 2003* (CS Act). The sites are typically former power stations where historical spills and/or leaks of hydrocarbons have affected soil and/or groundwater. The portfolio is managed in accordance with a risk-based strategy, where key objectives

are to achieve remediation targets and end-point classifications under the CS Act. This is achieved when no ongoing assessment and/or remediation is required on the basis the land use remains unchanged. However, opportunistic remediation may still be undertaken at a site, should site use or infrastructure change, such as during decommissioning. During the year, a further two sites achieved

end-point classification, reducing to 16 the number of sites requiring ongoing active management.

Horizon Power has appointed accredited contaminated sites auditors to independently oversee investigations on sites where groundwater contamination has migrated offsite. Table 11 provides a summary of key site works completed during 2016/17.

Horizon Power is continuing to progress the program to fully decommission and demolish obsolete infrastructure from former power station sites, in addition to the contamination assessment and clean-up. A soil remediation project was undertaken at the former Fitzroy Crossing power station site which involved the construction of a bioremediation facility at the local landfill and excavation of approximately 1000 m³ of hydrocarbon contaminated soil for remediation. The remediated soil will be used as daily cover for landfill operations. Clean fill is then reinstated in the area of excavation. Further soil remediation is required from this site and is scheduled to be undertaken in 2018.

Environmentally Sensitive Areas Program

The Environmentally Sensitive Areas Program continued this year. The program subjects all ground-disturbing activities to a desktop assessment before undertaking the works. It provides employees and contractors

with processes and procedures to follow when working within these areas and ensures licences or permits are obtained as applicable.

Regulatory instruments

Horizon Power's application to amend its environmental licence for the Karratha Temporary Generation Project⁵ to reflect the reduced operating hours of the power station was approved by the Department of Environment Regulation during the year. Horizon Power met all reporting obligations required under the licence. Mungullah Power Station remains as a registered premises⁶ with no associated reporting requirements. None of Horizon Power's other operating sites exceeds the threshold for an environmental licence or registration.

Horizon Power holds 13 native vegetation clearing permits issued by the Department of Environmental Regulation. Horizon Power was also granted a Permit to Take from the Department of Parks and Wildlife for two Declared Rare Flora species during the year. Compliance reports have been submitted to the respective departments in accordance with the applicable permit conditions.

Environmental incidents

There were no reportable environmental incidents during the year.

Native title and heritage compliance

Horizon Power continues to operate in accordance with its heritage management system. The system's success is reflected in the consistent number of native title and heritage clearance requests from across the business, for both low and high impact projects, ensuring we continue to improve native title and heritage approval processes. No potential or actual breaches of the *Aboriginal Heritage Act 1972* were recorded for this period.

Aboriginal heritage monitors were engaged to assist in protecting Aboriginal cultural values during ground-disturbing works for operational and project-related activities.

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5. Licence L8745/2013/1 granted under Part 5 of the *Environmental Protection Act 1986* (EP Act) for a category 52-prescribed premises as defined by Schedule 1 Part 1 of the *Environmental Protection Regulations 1987*.
 6. Registration R2385/2014/1 granted under Part 5 of the (EP Act) for a category 84-prescribed premises as defined by Schedule 1 Part 2 of the *Environmental Protection Regulations 1987*.

Directors' report

Corporate governance

Corporate governance is the system by which our organisation is directed and managed. It influences how:

- the organisation's business objectives are set and achieved
- risk is assessed and managed
- corporate fairness, transparency and accountability are promoted
- performance of the organisation is optimised.

To best reflect the expectations of our people, stakeholders and customers, Horizon Power has sought to adopt recognised best practice for corporate governance by implementing a Corporate Governance Framework. In practical terms, our Framework:

- provides structure and consistency to the way we do business with our customers and stakeholders
- allows employees to respond to situations as they arise with confidence that we understand the requirements of the business
- promotes our performance drivers and corporate governance principles, systems and practices, including the roles, responsibilities and authorities of the Board and Executive

- encourages the creation of intergenerational assets, consistent with our business model
- is aligned with our strategic and business plans
- provides accountability and control systems commensurate with the risks involved
- is an essential component to the overall success of the business.

The Governance Framework is underpinned by governance principles driven by the importance placed upon providing employees with the necessary knowledge (supported by structure, systems and processes) to enable them to appropriately respond to circumstances, issues and opportunities with a clear understanding of Horizon Power's context.

This means that employees are able to perform their activities in a responsible, thoughtful, knowledgeable and consistently professional manner, contributing to the overall direction and success of the business.

Our Risk Management Framework is designed to encourage and support the development of an appropriately risk-aware culture within the organisation and assist Horizon Power to realise the benefits that accrue from a conscious, structured and dynamic approach to the management of risk.

Board of Directors

In accordance with the *Electricity Corporations Act 2005 (WA)*, Horizon Power must be governed by a board of between four and eight directors appointed by the Governor on the nomination of the Minister for Energy. The Board is responsible to the Minister for the performance of the business.

The primary role of the Board is to set the strategic direction of the organisation, approve major expenditure and provide advice to the Minister for Energy on regional power issues.

The Board formally delegates the day to-day management of Horizon Power to the Chief Executive Officer and Executive management team.

Horizon Power's Board consists of the following people:

- Mr Ian Mickel AM, Chairman
- Ms Rosemary Wheatley, Deputy Chair
- Ms Lynne Craigie, Director (term concluded 25 October 2016)
- Mr Ron Johnston, Director (term concluded 25 October 2016)
- Mr Peter Oates, Director
- Professor Ray Wills, Director
- Emeritus Professor Jeanette Hackett AM, Director (term commenced 26 October 2016)
- Mr Neil Thompson FAICD, Director (term commenced 26 October 2016)



Ian Mickel AM (Chairman)

Appointed in May 2011. Appointed acting Chairman from 1 June 2014. Appointed Chairman for a term of three years from 10 November 2014.

Ian has been a farmer and grazier in the Esperance region for more than 30 years. He has a strong focus on local government, especially in the areas of finance and economic development. Ian was elected to the Esperance Shire Council in 1989 and served as Vice President from 1991 to 1993 and as President from 1994 to 2001 and again from 2003 until October 2011, when he retired from local government.

He has served as President of the Country Shire Councils' Association and President of the WA Local Government Association. He was awarded an Order of Australia Medal in 2007 for his service to local government. Ian was made a Freeman of the Shire of Esperance in 2012 in recognition of his significant contribution to the Shire.

Ian is a Fellow of the Australian Institute of Company Directors and of the Royal Association of Justices of Western Australia (Inc).



Rosemary Wheatley (Deputy Chair)

Appointed in November 2012. Appointed Deputy Chair on 26 October 2016.

Rosemary has been a commercial lawyer for more than 35 years. During her legal career, she acted for many years on behalf of a major bank, a major insurance company, several of the larger charities in Australia, and numerous smaller businesses and individual clients all over Western Australia. She developed specialist expertise in the areas of company law, banking securities, property law, trusts, estate planning and superannuation law.

Rosemary is the Government-appointed independent director of Guumbarr Limited, a trustee company set up under the Browse LNG Precinct Project Agreement. She was a Metropolitan Cemeteries Board member for seven years.

Rosemary holds a Bachelor of Laws (Honours) and a Master of Laws.



Lynne Craigie

Appointed in October 2011. Term concluded on 25 October 2016.

A small business owner in Newman, Lynne has worked as a psychologist providing counselling, employee assistance programs and training programs there for 14 years.

Lynne was elected to the East Pilbara Shire in 2003; since 2005 she has served as President. Lynne is Chairperson for the Pilbara Regional Council and is the State President for the West Australian Local Government Association. Lynne also sits on the Australian Local Government Association Board.

Lynne holds a Bachelor of Social Science (Double Major Sociology and Psychology) and a Postgraduate Diploma in Psychology.



Ron Johnston

Appointed in May 2011. Term concluded on 25 October 2016.

Ron has worked in most North West and Kimberley towns since 1971 through his then-employer, Ansett Australia. At the time of its demise, he was the Kimberley Regional Manager.

Since then he has been involved in property development and construction in Karratha, Broome, Derby and Kununurra.

Ron served his community as a Broome Shire Councillor and President between 1981 and 1997. In October 2015, Ron was once again elected as a shire councillor and then as Broome Shire President by his fellow Councillors. He has been President of the Broome Chamber of Commerce, Kimberley Tourism Association and President of the Broome Turf Club.

Ron received the Sir David Brand Medal for Tourism in 1995 and was awarded a Centenary Medal and is a Paul Harris Fellow.



Peter Oates

Appointed in November 2014.

Peter has more than 37 years' experience in the Western Australian electricity industry. Most of this experience is in Western Power's financial area, including as General Manager Finance and Administration and General Manager Emerging Business.

He was a director of Eneabba Gas Pty Ltd from 2006 to 2010. More recently he was Chairman of the Merger Implementation Group, which was responsible for the merger of Verve and Synergy.

Peter holds a Bachelor of Economics and Master of Business Administration from The University of Western Australia and is a Fellow of the Certified Practising Accountants.



Professor Ray Wills

Appointed in November 2014.

Professor Wills is a respected commentator and adviser on sustainability and technology across the built environment, clean tech, energy infrastructure, industrials, manufacturing, resources, transport, and water sectors. His research includes adoption rates of and disruption in technology, including automation, robotics and additive manufacturing, and the impact of social media on markets.

Professor Wills is owner and managing director of advisory firm Future Smart Strategies and of sustainable design group Blue by Design (Singapore) and its Australian subsidiary, partner and director of the clean tech business Sun Brilliance Power, non-executive director of renewable energy developer PowerMinder, and non-executive director of bioenergy business BioTek Fuels.

He is also Adjunct Professor at the University of Western Australia, where he contributes to the academic program and supervises postgraduate students, is an active peer reviewer for science publications, and is a spokesperson on climate change, sustainability and new technology.

He was recognised by Singapore-based ABC Carbon as one of the Top 100 Global Leaders in Sustainability in 2011, an honour renewed each year since, and from 2014 he was listed by UK-based SustMeme Magazine as one of the top 100 Global Influencers in Social Media on Climate Change and Energy. In 2016, analytics firm Onalytica listed him in its Top 100 Influencers and Brands for Renewable Energy in the world, and in 2017 he was similarly recognised for Climate Action.

Professor Wills holds a Bachelor of Science (Honours) (Mycology) and a Doctorate of Philosophy (Ecology).

He is a member of the Australian Institute of Company Directors and the Ecological Society of Australia and is a Fellow of the Australian Institute of Energy.



Emeritus Professor Jeanette Hackett AM

Appointed in October 2016.

Jeanette has been a university leader and legal academic for more than 30 years after initially working as a legal practitioner. Jeanette served as President and Vice-Chancellor of Curtin University from 2006 to 2013, after having filled the roles of Deputy Vice-Chancellor from 2004-2006 and Pro Vice-Chancellor International and

Table 12: Horizon Power board meetings and attendance

	Number of meetings attended	Number of meetings eligible to attend during the time the Director held office during the year
Ian Mickel	16	16
Rosemary Wheatley	15	16
Lynne Craigie	4	5
Ron Johnston	5	5
Peter Oates	16	16
Professor Ray Wills	16	16
Emeritus Professor Jeanette Hackett	11	11
Neil Thompson	11	11

Table 13: Horizon Power's Directors' terms of appointment

Director	Appointed	Expires
Ian Mickel	1 May 2011	30 April 2013
<i>Second term</i>	11 November 2014	10 November 2017
Rosemary Wheatley	13 November 2012	30 July 2015
<i>Second term</i>	26 October 2016	25 October 2018
Lynne Craigie	1 October 2011	30 September 2014
<i>Second term</i>	11 November 2014	25 October 2016
Ron Johnston	1 May 2011	30 April 2013
<i>Second term</i>	11 November 2014	10 March 2015
<i>Remained in the position until</i>		25 October 2016
Peter Oates	11 November 2014	10 November 2017
<i>Second term</i>	26 October 2016	25 October 2019
Professor Ray Wills	11 November 2014	10 November 2016
<i>Second term</i>	26 October 2016	25 October 2019
Emeritus Professor Jeanette Hackett	26 October 2016	25 October 2017
Neil Thompson	26 October 2016	25 October 2018

Note: The *Electricity Corporations Act 2005* states that a Director continues in office until their successor comes into office, even if the period for which the Director was appointed has expired.

Enterprise from 2002-2004. She has a strong interest in the development of community partnerships in education and research, as well as international education.

Jeanette has served on a broad range of community boards including as a council member of the Western Australian Chamber of Commerce and Industry, director of Open Universities Australia, board member of the Australian Universities Quality Agency, member of the Australian Business Arts Foundation, Chair of Council of Penrhos College, and Commissioner of the Western Australian Football Commission.

She has served as Chair of the Australian Technology Network group of universities and Chair of the Australian Higher Education Industrial Association. She was awarded an Order of Australia Medal in 2012 for her service to education. She was awarded an Honorary Doctorate of Technology by Curtin University in 2013 for her service to the university.

Jeanette is a member of Chief Executive Women, and has been a member of the Law Society of Western Australia, the Australian Institute of Company Directors and a fellow of the Australian Institute of Management. She holds undergraduate and master's degrees in law and a doctorate in management.



Neil Thompson FAICD

Appointed in October 2016.

Neil has extensive experience in customer and corporate strategy as well as business development. He has held numerous commercial roles in the aviation, travel and tourism sector in Australia, Asia, Europe and North America over the last 25 years. Neil also led two of Australia's largest, most profitable customer loyalty businesses, Qantas Frequent Flyer and Virgin Australia's Velocity program.

Neil is an advisory board member of the Australian National University's (ANU) Australian Centre on China in the World and a director of Smiling Mind Inc. He is also advisor to a number of Australian start-up ventures, and is fluent in Mandarin.

John Le Cras (Adviser)

John was appointed Chair of the Corporate Affairs and Communications Committee by the Board on 11 December 2014.

John has more than 30 years' experience as a journalist, news editor, marketing executive and strategic communications consultant. He spent 14 years in senior roles with the Seven Network, including as Director of News and Current Affairs. John held senior corporate communications and marketing roles at HBF and Murdoch University before launching his strategic communications business in 2011.

He provides strategic communications and marketing services across banking, education, healthcare, mining, utilities, energy, manufacturing and local government sectors.

John is a member of the Public Relations Institute of Australia.

Bob Cronin AM (Adviser)

Bob was group editor in chief of West Australian Newspapers from 2008 until his retirement in October 2016. In 2014, he won a Walkley Award for leadership in journalism.

He has worked for seven newspapers in Australia and was editor of four, including Australia's biggest-selling daily, *The Melbourne Sun* (now the *Herald Sun*), and *The West Australian*.

Bob was a director of SBS for ten years and has served on the boards of numerous not-for-profit organisations.

Chief Executive Officer and Company Secretary

Frank Tudor (Chief Executive Officer)

Frank has held various executive management roles over the last 25 years in the European, Asian and Australian oil and gas and power industries at BP, Woodside and Horizon Power.

Frank lectured in oil and gas economics and law at the University of Western Australia for over 10 years. He is a member of the Chamber of Commerce and Industry's (CCI) General Council and an adviser on China matters to the WA Museum taskforce. He was the National Chairman of the Australia China Business Council from 2008-2013, and a board member of the federal government's Australia China Council from 2013-2016. He is a member of the ANU's China in the World Advisory Board, a board member of Energy Networks Australia (ENA) and chair of ENA's asset management committee.

David Tovey (Company Secretary)

David was appointed Company Secretary in May 2011 and is also General Manager Corporate Services.

David has extensive electricity industry experience in strategic, business development, operational and corporate governance roles. He is a member of CPA Australia, the Australian Institute of Company Directors and an Associate of the Governance Institute of Australia.

The Company Secretary provides administrative services to the Board and oversees the corporate governance systems.

Attendance at Board meetings

The Board meets bi-monthly, but during the year there were a number of circular resolutions, which are recognised as duly constituted Board meetings.

Audit and Risk Management Committee

The Audit and Risk Management Committee (ARMC) is a sub-committee of Horizon Power's Board of Directors. Its role is to help the Board discharge its responsibility to provide oversight and corporate governance of the organisation. The ARMC is accountable to the Board.

A key role of the ARMC is to provide assurance to the Board that Horizon Power's core business goals and objectives are being achieved in an efficient and cost-effective manner within an appropriate framework of internal control and risk management.

Table 14: ARMC meetings and attendance

	Number of meetings attended	Number of meetings eligible to attend during the time the Director held office during the year
Peter Oates	6	6
Lynne Craigie	2	2
Rosemary Wheatley	5	6
Emeritus Professor Jeanette Hackett	3	3

Financial reporting

The ARMC performs an overview in relation to financial reporting by:

- considering whether Horizon Power's accounting policies and principles are appropriate
- assessing significant estimates and judgements in the financial reports
- reviewing management's process for ensuring compliance with laws, regulations and other requirements relating to the external reporting obligations of Horizon Power
- assessing information from the internal and external auditors regarding the quality of financial reports
- reviewing the management of Treasury operations.

Internal control and risk management

The ARMC provides oversight of the identification of risks and threats to Horizon Power and the processes by which those risks and threats are managed. The ARMC also assesses and adds value to Horizon Power’s corporate governance, internal control and internal audit functions.

Compliance with laws and regulations

The ARMC seeks assurance from management that a framework has been established for compliance with laws, regulations and standards.

Relations with external auditors

The ARMC meets with the external auditors to discuss the scope and results of their audits and resolve any disagreements about matters raised with management.

Composition of the ARMC

The ARMC comprises of:

- Peter Oates, Chair
- Lynne Craigie, Director (until 25 October 2016)
- Rosemary Wheatley, Director
- Emeritus Professor Jeanette Hackett, Director (commenced 21 December 2016)

ARMC meetings in the 2016/17 financial year were attended mainly by:

- Frank Tudor, Chief Executive Officer
- David Tovey, Company Secretary and General Manager Corporate Services

- Mike Houlahan, Acting General Manager Commercial Services and Finance
- Frank van der Kooy, General Counsel
- Liang Tay, Manager Risk and Audit
- Lance Roberts, Manager Safety and Health.

Corporate Affairs and Communications Committee

The Corporate Affairs and Communications Committee (the CAC Committee) is a sub-committee of the Board of Directors of Horizon Power. The CAC Committee’s role is to assist the Board of Directors in discharging their responsibility of oversight of the corporate affairs and communications function and the maintenance and enhancement of the corporation’s reputation. In doing so, the CAC Committee is responsible to the Board.

A key role of the CAC Committee is to provide reasonable assurance to the Board that Horizon Power’s communications and corporate affairs objectives are being discharged in an efficient and effective manner, within appropriate frameworks.

Composition of the CAC Committee

The CAC Committee comprises:

- John Le Cras, Chair
- Ron Johnston, Director (until 25 October 2016)
- Professor Ray Wills, Director
- Neil Thompson, Director (commenced 21 December 2016)
- Bob Cronin, Adviser (commenced 20 November 2016)

CAC Committee meetings in the 2016/17 financial year were attended by:

- Frank Tudor, Chief Executive Officer
- David Tovey, Company Secretary and General Manager Corporate Services
- Tracy Armson, Manager Communications
- Brendan Bourke, Manager Stakeholder Relations
- Wendy Pryer, Government Relations Specialist

Table 15: CAC Committee meetings and attendance

	Number of meetings attended	Number of meetings eligible to attend during the time the Director held office during the year
John Le Cras (Chair)	6	6
Ron Johnston	2	2
Professor Ray Wills	6	6
Neil Thompson	3	3
Bob Cronin	4	4

Governance and corporate compliance disclosures

In compliance with the accountability provisions of the *Electricity Corporations Act 2005* (the Act), Horizon Power provided the Minister for Energy with a quarterly report for the first three quarters of the 2016/17 financial year and this annual report for the entire financial year.

Each of the quarterly performance reports were submitted to the Minister for Energy one month after the end of the quarter. Each report included an overview of performance and highlights of important achievements. This annual report will be provided to the Minister for Energy within the time specified by the Act and includes:

- consolidated financial statements and other statutory information required of Horizon Power under the Act
- a comparison of performance with Statement of Corporate Intent targets
- other information required by the Act to be included.
- In addition to quarterly and annual reports, the Act requires the Minister for Energy be provided with:
- a five-year Strategic Development Plan and a one-year Statement of Corporate Intent
- a separate report on staff compliance with any issued codes of conduct
- any specific information in Horizon Power's possession requested by the Minister for Energy.

A copy of the Annual Report will also be provided to the Public Sector Commissioner, as required by the Act.

Table 16: Board and Executive remuneration

Remuneration 2016/17	Cash salary and fees \$	Super annuation \$	Total \$
Non-Executive Directors			
I Mickel (Chairman)	95,000	9,372	104,372
R Johnson (Director) ¹	15,058	1,430	16,488
L Craigie (Director) ¹	15,058	1,430	16,488
R Wheatley (Director)	54,981	5,207	60,187
R Wills (Director)	45,000	4,275	49,275
P Oates (Director)	45,000	4,275	49,275
N Thompson (Director) ²	29,942	2,844	32,786
J Hackett (Director) ²	29,942	2,844	32,786
Disclosure for the five Executives with the highest emoluments			
F Tudor (Chief Executive Officer) ³	475,048	45,091	520,139
B Hamilton (Executive Manager TechCo)	405,633	38,676	444,308
Z Wilk (General Manager Pilbara Grid) ⁴	384,374	33,532	417,906
D Tovey (Company Secretary and General Manager Corporate Services)	332,235	32,562	364,797
D Hill (General Manager Business Development)	321,912	30,360	352,272

¹ Ceased as director on 25 October 2016.

² Appointed as director on 26 October 2016.

³ In addition to cash remuneration paid, a regional travel allowance of \$47,123 (2016: \$43,954) and non-monetary benefits of \$17,041 were provided to the Chief Executive Officer.

⁴ In addition to cash remuneration paid, a regional travel allowance was provided to Z Wilk of \$18,291 (2016: \$18,549). Non-monetary benefits such as housing and air-conditioning subsidies of \$50,831 (2016: \$54,877) were provided to Z Wilk for the higher cost of living in regional areas. These benefits are common to a wide range of industries operating in regional locations.

Ministerial directions

No Ministerial Directions were received by Horizon Power during the year.

Likely developments in operations in future years

It is possible that regulatory arrangements to enable other energy providers to use the NWIS transmission and distribution network will become effective. Entry of competition for customers supplied through Horizon Power’s network is likely to affect revenue significantly in future years. The extent of the impact on revenue is dependent on opportunities Horizon Power may be provided, through regulation, to use networks owned by others to compete for existing customers not currently accessible to Horizon Power.

Shares in statutory authorities

N/A

Shares in subsidiary bodies

N/A

Declarations of interest

Horizon Power’s Code of Conduct and Conflicts of Interest Policy are endorsed by the Board and Executive and provide all employees with information on what constitutes a conflict of interest and how such should be managed. A conflict of interest may arise in a number of situations involving a disparity between the interests of Horizon Power and the interests of the relevant individual.

Members of the Board are required to declare any interests at all Board meetings.

Ian Mickel

- Director of Telac Pty Ltd

Rosemary Wheatley

- Director of Guumbarr Ltd

Lynne Craigie

- Chair, Pilbara Regional Council
- President, Shire of East Pilbara
- President, Western Australia Local Government Association (WALGA)
- Member, Australian Local Government Association Committee (State Representative)
- Deputy Chair, Regional Development Australia Pilbara
- Chair, Newman Senior High School Board

Ron Johnston

- Shire President, Shire of Broome

Peter Oates

- None declared

Professor Ray Wills

- Owner and managing director, Future Smart Strategies
- Partner and director, Sun Brilliance Power
- Owner and managing director, Sun Brilliance Solar One
- Owner and managing director, Blue by Design (Singapore) and its Australian subsidiary
- Non-executive director, PowerMinde
- Non-executive director, BioTek Fuel
- Adjunct Professor at The University of Western Australia and UWA spokesperson on climate change, sustainability and new technology

Emeritus Professor Jeanette

Hacket

- Director, Ivywest Pty Ltd, trustee for the Ivywest Super
- Director, Random Valley Vineyard Estate
- Member, governing board of Christ Church Grammar School

Neil Thompson

- Non-executive director, Smiling Mind
- Advisory board member, Australian Centre on China in the World
- Adviser to Sendle
- Adviser to Boodl

Frank Tudor

- Board member, ANU China in the World Advisory Committee
- Member, WA Museum Taskforce
- Board member, Energy Networks Australia
- Chair, ENA Asset Management Committee
- Member, General Council, Chamber of Commerce and Industry of Western Australia

Indemnification of Directors

The Directors' and Officers' Liability Insurance Policy insures (amongst others) Horizon Power's Directors and Officers, shadow directors, and employees, and it covers all loss resulting from a claim made against an insured person during the policy period, subject to any exclusions set out in the policy.

Horizon Power does not indemnify any Director or Auditor.

At the date of this report no claims have been made against the Directors and Officers' component of the policy.

Emoluments paid to Board members and senior executives

Board members are appointed by the State Government under the *Electricity Corporations Act 2005* following State Government approval processes that also outline the compensation payable for their services.

The Chief Executive Officer's remuneration is determined by the Salaries and Allowances Tribunal, and performance is assessed by the Board annually against KPIs listed in the Strategic Development Plan. The Chief Executive Officer's remuneration will be subject to a four-year freeze.

Senior executive salaries have previously been reviewed annually, determined, and paid in accordance with market evaluations and Horizon Power's human resource policies.

Remuneration settings have been changed to align with State

Government policy, specifically by implementing a remuneration freeze for all comparable positions to those covered by the Salaries and Allowances Tribunal, which includes Horizon Power's senior executives.

Principles used to determine the nature and amount of compensation

Compensation approval protocols are as follows:

- provide market-competitive remuneration to employees, having regard to both the level of work assigned and the effectiveness of performance
- allocate remuneration to employees on the basis of merit and performance
- adopt performance measures that align the interests of employees with the interests of key stakeholders.

Non-Executive Directors

Payment to Non-Executive Directors consists of base remuneration and superannuation.

Chief Executive Officer and Executives

The Chief Executive Officer and Executives' compensation framework is based on a total package that includes total fixed remuneration structures with:

- cash
- selection of prescribed non-financial benefits
- superannuation

- remote location and housing benefits where applicable
- cost of fringe-benefit tax

Total fixed remuneration

The compensation framework is market-competitive and performance-based, with flexibility for the package to be structured at the Executive's discretion upon a combination of cash, a selection of prescribed non-financial benefits, superannuation and cost of fringe-benefits tax. External remuneration consultants provide analysis and advice to ensure remuneration is set to reflect the market for a comparable role. Remuneration for Executives is reviewed annually to ensure the level is market-competitive. There are no guaranteed remuneration increases included in any Executive contracts.

Non-financial benefits

Selection available: cost of novation of selected motor vehicle and the cost of fringe-benefits tax. As stated above, housing benefits are also provided to Executives who reside in remote locations.

Superannuation

Paid in accordance with the amount required under the *Superannuation Guarantee (Administration) Act 1992* (Cth) on the Executive's behalf to a superannuation fund that is a complying superannuation fund within the meaning of that Act.

Legislation

The *Electricity Corporations Act 2005 (WA)* establishes Horizon Power as a corporation with responsibility of the provision of electricity outside the South West Interconnected System and sets out the powers and duties of the corporation.

Electricity licences

The *Electricity Industry Act 2004 (WA)* requires participants who generate, transmit, distribute or retail electricity in Western Australia to obtain a licence to operate. Licences are issued by the Economic Regulation Authority (ERA). Horizon Power was issued with an Integrated Regional Licence on 30 March 2006.

The Integrated Regional Licence requires Horizon Power to comply with a number of codes, including:

- *Code of Conduct for the Supply of Electricity to Small Use Customers 2012*
- *Electricity Industry (Network Reliability and Quality of Supply) Code 2005*
- *Electricity Industry Metering Code 2005*.

Horizon Power is also required to submit a Licence Performance Audit and an Asset Management System Review to the ERA at intervals determined by the Authority. The next asset management system review will be for the period 1 July 2014 to 30 June 2017, and the last performance audit report was for the period 1 April 2015 to 31 March 2017.

Compliance with other legislation

Horizon Power has a number of controls and systems in place that support the business in complying with all legislation and regulations affecting its activities. They include an online compliance register, as well as compliance-mapping and monitoring software.

Restriction on the area within which Horizon Power may operate

Within Western Australia, the performance of Horizon Power's functions is limited to those parts of the State that are not serviced by the South West Interconnected System.

Observance of the Code of Conduct

Section 33 of the *Electricity Corporations Act 2005 (WA)* (the Act) requires the Board of Horizon Power to provide to the Minister for Energy, at the same time as delivering its annual report, a separate report on the observance of its Code of Conduct by members of staff.

The Board confirms, consistent with section 31 of the Act, that Horizon Power's Code of Conduct was updated after consultation with the Public Sector Commissioner and was adopted by the Board at its meeting in December 2016.

The updated Code of Conduct has been circulated to all Horizon Power employees and is available on its intranet. The Board and the Chief Executive Officer, under delegated authority, assign accountability to managers in the organisation to ensure observance of the standards of conduct and integrity by employees.

During the 2016/17 financial year there were three minor misconduct matters that were reported to the appropriate authority.

State Records Act 2000

Horizon Power maintains and supports high-quality record-keeping practices in its day-to-day business activities. The function of managing records resides within individual business divisions.

All records are managed according to the requirements of the *State Records Act 2000* and Horizon Power's approved record-keeping plan. Horizon Power's record-keeping plan is reviewed annually to ensure currency, and updates are submitted to the Minister for Energy for approval.

Regular reviews of record-keeping systems and practices are conducted as required to ensure efficiency and effectiveness. Training programs for core systems (including the provision of relevant information on the business' intranet) are provided and reviewed to ensure they reflect new business requirements.

Horizon Power's online employee induction includes the business' Code of Conduct, which explains employees' responsibilities with respect to information and knowledge management. Horizon Power regularly reviews its induction process to ensure it includes all relevant information for employees and will continue to refine this process. Additional information about this is on Horizon Power's intranet.

Western Australian Electoral Act 1907

In accordance with the requirements of Section 175ZE of the *Western Australian Electoral Act 1907*, the following information is presented in respect of expenditures (excluding GST) incurred by Horizon Power during the period 1 July 2016 to 30 June 2017. This expenditure includes costs associated with public safety advertising campaigns, planned outage notifications, self-read meter mail outs, research and recruitment.

- **Advertising agencies:** \$238,299.90: Capture Branding, Equilibrium, Lynne Stonehouse Graphic Design, Split Screen Productions.
 - **Market research organisations:** \$70,440: Metrix Consulting
 - **Polling organisations:** N/A
 - **Direct Mail organisations:** N/A
 - **Media advertising organisations:** \$226,385.68: Media 365, Market Creations Pty Ltd.
- Total expenditure was \$535,125.58**

Environmental regulations

The primary environmental legislation in WA is the *Environmental Protection Act 1986*, which gives rise to many regulations. The main regulations relevant to Horizon Power include, but are not limited to:

- *Environmental Protection Regulations 1987* provide generally for the prevention and control of pollution and ensure that appropriate processes are established to manage pollution, noise and other environmental impacts generated by construction and operations.

- *Environmental Protection (Controlled Waste) Regulations 2004* provide for the licensing of carriers, drivers and vehicles involved in the transportation of controlled waste on public roads.
- *Environmental Protection (Native Vegetation Clearing) Regulations 2004* protect all native vegetation in Western Australia. Clearing native vegetation is prohibited, unless a clearing permit is granted by the Department of Environment Regulation or the clearing is for an exempt purpose.
- *Environmental Protection (Unauthorised Discharge) Regulations 2004* provide for the prevention of unauthorised discharge of potentially environmentally harmful materials.
- *Environmental Protection (Noise) Regulations 1997* provide for noise emitted on a premises or public place and received on another premises.

Horizon Power operates in accordance with other relevant environmental obligations, which include, but are not limited to:

- *Environmental Protection and Biodiversity Conservation Act 1999 (Commonwealth)*
- *Contaminated Sites Act 2003*
- *Dangerous Goods Safety Act 2004*
- *National Greenhouse and Energy Reporting Act 2007*
- *National Environment Protection (National Pollutant Inventory) Measure 1998*
- *Wildlife Conservation Act 1950*

The performance of Horizon Power in relation to environmental obligations is discussed further in the Environment and Heritage section.

Operations during the 2016/17 financial year

The *Electricity Corporations Act 2005* stipulates the specific and general information that is to be reported within the Directors' Report for the current financial year.

To avoid duplication of content, please refer to the Operational Performance Report section for a review of Horizon Power's operations during the financial year and the results of those operations.

Financial performance

Horizon Power ended the year with a net profit after tax of \$35.4 million (2015/16: \$36.7 million).

Total revenue for the year was \$492.5 million, a slight decrease of \$2.1 million and mainly due to lower electricity sales \$20.2 million (-7 per cent), offset by higher contributions from community service obligations (\$9.3 million) and higher tariff equalisation fund (\$9.0 million).

Overall, operating expenses recorded an increase of \$2.7 million (~ 1 per cent) compared to last year.

Depreciation and Amortisation increased by \$5.1 million compared to last year (\$88.4 million v \$83.3 million) mainly as a result of property, plant and equipment capitalised in the year.

Financing costs decreased by \$3.5 million resulting from a mix of lower interest rates and reduction in finance lease liabilities.

Balance sheet

Horizon Power's net assets increased by \$45.1 million, mainly resulting from additions to property, plant and equipment. The increase in net assets was financed by a mix of equity contributions of \$26.1 million, debt and by retained earnings.

Total asset base increased by \$122.1 million to \$1.763 billion, mainly made up of property, plant and equipment at \$1.579 billion. Major projects undertaken during the year are listed in the capital expenditure program.

As at 30 June 2017, cash at bank was \$83.5 million, with unused borrowing capacity of \$50.3 million.

Capital Expenditure Program

Horizon Power delivered a \$131.2 million capital expenditure program in 2016/17. Significant expenditures for the year were \$34.8 million on the Asset Management Plan; \$31.3 million on the Pilbara Undergrounding Power project; \$17.7 million on the Pilbara Power Project; \$12.4 million on the Onslow Distributed Energy Resources project; \$9.3 million on Kununurra Generation and Reliability and Network Upgrade Projects.

Dividends

During the year, Horizon Power paid \$16.9 million to the State Government representing a second and final dividend on the profit achieved in the previous financial year. Dividend on the current year's profit is expected to be paid in December 2017.

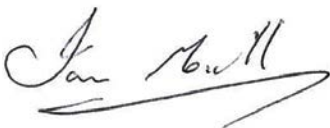
Directors' declaration

In accordance with a resolution of the Directors of the Regional Power Corporation (trading as Horizon Power), we state that:

In the opinion of the Directors:

- a) the financial statements and notes of the Corporation are in accordance with Schedule 4 of the *Electricity Corporations Act 2005*, including:
 - i. giving a true and fair view of the Corporation's financial position as at 30 June 2017 and of its performance for the 12-month period ended on that date; and
 - ii. complying with Accounting Standards, AASB Interpretations and Corporations Regulations; and
- b) there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Ian Mickel AM

Chairman



Rosemary Wheatley

Deputy Chair

6 September 2017

