

18/19 ANNUAL REPORT



HORIZ

ZON

POWER



ACKNOWLEDGEMENT TO COUNTRY

We acknowledge and pay our respect to Aboriginal and Torres Strait Islander peoples as the First Peoples of Australia.

We are privileged to share their lands, throughout 2.3 million square kilometres of regional and remote Western Australia and Perth, where our administration centre is based, and we honour and pay respect to the past, present and emerging Traditional Owners and Custodians of these lands.

We acknowledge Aboriginal and Torres Strait Islander peoples continued cultural and spiritual connection to the seas and the lands on which we operate on. We acknowledge their ancestors who have walked this land and travelled the seas and their unique place in our nation's historical, cultural and linguistic history.

Horizon Power uses the term Aboriginal and Torres Strait Islander (and Aboriginal on future references) instead of Indigenous. Therefore, within all Horizon Power documents the term Aboriginal, is inclusive of Torres Strait Islanders who live in Western Australia.

STATEMENT OF COMPLIANCE

For year ended 30 June 2019

MINISTER FOR ENERGY HON BILL JOHNSTON MLA

In accordance with the *Electricity Corporations Act 2005* (the Act), I have the pleasure in submitting for your information and presentation to Parliament, the 2018/19 Annual Report of the Regional Power Corporation, trading as Horizon Power.

The Annual Report has been prepared in accordance with provisions of the Act.

Yours sincerely



Peter Oates
Deputy Chair

9 September 2019



Broome

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OUR PERFORMANCE

ABOUT US

Horizon Power is Western Australia's regional and remote power provider. We are passionate about what we do and strive to ensure our customers receive safe and reliable power to their homes, businesses and communities.

As the only vertically integrated utility in Australia, we operate across the full energy supply chain – generation, distribution and transmission, and retail services.

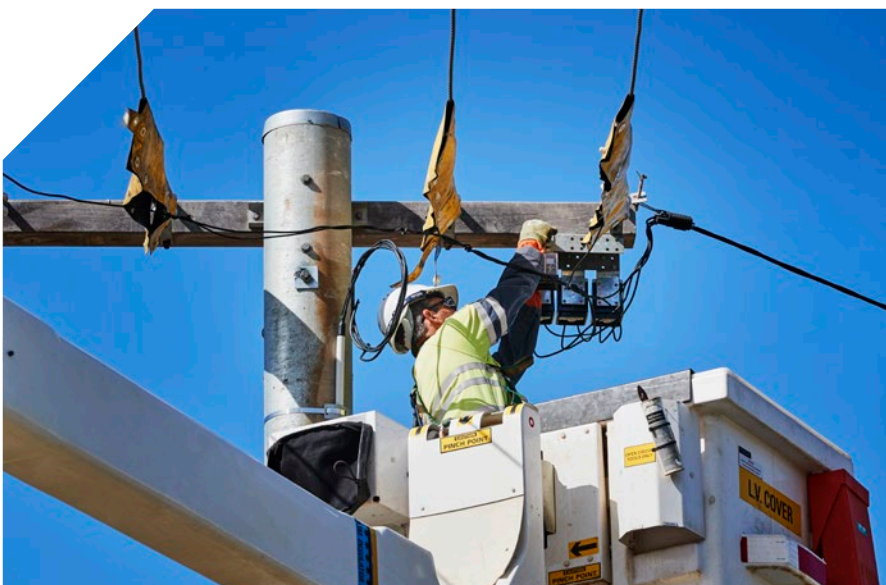
Our employees and their families live in many of the regional and remote communities we service and support. Spanning 2.3 million square kilometres, we are responsible for the largest geographical catchment of any Australian power provider.

We manage a total of 38 systems delivering power to 47,702 customer connections servicing more than 110,000 residents, communities and businesses. This includes the North West Interconnected System (NWIS) in the Pilbara; the connected network covering three interconnected systems in Kununurra, Wyndham and Lake Argyle; and 34 microgrids tailored to meet the unique needs of some of the most isolated and remote communities in the world.

These systems connect communities outside of the south west of the State from Kalumburu in the north, to Wiluna in the east, Shark Bay in the west and Hopetoun in the south.

We are making significant investments in developing our renewable energy capability, incorporating rooftop solar and battery orchestration and expertise. We are leading technical trials and pilots exploring new and innovative ways of providing our customers with more sustainable, affordable power and tailored energy solutions.

We operate under the *Electricity Corporations Act 2005*. We are governed by a Board of directors accountable to the Minister for Energy, the Hon Bill Johnston MLA.



We service more than 110,000 residents, communities and businesses

2018/19 HIGHLIGHTS

\$1.8B

In assets



First WA Government Trading Enterprise to partner with Supply Nation



Installed **101** Meters in **13**

Remote Aboriginal communities



Commissioned a solar farm and network battery in Onslow



Second stage of the Onslow Renewable Energy Pilot launched



IFAP

Gold Safeway Award



IFAP

Safeway Innovation Award runner-up



WA's best

Television commercial at the Campaign Brief Perth Awards for our 'Stay 10 Metres Away' safety campaign

Tropical Cyclone Veronica power restored with minimal disruption to customers

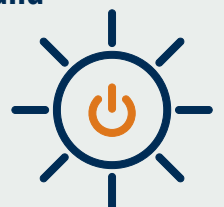


Installed

4

Standalone power systems on remote properties in Esperance

Co-funded rooftop solar PV systems in Djarindjin and Lombadina



OUR CAPABILITIES



6
Regional service depots
and one administrative
services in Perth

401
Employees



47,702

Customer connections -
39,038
residential and
8,643
business

8,430km

Of overhead
and underground
transmission
and distribution
lines



56,794

Distribution poles

979

Transmission poles

871

Transmission towers
in service

7.7 GWh

Of renewable
energy
purchased from
customers and
returned to
the network



993.26 GWh

Electricity
delivered
a year

0.55 kg

CO₂-e / kWh
carbon emissions
sent out



3 Energy types –

gas, renewable energy
(wind, solar and hydro)
and diesel

SERVICE AREA



Region	Town	Project	Key
Kimberley	Kununurra	Master Meter Project	1
Kimberley	Broome	Smart Sun Pilot	2
		MyPower	4
Pilbara	Onslow	Onslow Power Project	3
Pilbara	Port Hedland	MyPower	4
Gascoyne/Mid West	Carnarvon	Carnarvon DER Trials	5
Esperance/Goldfields	Esperance	Standalone Power Systems	6
		Esperance Power Project	7
Kimberley	Djarindjin/Lombadina	Solar Incentives Scheme	8



MESSAGE FROM THE DEPUTY CHAIR

I am delighted to be reporting on another year of achievement for Horizon Power. Much has been accomplished over the past 12 months thanks to the contributions of my fellow Board members and dedicated employees.

The year has been a very rewarding and challenging time and we have undergone a number of changes at the Board, Executive and Ministerial level. In March, we appointed our new Chief Executive Officer, Stephanie Unwin. Stephanie has brought a wealth of experience to the business, along with a deep understanding of the energy sector. I would like to thank Mike Houlahan, General Manager Commercial Services and Finance for his stewardship as Acting CEO during the recruitment process. On behalf of the Board, I would like to congratulate our new Minister, the Hon Bill Johnston on his appointment to the Energy portfolio. We look forward to continuing to work with him on augmenting the various initiatives we are undertaking to deliver safe and reliable power to residents and businesses in regional and remote Western Australia. I also thank former Energy Minister, the Hon Ben Wyatt MLA, for his support of Horizon Power's vision and strategy.

I would like to acknowledge the commitment and efforts of former Chairman Stephen Edwell, who stepped down from the role in May to lead the development and implementation of the State Government's Energy Transformation Strategy and Distributed Energy Resources Roadmap. During his time as Chairman, Stephen initiated the development of the new corporate strategy, which involved thorough consultation throughout all levels of the business. Stephen's commitment and enthusiasm for this more equitable process has seen the new strategy receive significant levels of support and engagement as a result and will no doubt translate to a very successful strategy with positive impacts to regional communities when launched.

A lot of work has been undertaken during the year to deliver safe and reliable power against a rapidly changing energy landscape, which cannot be understated. Balanced against this work is affordability – reducing our costs through the uptake of distributed energy and providing pricing solutions to government.

Customer and Community Support

It is important to note some of the highlights achieved throughout the year, including the delivery of a number of initiatives aligned to our core business objectives.

We have led progress on tariff reform through MyPower, an innovative variable pricing product that realigns tariff structure and provides customers incentives to reduce peak usage. MyPower is a key part of our strategy to provide customers with fair and equitable access to electricity, create customer choice and increase the sustainable uptake of renewables.

An independent research report into MyPower found that more than two-thirds of vulnerable customers were financially better off under the pricing product, by smoothing their energy costs during the year, ultimately helping them to save on their electricity bills by modifying their energy usage. Customer feedback regarding the product has also been extremely positive, with close to three quarters saying they believe it is a fairer way to pay for electricity and 84 per cent indicating they will stay on the product.

Aboriginal Engagement

At a Board level, we are committed to developing initiatives aimed at increasing employment and economic opportunities for Aboriginal people and businesses in the communities in which we operate. We are focused on delivering these key initiatives and developing our partnerships to expand on our existing engagement model, and create more sustainable opportunities for Aboriginal customers. This ranges from solutions to improve the affordability of power for our customers through to mutually beneficial partnerships which will deliver jobs and income to ensure sustainability.

A key part of this was the successful completion of our master meter project, which delivers affordable electricity to remote Aboriginal communities. We worked closely with customers in 13 remote Aboriginal communities to transition each resident to pre-payment meters rather than whole communities receiving one bill. The installation of pre-payment meters combined with the smart phone app now provides customers with a more equitable way to pay for power, as well as ensuring eligible residents can access energy rebates for the first time.

I am immensely proud of the fact that we were the first Government entity to partner with Supply Nation as part of the State Government's Aboriginal Procurement Policy, awarding our first contract under this Policy in October to Port Hedland-based Barmelco Electrical Pty Ltd. The award was made to provide rostered relief staff to support the operations of the Marble Bar and Nullagine power stations from November 2018.

On a personal note, I was pleased to participate, along with my fellow Board members and senior leaders in an intensive cultural education program, which provided insight into experiences of Aboriginal peoples and was focused on demonstrating leadership and responsibility.

Renewable Energy

As part of our commitment to harnessing a renewable energy future for our customers we are examining sustainable energy solutions, particularly in towns where network limitations prohibit the installation of additional renewable energy. During the past twelve months we progressed several initiatives focused on resolving the economic, technical and transition barriers to this future, through the development of new technologies, capabilities and operating practices. These distributed energy resource management trials are exploring how best to manage systems with high penetration levels of distributed energy resources (DER), including feed-in-management systems, weather forecasting and demand side management.

Much of this work is supporting the State Government's Energy Transformation Strategy to deliver a cleaner, affordable and more reliable electricity supply to our customers by reducing dependence on centralised fossil-fuelled generation through the uptake of DER such as rooftop solar and batteries.

In Carnarvon, we have been working closely with customers through a series of trials, to collect a broad range of data from a variety of DER technologies including rooftop solar, battery storage systems and inverters with remote monitoring and control devices. These technologies are enabling Horizon Power to explore the most economically efficient way to design and manage microgrids with a very high level of DER. Lessons learned in the Carnarvon DER Trials are being used to de-risk the deployment and management of DER in the Onslow project.

Stage Two of the Onslow DER Project is helping Horizon Power realise this future. The construction and commissioning of a centralised solar farm, centralised energy storage and customer-side DER products is part of our aim to have up to 50 per cent of the town's energy supply coming from renewables.

We expect by 2020 to have a functioning Distributed Energy Resources Management System in Onslow, improves our ability to integrate customer solar panels and batteries, and coordinate them with our other assets connected to our networks, to ensure the continued safe and reliable energy supply for all customers.

The deployment of off-grid renewable energy systems in Esperance has provided a safer, more cost efficient and reliable power supply to rural customers, through the replacement of poles and wires with standalone renewable energy solutions comprising solar PV, batteries and back-up diesel generators. This solution is uniquely designed to be utility-ready and able to replace ageing infrastructure in remote sites. We expect to decommission 54 kilometres of ageing distributed network, resulting in savings in operation and maintenance costs. This is a win-win for Horizon Power and our customers.

We recognise that as part of the West Australian electricity industry, we play a pivotal role in working towards a lower carbon future through direct measures and facilitating customers' access to renewable energy opportunities. We continue to investigate new technologies to support a lower carbon future and are actively developing renewable generation projects as well as supporting customers to make their own decisions with respect to renewable generation. We will continue to monitor and consider the impact of climate change risks on the business and to take positive steps to reduce our carbon emissions.

Moving Forward

I am confident that Horizon Power is already making significant progress on delivering initiatives that will ensure we are well placed to respond to, and meet the future needs of, our customers.

I would like to express my appreciation to my fellow Board members for their time, efforts and expertise they bring to overseeing Horizon Power's activities.

This year we welcomed new directors Gail Reynolds-Adamson and Sandra Di Bartolomeo. Gail and Sandra replaced outgoing directors Neil Thompson and Rosemary Wheatley, both of whom I thank for their commitment and contributions to Horizon Power.

Our achievements during the past year are a testament to the excellent work of our dynamic workforce. I would like to recognise and thank all employees for their ongoing dedication to providing our customers with a safe and reliable power supply at the lowest possible cost.



Peter Oates
Deputy Chair

Our achievements during the past year are a testament to the excellent work of our dynamic workforce



CHIEF EXECUTIVE OFFICER'S REPORT

I am pleased to present my first Chief Executive Officer's report for Horizon Power.

Since joining the organisation in March 2019, I have had the opportunity to visit each of our regional offices and meet with the people responsible for servicing and supporting our customers, in some of the most remote communities in the world.

I have been impressed by the knowledge, professionalism and dedication of all our employees in the delivery of safe and reliable power to our customers under what can at times be challenging circumstances. This included Tropical Cyclone Veronica in March, which posed the biggest risk to the north-west region in a decade. I extend my sincere thanks and appreciation to our employees who went above and beyond to prepare and support those communities affected, including our crews who were quick to begin assessment of damage and restore power to customers.

It also highlighted the effectiveness of our four year Pilbara Underground Power Project (PUPP), with 100 per cent of our customers who had converted to PUPP not experiencing any loss of power as a result of Cyclone Veronica.

Having grown up in the Pilbara, I am well aware of the importance in ensuring the needs of our regions are at the forefront of our decisions and strategy. Regional insights play a particularly vital role in reminding us just how unique and different our customers' requirements can be from region to region.

In reflecting on the year, central to the success of our operations has been our continued commitment in delivering on our underlying principles and values. This included initiatives that focused on safety, our people, our customers and the communities we serve.

Safety

Enabling a safe workplace

This year we successfully completed the delivery of our Safety and Health Strategy which began in 2014.

Our lost-time injury frequency rating (LTIFR) target for the year was zero, and unfortunately we did not achieve this target, finishing the year with an LTIFR of 1.3. While this consisted of ten notifiable incidents, we believe every accident is preventable and our safety leaders play a key role in championing a safe workplace culture. Through our learnings we must continue to strive for our target of zero LTIFR.

I was delighted with our achievements at the annual IFAP Safeway Innovation Awards. This included our second consecutive IFAP Gold Safeway Award for our safety and health management systems, and a first runner-up for our mounted, retractable earth reel which is being rolled out across our regions.

Safety awareness

Throughout the year we delivered a range of preventative community programs across our regions. This included attending agricultural shows, community events and other local forums to educate and raise awareness of common and hidden electrical risks in homes, businesses and communities.

In March, we launched a new safety campaign Stay 10 metres Away, which demonstrated the dangers associated with fallen powerlines. This very effective campaign was awarded WA's best television commercial at the 2018 Campaign Brief Perth Awards.

Investing in our assets

In August 2017, we enacted our Electricity Network Safety Management System (ENSMS) in accordance with revised regulation. We completed our first full year of operation under our ENSMS and continue to deliver a safe network and working environment. Internal self-assessment system checks have shown good adoption of new practices across the business, and this was reflected in a recent audit of the system.

Pole management strategy

We have continued to enforce and refine our pole management strategy through a disciplined approach to our pole inspection, reinforcement and replacement programs. Approximately 30 per cent of our pole asset base was inspected in 2018/19. Pole condemnation rates have decreased and have now stabilised at less than one per cent of poles inspected. While our unassisted pole failure rate has continued to improve with the three year rolling average rate declining below the 1.0 in 10,000 target in the last quarter of 2017/18, and has maintained a steady value, sitting at 0.82 for the month of June 2019.

Customers

Reliability

While we met our regulatory targets this year, only 29 of our 38 systems met our internal performing systems targets. The difference in these two targets is how the data is analysed. For the purpose of our regulatory reporting the combined performance of all our systems is averaged out, resulting in an average interruption time of 178 minutes. However, our internal performance targets measure and report on the performance of each of our systems individually. By setting more difficult internal targets it allows us to target systemic issues and redirect resources to provide a better customer experience in future years.

Factors such as lengthier outages due to generation issues or weather events, affected the performance of some individual systems with smaller customer populations. This results in higher average interruption times above their individual targets. Additionally, our ability to respond quickly to our remote system faults due to the distance between resource centres also had an impact on the results for some systems.

We are continuing to investigate opportunities such as alternative resourcing strategies, remote sensing and control as well as improved predictive failure mode analysis, to mitigate this issue.

Our people are at the centre of our success, and maturing our organisational culture was a continued focus throughout the year

Supporting a renewable future

Distributed Energy Resources (DER) technologies such as solar panels and battery storage systems is an area where we have seen continued interest and demand from our customers. Our numerous energy trials and pilots across regional and remote Western Australia will continue to play an instrumental role in informing the business as to how we can effectively facilitate the deployment of off-grid and non-network solutions and technologies.

Making solar more accessible

A key step forward this year has been our business-wide review of small-scale rooftop solar hosting capacities for each of our 38 power systems. This review enabled a total of 10 megawatts of additional hosting capacity being made available across a number of regional towns including Karratha, Port Hedland, Broome, Derby, Carnarvon and Esperance.

We also took the opportunity to update our Renewable Energy System Technical Requirements for embedded generation. Our updated technical requirements align with Energy Networks Australia's first set of national guidelines released in March 2019 which will ensure a consistent approach to embedded generation connections across the country.

Hosting capacity and the updated technical requirements will come into effect at the beginning of the next financial year.

People

An engaging, diverse and skilled workforce

Our people are at the centre of our success, and maturing our organisational culture was a continued focus throughout the year. In May 2019, we deployed a new Employee Experience and Engagement Survey. These results will be released early in the next financial year, and will enable us to establish a new employee engagement benchmark by which to measure our future employee engagement results.

We continued to enhance the skillset of our employees, by offering a significant number of development and secondment opportunities throughout the business.

Aboriginal employment

As an organisation which services a significant proportion of Aboriginal customers across our regions, we continued our commitment to offer direct employment opportunities to Aboriginal people. We currently have 18 Aboriginal employees which represents 4.5 per cent of our employee base. In addition, there was an increased focus on identifying and offering indirect opportunities through supporting Aboriginal businesses, contractors and suppliers through our procurement policy for contractors.

Communities

Investing in our communities

Our commitment to grass-roots community partnerships were again a key focus in our regions. Our grassroots community sponsorship program, which supports innovative and sustainable community initiatives, continues to strengthen communities by fostering a sense of local pride and place. During 2018-19, we partnered with 95 community organisations and provided more than \$230,000 in funding.

Giving back

I am pleased that employees continued to embrace our volunteer leave program, which provides two days of paid volunteer leave annually to all employees to volunteer their time to support community initiatives.

Our volunteer leave program was recognised at the 2018 Department of Fire and Emergency Services' Volunteer Employer Recognition Awards, with our Mid West depot winning a gold award for enabling employees to take volunteer leave to respond to emergency incidents or attend training.

Supporting inclusivity and diversity

This year we have enacted a number of initiatives identified in our Disability Access and Inclusion Plan (DAIP) for 2019 - 2024. This has included a new mobile app to optimise customers' ability to access and manage their bills from their home or mobile in a way that suits them. Refurbishments have been made to our buildings to improve accessibility, and changes made to our Customer Service induction training.

We renewed our commitment to our Reconciliation Action Plan with the Board initiating the development of the plan, which will be submitted to Reconciliation Australia. Considerable engagement and consultation has occurred across the regions and communities to ensure the plan builds on our existing Aboriginal engagement, projects, training and partnership initiatives.

Looking forward

Change is inevitable, and the changing landscape of the energy market will continue to present both challenges and opportunities for the business. In partnership with our customers and communities, we have the opportunity to shape the future landscape of energy generation in regional and remote Western Australia.

We must continue to foster a workplace culture which attracts and retains outstanding people, who bring with them a wealth of knowledge and expertise. Equally, we must continue to push the boundaries of new energy infrastructure and technology through our ongoing investment in research and trials.

This is our opportunity to lead the way in delivering tailored, innovative and sustainable energy solutions, which can offer our customers cost effective alternatives to traditional generation and supply models.

Working together, Horizon Power will be an even greater place to work, setting the benchmark in our industry as an innovative leader, with strong values and engaged people working together to deliver great business outcomes.



Stephanie Unwin
Chief Executive Officer

OPERATIONAL PERFORMANCE REPORT

Performance indicators

Our performance against key financial and non-financial performance indicators and targets, as outlined in our Statement of Corporate Intent:

Table 1: Performance overview: critical business outcomes 2017/18 and 2018/19

Critical business outcomes	Target performance result for 2018/19	Actual performance result for 2018/19	Target achieved	Actual performance result for 2017/18	Notes to the table	For more information see page
SAFETY – MINIMISE THE RISK OF HARM						
Employee safety						
Lost-time injury frequency rating	0.0	1.3	✘	1.8	1	N/A
Public safety						
Total number of notifiable public safety incidents	N/A	10	N/A	6	2	N/A
Unassisted pole failure rate						
Number of unassisted pole failures divided by 10,000 over a 12 month rolling average	1.00	0.82	✔	0.81	5	21
VALUE – MAXIMISING LONG-TERM VALUE						
Net Profit After Tax (\$M)						
Profit for the year after income tax (Target represents latest budget as approved by State Treasury)	33.1	35.9	✔	111.9	4	55
Cost management						
Unit cost to supply – unit cost (cents/kWh) (Target represents latest budget as approved by State Treasury)	34.3	34.3	✔	36.1	5	N/A
Return on assets (%)						
Earnings before interest and tax divided by average total assets (Target represents latest budget as approved by State Treasury)	5.9	6.4	✔	10.5	9	N/A
COMMUNITY – BE A HIGH-PERFORMING BUSINESS						
Customer satisfaction						
Survey rating (%)	>70	87	✔	80	7	N/A
Reliability						
Number of systems that meet reliability performance standards	33	29	✘	36	7	18
System reliability and electricity delivery						
System Average Interruption Duration Index (SAIDI) – average total length of outages in minutes over 12 months	290	178	✔	83	7	18
System Average Interruption Frequency Index (SAIFI) – average number of interruptions over 12 months	6.6	1.7	✔	1.1	7	18
Project management						
Major project completion within ±5% of approved budget (%)	100	100	✔	100	10	N/A

Notes to the Performance overview table

1. Although we fell just short of our Lost-time Injury Frequency Rate (LTIFR) target of zero lost time injuries, we did record a zero LTIFR for a three month period between January to March 2019. This year's target was an improvement on last year's frequency rate of 1.8.

While the LTIFR is one of our safety and health performance lagging indicators, we are focused on leading indicators as a strategy to reduce injury frequency. These leading indicators include visible safety and health, communication and collaboration, workplace inspections and encouraging a reporting culture to manage hazards before they become incidents.

This strategy contributed to a decline in our Total Recordable Injury Frequency Rate over the same period from 9.0 to 3.9.
2. One work-related injury occurred in April when an employee sustained a fractured hip. The number of days off required reporting of the incident to Worksafe WA.
3. Ten notifiable incidents were reported through the year. One to WorkSafe WA and the remainder to Building and Energy:
 - The incident reported to WorkSafe WA was the lost time injury referred to above.
 - The nine notifiable incidents related to the electrical network and were reported in compliance with the *Electricity (Network Safety) Regulations 2015 (WA)*:
 - four faulty neutrals on the electrical network
 - three minor fires on the networks in South Hedland and Onslow
 - stubble fire caused by third party interaction with the network in Esperance, and
 - third party damage to high voltage underground cable in Coral Bay.
4. Net profit after tax compared favourably to budget primarily due to higher sales to large enterprise customers, offset by higher operating costs associated with higher vegetation maintenance activities and cyclone Veronica.
5. The higher operating costs were apportioned over higher sales volume resulting in the unit cost to supply to be on target.
6. The unassisted pole failure rate remained steady. Additional information is provided on page 21.
7. We exceeded our target for customer satisfaction and improved on last year's performance. Although price still remains a concern for customers, it has had less influence than compared to last year.
8. Our performing systems declined to 29, down from 36 last year. Additional information is provided on page 18.
9. Return on assets compares favourably to the target with higher profits.
10. The Roy Hill Connection Project and Phase One of the Onslow DER Project were completed in this financial year.

Our customer satisfaction rating for the year significantly increased and also improved on last year's performance

PROVIDING A SAFE AND RELIABLE SUPPLY OF ELECTRICITY

We remain determined to meeting our objective of providing customers with a safe and reliable supply of electricity. Over the past 12 months we met our overall regulatory targets and continued to deliver our asset maintenance and works program, and worked closely with independent suppliers to ensure this will continue into the future.

Across our whole service area, our customers on average experienced 1.7 power interruptions for the year. This is well within our performance target of 6.6 interruptions (System Average Interruption Frequency Index – SAIFI). The average length of time of interruptions was 178 minutes, against a target of 290 minutes (System Average Interruption Duration Index – SAIDI). Although within our regulatory requirements, we recognise the impact of these interruptions on our customers and the community, and constantly assessed the interruptions to drive continuous improvements.

While we met the overall regulatory reliability target, this year only 29 of our 38 systems met our internal individual performing systems targets. This is a key internal measure of performance taking into account both the length and number of interruptions experienced by our customers in each of our individual service areas. Generation outages, system controls and weather events affected reliability in Broome, Beagle Bay, Derby, Esperance rural, Hopetoun rural, Looma, Lake Argyle, Wiluna and Yungngora. The investment in our asset management continued to have positive impacts on reliability in Kununurra and Onslow.

Performance highlights

We experienced one significant weather event, Tropical Cyclone Veronica, which crossed the coast north of Karratha in March 2019. The overall impact on our service to customers was minimal, primarily due to the significant investment made by the State and local governments in undergrounding our Pilbara distribution networks.

Ardyaloon, Gascoyne Junction, Sandstone and Wiluna achieved a SAIDI of zero during the year.

Four SPS units were deployed in the Esperance rural network, with 11 more planned next year. These systems improve reliability by removing long rural lines from remote farming properties, which can experience frequent and prolonged power outages.

A new software system Fieldreach, was deployed to help plan and perform asset inspection tasks more efficiently and effectively. The software offers accurate, timely and granular insights into the condition of our assets and status of work. We expect this to further improve the safety and reliability of our systems and management of work.

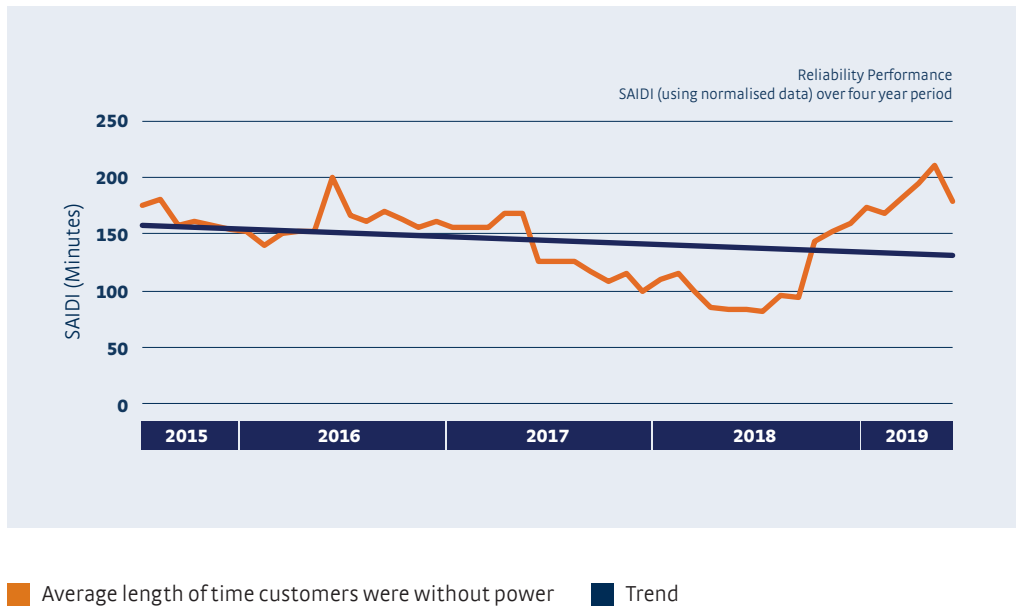
Challenges

The development of cost-effective solutions to provide safe and reliable supply across our extensive rural networks remains a challenge. We are addressing this challenge through diversifying our asset offering into new technologies. This includes SPS, which will eliminate many safety and reliability concerns at the extremities of our rural networks, where we have long power lines.

Our ability to respond quickly to remote system faults due to the distance between resource centres remained a challenge. We investigated opportunities such as alternative resourcing strategies, remote sensing and control as well as improved predictive failure mode analysis to mitigate this issue. This is a safety issue at its core and a reliability challenge – one we are confident that digital technologies can help improve.



Figure 1: System Average Interruption Duration Index (SAIDI) 2015/16 – 2018/19



We significantly reduced power interruptions to customers and the average length of time of power interruptions

Network assets

Table 2: Transmission and distribution network lines through our service area

Network type	Carrier	Kilometres
Transmission	220 kV	203.1
	132 kV overhead	112.3
	132 kV underground	1.8
	66 kV overhead	153.1
	66 kV underground	3.0
Distribution	High voltage 3-phase overhead	2,044.0
	High voltage 3-phase underground	924.4
	High voltage single phase overhead	2,848.8
	High voltage single phase underground	13.6
	Low voltage overhead	559.0
	Low underground	1,567.6
TOTAL		8,430.7

Table 3: Other transmission and distribution assets

Asset	Amount
Total transformer capacity	802 MVA
Number of transformers	4,333
Number of distribution poles	56,794
Number of transmission wood poles	235
Number of transmission steel poles	744
Number of transmission towers	871

Table 4: Asset Management Plan (AMP) drivers

AMP driver	Actual (\$) 2017/18	Actual (\$) 2018/19
Asset service	6.4	12.2
Safety	11.6	14.3
Reliability	4.4	2.7
Regulatory compliance	-	0.6
Capacity	0.7	2.1
Knowledge and technology investment	5.6	4.9
Mobile plant and operational fleet	2.4	0.6
Property management	3.3	4.5
TOTAL	34.4	41.9

In 2018/19 Horizon Power's overall actual expenditure on the asset management works program was higher than last year mainly due to the replacement of unserviceable poles in Esperance, which was brought forward for safety reasons.

Protecting our assets

We minimised the risk of harm to our employees, customers and the community through deliberate and considered actions to manage the safety of our people and our assets. We achieved this through the application of our Health and Safety Management and Electricity Network Safety Management Systems.

In August 2017, we enacted our Electricity Network Safety Management System (ENSMS), which centred on the safety of our assets and the impact they have on our workers and the public in accordance with regulation set by the Office of Building and Energy (formerly EnergySafety). We completed our first full year of operation under the ENSMS, continuing to deliver a safe network and working environment. Internal self-assessments demonstrated good levels of adoption of new practices across the business.

Pole management strategy

We continued to develop and refine our pole management strategy with over 18,000 poles (approximately 30 per cent of our pole asset base) inspected this year. Pole condemnation rates have decreased significantly since the introduction of our pole management strategy, and are now stabilised at less than one per cent of poles inspected. There were five unassisted pole failures for the year, one each in Esperance, Karratha and Laverton and two in Carnarvon, which is a very small number for the year and well within industry averages.

Our Health and Safety Management and Electricity Network Safety Management Systems contributed to minimising the risk of harm to employees, customers and the community

Figure 2: Unassisted pole failure rate 2016/17 to 2018/19



Figure 2. shows the continued improving trend in our unassisted pole failure rate. This rate declined below the target of 1.6 in 10,000 poles per annum during the last quarter of 2017/18, and maintained a steady value sitting at 0.82 in June 2019. This performance is attributed to the application and continuous improvement of the Pole Management Strategy introduced in 2013/14.

Conductor management

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

Acknowledging this risk, we:

- Continued to execute our 10 year risk-based replacement program, which involves the replacement of small copper conductors. This program is scheduled for completion in 2021.
- Developed a conductor assessment strategy in conjunction with industry experts to manage the risk of our conductors across the network, and commenced assessments in areas that were considered at high risk of failure. Work included:
 - a detailed audit of our conductors in Denham, Carnarvon and Exmouth
 - developing and executing a conductor management plan for Denham
 - developing conductor management plans for Carnarvon and Exmouth
- allocating budget to replace and manage conductors in Denham, Carnarvon and Exmouth
- commencing work to underground high voltage conductors in Denham
- auditing conductor condition on the Esperance network, and
- analysing the correlation between conductor conditions to local environmental factors (e.g. wind direction and speed, proximity to corrosion sources, conductor age and material types).



Table 5: Electricity capacity/generation and sales by town 2018/19

Town	Generated Power (kWh)	Purchases (kWh)	Total power purchased / generated (kWh)	Used in works (kWh)	Sent out (kWh)	Renewable Energy buyback imported into HP network (kWh)
Ardyaloon		1,760,680	1,760,680		1,760,680	31,490
Beagle Bay		1,691,881	1,691,881		1,691,881	2
Bidyadanga		2,911,083	2,911,083		2,911,083	4,623
Broome		130,787,460	130,787,460		130,787,460	1,120,683
Looma		2,343,520	2,343,520		2,343,520	
Carnarvon	40,521,091		40,521,091	840,405	39,680,686	963,567
Coral Bay		3,339,362	3,339,362		3,339,362	4,320
Cue		3,402,109	3,402,109		3,402,109	58,804
Denham		5,231,842	5,231,842	177,900	5,053,942	223,825
Derby		33,365,601	33,365,601		33,365,601	126,958
Djarindjin / Lombadina		1,761,150	1,761,150		1,761,150	57,992
Esperance		66,582,131	66,582,131		66,582,131	1,377,806
Exmouth		23,885,089	23,885,089		23,885,089	547,221
Fitzroy Crossing		15,254,287	15,254,287		15,254,287	71
Gascoyne Junction		752,613	752,613		752,613	24,517
Halls Creek		12,030,597	12,030,597		12,030,597	5,909
Hopetoun		4,735,148	4,735,148		4,735,148	231,339
Kalumburu	2,128,304		2,128,304	91,046	2,037,258	1
Kununurra	99,675	60,286,511	60,386,186	99,675	60,286,511	260,726
Lake Argyle		825,663	825,663		825,663	102
Laverton		3,875,191	3,875,191		3,875,191	89,426
Leonora		8,649,748	8,649,748		8,649,748	18,269
Marble Bar	2,231,825		2,231,825	246,555	1,985,270	76,972
Meekatharra		6,555,757	6,555,757		6,555,757	170,792
Menzies		707,541	707,541		707,541	50,932
Mount Magnet		3,788,625	3,788,625		3,788,625	101,198
Murchison Radio-astronomy Observatory	3,726,407		3,726,407	74,682	3,651,725	
Norseman		3,489,852	3,489,852		3,489,852	113,252
Nullagine	1,635,632		1,635,632	594,411	1,041,221	26,583
Onslow	20,231,546	543,696	20,775,242	2,047,938	18,727,304	94,845
Sandstone		651,274	651,274		651,274	45,376
Warmun		2,723,773	2,723,773		2,723,773	10
Wiluna		2,460,179	2,460,179		2,460,179	15,785
Wyndham	195,573	7,051,213	7,246,786	195,573	7,051,213	16,765
Yalgoo		1,006,179	1,006,179		1,006,179	23,118
Yunggora	1,810,349		1,810,349	110,610	1,699,739	
NWIS		563,811,478	563,811,478		563,811,478	1,809,538
TOTAL	72,580,402	976,261,233	1,048,841,635	4,478,795	1,044,362,840	7,692,817

DELIVERING FOR OUR CUSTOMERS

12,185

Customers
downloaded our
mobile app



15,752

Followers on our
social media platforms



73,105

Customer calls



23,776

Paperless billing customers



Customers moved premises

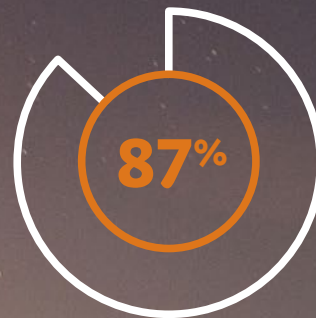
1,147

Customer complaints



17,082

My Account customers



Customer satisfaction score

Improvements in the delivery of customer service

Improving customer access to their information and services was a key initiative for the year. To achieve this, we upgraded our customer information and billing system, Gentrack Velocity to expand the range of self-service functions on our website and mobile app including:

- providing a tool (in the mobile app) to assist customer understanding of their home appliance energy consumption
- enhanced bill payment through direct debit (including direct debit by credit card)
- adding concession details without having to call us, and
- real-time bill payment.

We also embarked on a customer experience program to simplify and streamline customer contact with us. The goal of this three year program is to identify and deliver improvements in process and systems, taking into account various customer perspectives. A key focus includes improving customers' experience with our contact centre and improving the service provided by our employees. This resulted in a significant increase in customer service ratings, as well as a reduction in Energy and Water Ombudsman complaints.

Using data to make customers safer

The deployment of advanced meters throughout all of our systems and to almost all of our customers, enabled us to develop systems to leverage data collected to proactively identify hazardous conditions in customer homes, businesses and our network. Through the year we identified and rectified over 40 hidden safety risks, many times without the customer being aware that such a risk existed.

A leader in advanced microgrid design and operation

The energy industry is in a period of transition, moving away from large centralised power stations to distributed energy resources (DER) located throughout the electricity network and most often owned by our customers. We continued our focus to actively explore technology to allow us to integrate these DER resources into our systems without compromising quality and reliability requirements. Given the small size of many of our systems, this requires solutions unique to our operational environment. During the past 12 months, we led trials in Carnarvon, Broome and Onslow with the goal of improving the integration and management of renewables and releasing more DER into our systems.

Onslow Distributed Energy Resources Project

In Onslow we progressed work to deliver an advanced microgrid supply model, with the overarching goal of supplying up to 50 per cent of the town's energy needs from renewable energy.

In July 2018, the Onslow community's power supply was transitioned to a new power station delivered as part of Stage One of the Onslow DER Project. This consisted of a gas-fired power station supported by an integrated 1 MW battery system, 33 kV underground transmission circuits, a zone substation and an extended underground 11 kV distribution network.

In June 2019 we commissioned a 1 MW Solar farm and associated 1 MW/1 MWh battery system.

The next phase of the project is to deliver up to 2 MW of distributed customer solar and up to 1 MW of small scale customer battery systems.

Through strategic investment in renewables and battery storage, we are bringing forward a future energy model whereby both centralised and DER combine to form a more diverse, safe, secure and reliable energy system which supports lower ongoing operating costs and simultaneously delivers mutual benefits for the electricity system and customers.

Under its State Development Agreement, the Chevron-operated Wheatstone Project is providing \$106 million for Horizon Power to build the power infrastructure, as part of its \$250 million commitment to upgrading Onslow's social and critical infrastructure.

Carnarvon Distributed Energy Resources Trials

In Carnarvon we continued working with 82 customers to explore the most economically efficient way to design and manage a microgrid with very high levels of DER, and reduce dependence on centralised fossil fuelled generation. The Carnarvon DER trials commenced in 2018 with support from the Australian Renewable Energy Agency (ARENA), on behalf of the Federal Government, to trial a variety of DER technologies including rooftop solar, battery storage systems and inverters with remote monitoring and control devices.

Data collected from the trials will inform our understanding of the impact of weather and power station operation, and in turn how to maximise hosting capacity for DER. The trials are an important step to overcoming barriers associated with renewable energy development by providing innovative solutions for customers who are increasingly looking for more choices in how they manage their own energy requirements.

Our trials, pilots and reform are some of the ways we're delivering energy solutions for regional growth and vibrant communities

Smart Sun Pilot

In Broome North, the Smart Sun Pilot, a joint initiative with LandCorp, focused on enabling the 15 participating households in the Waranyjarri Estate to significantly reduce their energy use from the network and their energy bills. This Pilot was delivered through the uptake of rooftop solar, battery energy storage and appliance management managed as a single system using an innovative software platform. In addition, this allowed us to understand how to integrate higher levels of solar energy generation into the electricity network as well as reducing demand.

A reduction in peak consumption will improve network utilisation efficiency and has the potential to defer costly network augmentation. In addition, it has the potential to reduce the amount of high-cost electricity infrastructure required in new housing developments.

Early Pilot findings show significant reductions in both household energy consumption and peak demand. Customers have saved an average of \$20 to \$70 per week since system installation, equating to up to 70 per cent saving on their electricity bills, while the network is seeing a 30 per cent penetration of DER on the network and can achieve approximately 20 per cent reduction at peak.

Standalone Power Systems

Since 2015 we have been installing and trialling standalone power systems (SPS) in Esperance to test a lower cost, more reliable and safer mechanism to deliver power to our more isolated customers on larger rural networks. Having demonstrated the SPS concept, we are developing SPS as a new asset class and exploring mechanisms to deploy them at scale.

In April, site-work commenced to provide SPS units to customers connected to a single spur line in Esperance. On completion, this project will see 54 kilometres of poles and wires being removed, many of which will come from farmer's paddocks, which will improve paddock safety and land use.

Enabling access to distributed energy solutions

Our industry continues to undergo a rapid transformation, as customers are embracing DER technologies such as solar panels and batteries to generate their own electricity. With an eye to this, we have begun addressing the challenges of the changing environment by facilitating the deployment of off-grid and non-network solutions and technologies. The knowledge we have gained from the trials in Carnarvon, Broome and Onslow has enabled this transition.

We have also undertaken a review and update of both our hosting capacity limits and technical requirements. This will enable the connection of more renewable energy onto the grid in a manner that continues to maintain the reliability and security of supply for all of our customers. These changes are due to come into effect early in the next financial year.

Price reform

In 2019 we continued to explore our innovative and more equitable pricing product, MyPower. Introduced in Port Hedland and Broome in 2017, MyPower delivers pricing plans similar to a mobile phone payment plan. Customers are charged a monthly fee based on how much electricity is consumed at peak times, with a low variable energy charge. This pricing model ensures customers are charged relative to the costs incurred on the network and provides incentives to reduce consumption and bills. Available to residential and small business customers, MyPower provides an option to assist participating customers with managing their energy bills, smoothing the costs out across the year and making energy use in off-peak times very attractive.

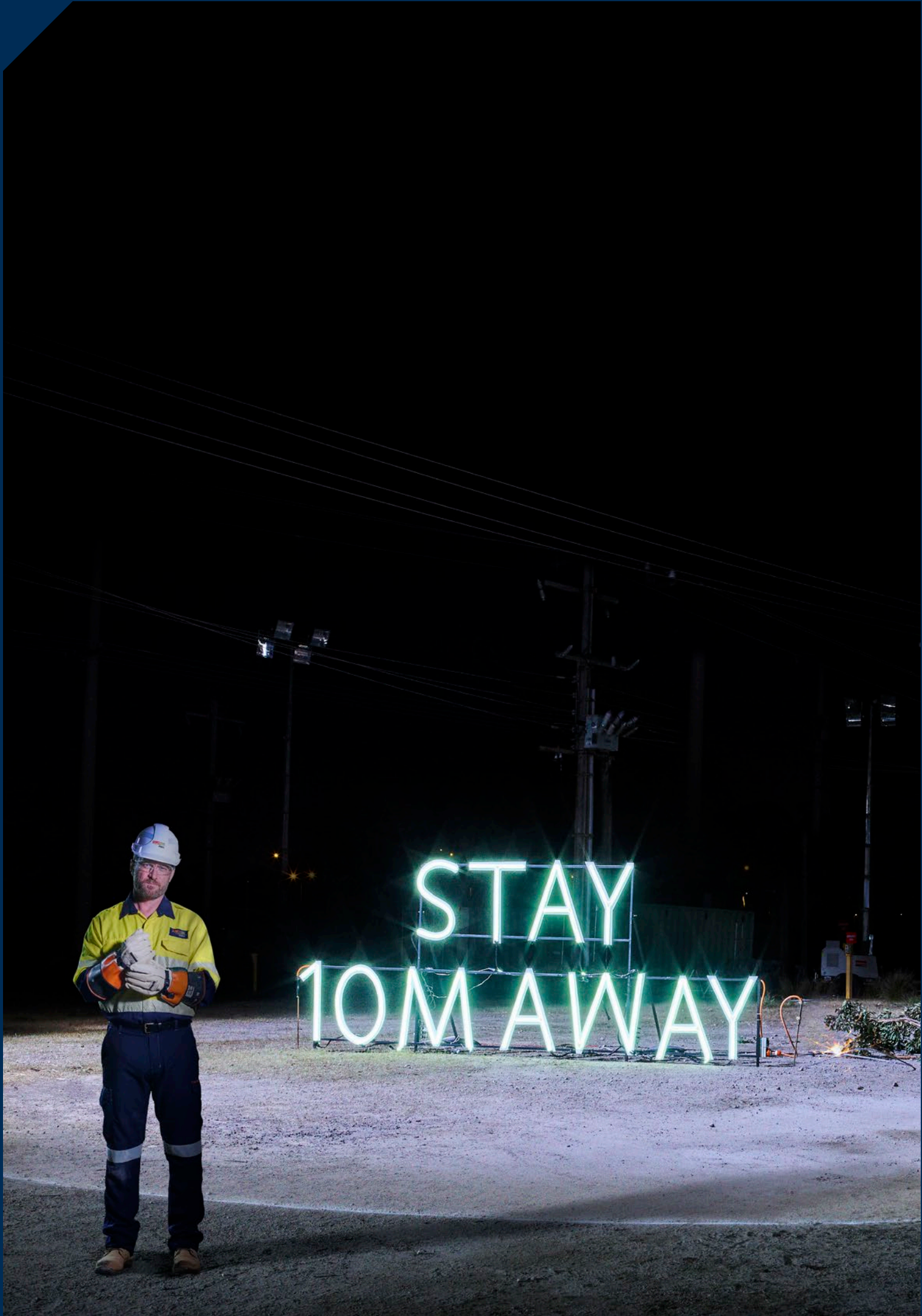
Key findings from customer surveys indicated:

- 84 per cent would stay on the product
- 64 per cent found it easier to manage their energy consumption the longer they were on the plan
- 78 per cent feel their plan is right for them

Due to popularity, the original Pilot was extended for an additional year, resulting in more than 1,250 customers signing up to the product. We continue to engage with State Government to work towards the full deployment of the Pilot in the longer term.



Non-executive Director Kylie Chamberlain and Deputy Chair Peter Oates with Smart Sun Pilot participant Jade Howard in Broome



→ 02

OUR COMMUNITY

EMPOWERING OUR COMMUNITIES

Community investment

We are committed to ensuring we take an active and tailored approach in how we engage with our communities. Our regional business model allows us to be proactive in creating and supporting opportunities which will assist in the development of our communities, whether it is in employment opportunities or sponsorship of community initiatives.

Through our Sustainable Partnership Program we continued to develop and support partnerships with community organisations which have activities, interests and values compatible with our own, and which contribute to the long term strengthening of our communities. During the financial year we partnered with 10 community organisations and provided over \$160,000 in funding to a range of groups, including Shooting Stars, Kidsafe WA, Spare Parts Puppet Theatre, Ronald McDonald House, Fair Game and The Smith Family.

Our grass-roots community partnerships are designed to support local projects, events or groups that foster a sense of pride and place, contribute to development and growth, and bring the community together. This year we provided over \$230,000 to 95 local community organisations including The Kyle Andrews Foundation, Kimberley Girl, Esperance Sports Star of the Year, Gascoyne Dash and the Port Hedland Mother's Day Classic.

Our employees also volunteer their time to support community initiatives. We supported these efforts by providing two days paid volunteer leave annually to all employees. Our volunteer leave program was recognised at the 2018 Department of Fire and Emergency Services' (DFES) Volunteer Employer Recognition Awards, with our Mid West depot winning a gold award for enabling employees to take volunteer leave to respond to emergency incidents or attend training.

Community engagement

We have engaged with communities and customers to share information regarding electrical safety, project updates, power outages and planned maintenance work.

Throughout the year we had a presence at a range of community events including regional field days, school expos and excursions, community forums and business functions, and met with customers sharing information and listening to their views.

Community events were held to support a number of initiatives including the Onslow Renewable Energy Pilot and the Smart Sun Pilot, along with a range of community forums in our regions to engage with customers on issues such as renewable energy changes and energy efficiency.

We continued to provide customers with up-to-date information through the publication of our monthly newspaper columns in regional newspapers.

Safety awareness and energy efficiency

The safety of the communities we serve is very important to us. We proudly continued our community safety campaigns to educate the public on potential hazards associated with the use of, and interaction with, electricity and seasonal issues such as cyclone and storm awareness.

During the year we developed a safety awareness campaign Safety on the Farm. This campaign was designed to reduce the risk of damage to our electrical infrastructure by third parties, particularly during the harvesting and seeding seasons in Esperance.

In November we launched a new safety campaign *Stay 10M Away* to demonstrate the dangers associated with fallen powerlines. This was part of our overarching public safety campaign *Be Aware of Electricity*.

Through our energy efficiency campaign *Easy Ways to Save* we provided customers with simple energy efficiency advice to help them save money, reduce their energy consumption and strengthen our community standing as the 'local energy partner'.

Delivering lower cost, innovative solutions for remote communities

We are working closely with our customers in remote Aboriginal Communities to transition them to a new energy future – with a focus on low cost and reliable renewable energy solutions, and fostering community development through local jobs, training and investment opportunities.

A key initiative was the Solar Incentives Scheme, which was developed as a result of extensive engagement with Aboriginal Corporations. While the Corporations recognised solar would save money, barriers such as upfront cost and technical decisions meant this option had not previously been progressed.

Through the establishment of a co-investment solar fund to support the uptake of community-owned solar, we were able to implement the first initiative of our renewable energy strategy for remote communities.

As a result, the Djarindjin and Lombadina communities signed up to the Solar Incentive Scheme in 2018 and have reduced their electricity bills through this co-investment solar partnership. A total of 80kW and 30kW of solar has been installed respectively.

The community councils of Bidyadanga (West Kimberley) and Warmun (East Kimberley) also voted in favour of progressing with the Solar Incentives Scheme's co-investment solar partnership. Installation will occur in the 2019/20 financial period.

In total, we put forward \$1.07 million investment to co-fund up to 900kW of community-owned solar in eight remote Aboriginal Communities under the project.

In the May Budget the State Government announced \$11.6 million investment in our centralised solar project. This will enable us to install solar farms in six communities to reduce the cost of providing electricity while also cutting fossil fuel emissions.

As part of this initiative we will continue to work with the relevant communities to ensure local people and companies are involved during construction of the first two farms, which are scheduled to be installed in Warmun and Kalumburu in 2020.

Underpinning all of this work is close engagement with Aboriginal communities. Moving forward, we will reinforce this and explore further opportunities for Aboriginal people, through our third Reconciliation Action Plan. The plan is in draft and is expected to be approved and executed following close consultation with Reconciliation Australia.

Supporting local Aboriginal businesses

Aboriginal communities and people are a large part of our community and we have embraced the State Government's Aboriginal Procurement Policy (Policy). We have made a commitment to work with Aboriginal businesses by setting targets for the awarding of contracts to registered businesses. In 2019 our target is to award at least one per cent of our contracts valued at \$50,000 or more to registered businesses. This increases to two per cent in 2020, and three per cent by 2021.

We were the first State Government entity to partner with Supply Nation, which maintains a national register of Aboriginal and Torres Strait Islander businesses. Through working with Supply Nation and other partners, we awarded contracts to Aboriginal businesses valued at \$787,000 in 2018/19. This commitment included smaller contracts valued below the threshold required by the Policy. In October we awarded the first reportable contract under the Policy to a Supply Nation-certified Aboriginal business for the provision of key operational support to our Marble Bar and Nullagine power stations.

Developing an accessible and inclusive community

We are committed to developing an accessible and inclusive community by providing information, services and public facilities that are easy for all community members to access. This commitment was formalised in our Disability Access and Inclusion Plan (DAIP) 2019-2024, developed and registered with the Disability Services Commission.

Since our inaugural DAIP in 2008, we have worked with employees, customers, stakeholders and members of the public to identify and apply a number of initiatives to improve our access and inclusion for people with disabilities. Taking advantage of the changes in technology, we launched a new mobile app to optimise customers' ability to access and manage their bills from their home or mobile phone in a way that suits them.

Other important activities include the refurbishing of buildings to improve access for people with disabilities. Induction training for Customer Service staff was refreshed to focus specifically on assistance and services we are able to provide, aligned with our DAIP commitments.

We work closely with our customers in remote Aboriginal communities to transition them to a new energy future

CASE STUDY MASTER METER PROJECT

DELIVERING LOWER COST, INNOVATIVE SOLUTIONS FOR REMOTE COMMUNITIES

During 2018/19 Horizon Power installed 101 pre-payment meters across 13 Aboriginal Communities in the Kimberley, Pilbara and Mid-West Gascoyne.

The master meter project was designed in collaboration and consultation with Aboriginal Community Corporations to resolve an issue they faced in being connected to our network by one master meter. This meant all residents had to contribute and split the bill for the whole community, regardless of their individual energy consumption.

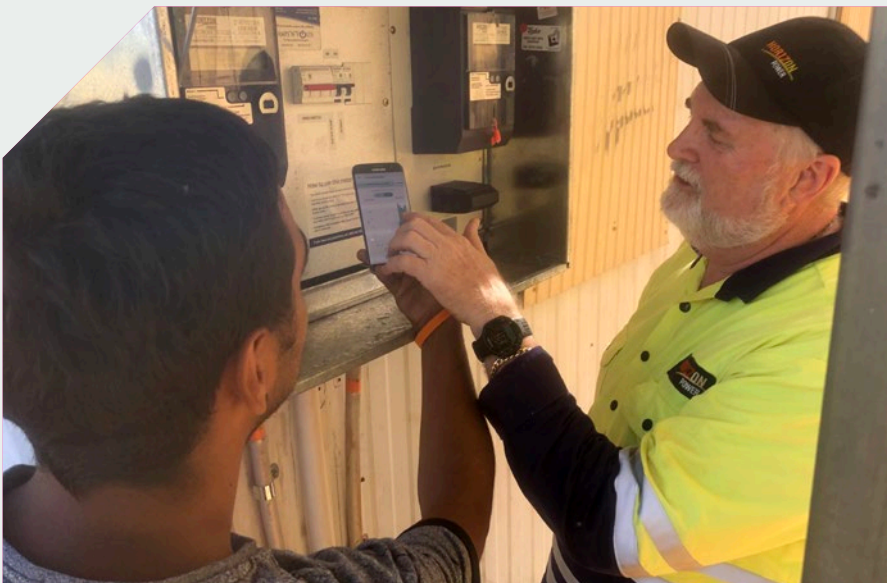
The project involved installing a pre-payment meter at every premise so customers are billed only for the power they use and can budget more easily by paying for their power in smaller amounts as they go. The project also involved inspections which resolved a number of safety issues with the community electrical networks.

The old billing method, where one bill was issued to a whole community, resulted in significant debts accumulating across the communities. That debt accumulation is now a thing of the past with residents paying upfront for their power with the pre-payment meter.

Residents also received education about our new mobile app which allows them to buy credit for their meter in the comfort of their own home rather than going to the local store or post office.

The project has also improved affordability for residents in these communities, by ensuring eligible residents can access energy rebates.

Horizon Power installed 101 pre-payment meters across 13 Aboriginal Communities



OUR PEOPLE

We aim to attract, develop and retain talented, high-performing employees who share our vision and organisation culture

Our *Horizon Way* and Code of Conduct outlines the values which guide our decisions and behaviours, and is foundational to driving a high performance culture aligned to our strategy. These behaviours are embedded and reinforced throughout our people processes and solutions. We continued to focus on maturing our organisational culture to improve the way we do things and to drive performance and innovation with a more human-centric approach.

Through our ongoing performance appraisal and development planning process, we evaluate outcomes against business objectives, progress against development goals and demonstrated behaviours against our values. Our recognition and reward program SHINE, supports a high performing workforce and recognises outstanding employee contributions.

Leadership

We acknowledge the importance of developing engaging leaders to create and inspire a customer-focused high performing and innovative workforce. In an era of rapid change and digital disruption, we have identified, through a series of employee workshops in late 2018, the competencies required to navigate leadership challenges into the future.

During the year we deployed a leadership program to a cohort of mid-level management, to assist them broaden their skill set.

As part of our safety strategy a three day leadership training program *Supervisor Safety Set*, continued to be deployed to all leaders. Additionally, the leadership team participated in Zero Incident Process to influence behaviours to further contribute to a positive safety culture. To provide ongoing support and development for regionally-based leaders, we continued our mentoring program that pairs members of our Executive team with regional managers.

Training and development

We recognise the importance of investing in our people to deliver on our key business objectives. We are achieving this through a range of internal and external development and secondment opportunities.

We have adopted the principles of the 70:20:10 learning and development model. The model suggests a proportional breakdown of how people effectively learn. This is broken down with about 70 per cent from on-the-job experiences - working on tasks and problems; about 20 per cent from feedback and working around others and 10 per cent from formal training such as courses and reading. This guides learning and development discussions and planning as part of our Performance Appraisal and Learning and Development process. With our geographical spread, rapid skill changes and individual learner behaviour, online courses are highly applicable and cost effective. Our learning management system includes compliance training in addition to a suite of safety and induction courses. We have also recently subscribed to LinkedIn Learning, and mapped course content to our leadership competencies and company values.

Our partnership with the Chamber of Commerce and Industry Western Australia continued to offer the industry a successful power engineering Graduate program. This year, we hosted six graduates along with six vacation students over the summer. In addition, six undergraduates from Notre Dame, Curtin University, The University of Western Australia and Murdoch University completed 100-150 hours of work with us.

As a result of changing technologies on our network, a new technical competency framework was developed and adopted. This framework outlines a number of technical career pathways and a leadership pathway. In our Pilbara region our Distribution Overhead tradespersons have completed upskilling training to obtain cable jointing capabilities. Additionally, employees have had the opportunity to elect to obtain electrical skills and qualifications to expand skillsets to support our transmission assets.

Diversity

We recognise that the varied backgrounds and experiences of our employees can help to foster creativity and offer a range of talents, skills and experiences that benefit our organisation. We remain committed to fostering a culture where differences are valued and respected.

Our Equal Employment Opportunity Management Plan 2016-2019 outlines initiatives to contribute to the employment and inclusion of a diverse workforce. In our workforce, mature workers are well represented at 46 per cent and people from culturally and linguistically diverse background continues to increase in representation to 20 per cent, up from 18 per cent last year. With a continued focus on awareness we have increased participation rates of females in senior leadership roles significantly this year at 37 per cent, an 11 per cent increase over the previous year. Additionally our Board was gender balanced and the representation of females on the Executive increased to 14 per cent with the appointment of our CEO in March 2019.

With respect to youth we have increased our intake of undergraduates throughout the year, supporting work placements for students from a variety of disciplines. Through our partnership with CCI WA, we engaged six electrical engineering graduates on a full time basis and six electrical engineering undergraduates for the 12 week vacation program this year.

We have focused on improving our cultural awareness training as part of our new employee induction. This year we engaged a Supply Nation provider and worked with them to tailor the program. This more impactful program is delivered three times per year in conjunction with our internal subject matter experts. We have been engaging with a disability employment service provider to explore work experience and permanent placement opportunities. Employees participated in activities during NAIDOC Week and celebrated International Women's Day.

ABOUT OUR PEOPLE



31%

Female



69%

Male

401

**Employees,
395.2 full time
equivalent**



37%

**Female
senior
leadership**



4.5%

**Aboriginal
employees**



20%

**Employees from
a non-English
speaking background**



0.5%

**Employees with
a disability**



**Perth 260
Regional 141**

- Broome 24**
- Carnarvon 24**
- Esperance 32**
- Karratha 25**
- Kununurra 17**
- Onslow 2**
- Port Hedland 17**



Aboriginal employment

We serve regions throughout Western Australia where significant proportions of the population are Aboriginal. We employ 18 Aboriginal people (4.5 per cent of employees) and seek to offer direct employment opportunities where possible, while focusing on indirect opportunities through supporting Aboriginal businesses, contractors and suppliers, and by allocating sponsorships supporting Aboriginal community initiatives such as Shooting Stars.

Enabling a safer workplace

The safety of all employees is a core value and integral to the way we operate. We strive for safety and health excellence through initiatives such as our leading safety and key indicators. These indicators are a suite of proactive risk-minimisation activities, routinely measured, with the primary objective of sustaining low injury rates. They are designed to promote leadership engagement, practice and visibility by management and frontline supervisors to assist in sustaining positive safety outcomes.

This year we successfully finalised and delivered our Safety and Health Strategy, which commenced in 2014. The main intent of the Strategy was to promote, support and influence a positive safety culture. We recognise we still have work to do in the areas of leadership and accountability before we transition to a fully interdependent safety culture. Building on the foundation of the Safety and Health Strategy, we have been working on the design and development of a new wellness strategy plan to achieve our ambition of being a high-performing organisation. The strategy is expected to be finalised with application commencing next year.

We have also focused our attention on promoting a safe and healthy future of work. As digital technologies and automation becomes more common, employment and workplaces are changing. To meet these changes, we reviewed our incident management process, Inspection System Plan and operational processes to identify enhancement opportunities and further our safety cultural maturity.

Our Operations division, predominantly consisting of regionally-based employees, continued to maintain an effective safety and health performance, recording zero lost time injuries for the year. The division's last lost time injury occurred in January 2018.

Health and wellbeing

In May we launched a free health and wellness app *My Wellbeing Mate* to employees and contractors. This complements our long standing Employee Assistance Program. The app provides users with access to a range of resources including helplines, websites, guides, videos and inspirational talks.

Improving our digital experience

A priority during the year was the facilitation of our digital strategy. We undertook an enterprise architecture review to ensure a greater alignment between our technology and overall business objectives, through the delivery of a set of roadmaps to inform an improved, consistent and efficient provision of technology services.

These roadmaps provided clarity and direction for key initiatives and unmet business requirements needed to deliver on our digital strategy, and has been a catalyst for the initiation of a number of digital initiatives including the Human Resources System Replacement, the Data Management and Integration Platform and the Customer Experience Program.

The outcomes from the review have informed both our three year technology strategy as well as our technology operating model, which began in December. The revised Technology Strategy articulates how we will deliver foundational technology capability to enable our digital strategy. The technology operating model describes how we engage to deliver our services; what capabilities do our people need and how do we enable them; and what are our ways of working to deliver our services.

We serve regions throughout Western Australia where significant proportions of the population are Aboriginal

CASE STUDY FIELDREACH

MOBILE TECHNOLOGY SUPPORTING OUR CREWS

To ensure a continuous supply of electricity to our customers, our crews are responsible for inspecting and maintaining a large number of assets across a vast service area. To help plan and perform asset inspection tasks more efficiently, we deployed a new software system Fieldreach, which offers more accurate, timely and granular insights into the condition of our assets.

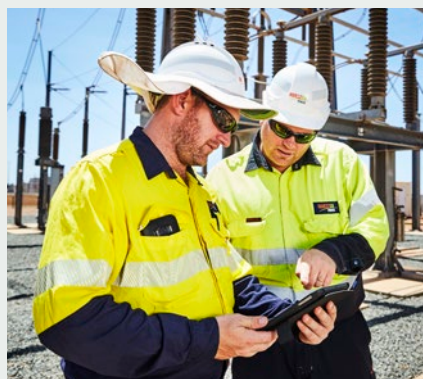
The software program deployed on iPads allows crews working in the field to undertake asset inspections and capture any defects with increased data accuracy and less duplication across the business. Crews can also log their reports from anywhere in our service area, even in remote areas with no mobile phone coverage.

Photos are also captured at the time of inspection, allowing Asset Managers to make more informed decisions about corrective work required.

Assets are geographically displayed on maps to help with completion of tasks, the pins also change colours to help the line crews understand which assets have been inspected, which is helpful for inspection campaigns that can last a few days, weeks or months.

Fieldreach has enabled us to develop a more efficient asset maintenance process, helping to ensure a reliable electricity supply for our communities. It is digitising the way our crews conduct their inspections.

Mobile technology is allowing our crews in the field to undertake their roles more efficiently and effectively



ENVIRONMENT

We are committed to delivering a quality, reliable electricity supply in an environmentally sustainable and responsible manner.

We recognise that our innovative programs and on-going management procedures must protect the rights of future generations to a sustainable and diverse natural environment. We look for every opportunity to enhance environmental performance and to contribute to sustainable practices. We are committed to measuring our environmental actions as a way of improving our performance, allocating resources efficiently and identifying areas of weakness. Our environmental performance is tracked using a number of performance indicators.

We operate under an Environmental Management System (EMS) to proactively manage environmental activities, to provide us with the necessary tools to identify environmental issues, meet legislative compliance, and strive for continual improvement in environmental performance.

Greenhouse gas and carbon intensity

We report total annual greenhouse gas emissions as carbon dioxide-equivalent (CO₂-e) (shown in Table 6), in accordance with the *National Greenhouse and Energy Reporting Act 2007 (NGER)*.

CO₂-e emissions attributed to Horizon Power have increased in 2018/19, primarily due to the operation of the newly constructed Onslow power station moving to us from an Independent Power Producer (IPP) in July 2018.

The Clean Energy Regulator will make our 2018/19 NGER publicly available in the first quarter of 2020. An estimate is made for Scope 1 emissions (direct) based on available information as at 8 July 2019. Because Scope 2 (indirect) emissions are more complicated to establish in accordance with the NGER Act, they cannot be accurately estimated at the time of publishing.

Table 6: Greenhouse gas emissions (tonnes CO₂-e)

Reporting year	Direct emissions (Scope 1)	Direct emissions (Scope 2)	Total energy consumption (GJ)
2018/19	41,6823	Final figures are reported to CER by 31 October 2019 and published Q1 2020	
2017/18	38,799	32,504	911,047
2016/17	79,623	31,939	1,305,159
2015/16	99,200	38,357	2,182,657

Carbon intensity of our total operations, measured as kilograms of CO₂-e per kWh of electricity sent-out, is a key measure of the overall greenhouse gas emissions related to energy production, inclusive of IPPs. Reducing carbon intensity demonstrates improved greenhouse emission efficiency and therefore is an important indicator with respect to climate change.

To support ongoing reductions in carbon intensity, we recently released access to an additional 10 megawatts of renewable energy generation across our networks. This increase, which stems from a review of our technical requirements and a number of in-depth renewable energy trials, is aligned to the State Government's draft Distributed Energy Resources Roadmap which is anticipated to be released at the end of 2019.

Carbon intensity is primarily influenced by IPPs, with relatively low influence from Horizon Power operated power stations. The carbon intensity remained the same value of 0.55 kg CO₂-e/kWh between 2017/18 and 2018/19 and within the internal target of 0.65 kg CO₂-e/kWh sent-out, as shown in Table 7.

Table 7: Carbon intensity of sent-out electricity, actuals and targets 2015/16 to 2018/19

Reporting year	Carbon intensity, kg CO ₂ -e / kWh sent out	Target intensity, kg CO ₂ -e / kWh sent out
2018/19	0.55	0.65
2017/18	0.55	0.65
2016/17	0.56	0.65
2015/16	0.57	0.65

Air emissions

We reported annual air emissions for the 2018/19 period 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 of our generation facilities is provided in Table 8.

Total sulphur dioxide (SO₂) and normalised SO₂ emissions, shown as kg/MWh (generated), remained relatively consistent in comparison to previous years.

The decrease in total emissions of oxides of nitrogen (NO_x) can be attributed to a slight decrease in diesel consumption. Normalised NO_x emissions slightly decreased in comparison to the previous year. This can be attributed to an increase in natural gas

consumption for electricity generation as opposed to diesel. Normalised NO_x emissions are shown as kg/MWh (generated) in Table 8.

Final data supplied to the NPI may differ slightly from the estimated emissions and also includes additional statutory reporting parameters.

Table 8: Summary of air emissions 2016/17 to 2018/19

Air emissions summary		2018/19	2017/18	2016/17
Sulphur dioxide (SO₂)	Total (tonnes)	0.4	0.2	0.4
	kg/MWh (generated)	0.006	0.004	0.004
Oxides of nitrogen (NO_x)	Total (tonnes)	439	441	461
	kg/MWh (generated)	6.09	6.77	3.91

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.

Noise

No noise complaints were received during the year.

Management of contaminated sites

Our contaminated sites portfolio includes 31 sites reported under the *Contaminated Sites Act 2003* (CS Act). The sites are typically former power stations where historical spills or leaks of hydrocarbons have affected soil 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 or remediation is required on the basis the land use remains unchanged. However, opportunistic remediation may still be undertaken if site use or infrastructure changes, such as during decommissioning. During the year, Broome and Derby achieved end-point classifications, reducing the number of sites requiring ongoing active management to 14.

We have appointed accredited contaminated sites auditors to independently oversee investigations on sites where groundwater contamination has migrated offsite. Table 9 provides a summary of key site works completed during the year.

As part of our program of works, several significant site demolition and remediation project milestones were achieved at former power stations sites during the year to address legacy contamination issues. These were the completion of the third and final phase of soil remediation at Fitzroy Crossing, demolition and soil remediation of the Carnarvon power station, decommissioning and soil remediation of Onslow power station and excavation of diesel impacted soils at the former Exmouth power station.

We are continuing the program of works to fully decommission and demolish obsolete infrastructure from former power station sites, in addition to the contamination assessment and site clean-up. All remaining redundant infrastructure was removed from the former power station sites in Carnarvon and Onslow with materials recycled or gifted to the local Shires for community use, where possible.

Soil remediation projects were completed at four former power station sites as outlined in the case study.

Table 9: Investigation and activities undertaken at contaminated former power station sites 2018/19

Groundwater monitoring events (GME)

Camballin	Fitzroy Crossing (2)
Marble Bar	

Other contamination investigations / projects

Carnarvon –

soil remediation program completed (offsite disposal)

Exmouth –

soil bioremediation program commenced onsite and two additional groundwater monitoring wells were installed for further groundwater assessment

Fitzroy Crossing –

soil bioremediation program completed onsite (remediation being undertaken offsite)

Onslow –

soil remediation program completed (offsite disposal)

Marble Bar –

Site Management Plan prepared

Meekatharra –

Remediation Action Plan and mandatory Auditor's Report prepared

Site Remediation and Validation reports were prepared for Carnarvon, Fitzroy Crossing (Phase 1 and 2) and Onslow.

Environmentally sensitive area 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

We maintained our environmental licence for the Karratha Temporary Generation Project this year and met all reporting obligations required under the licence. Mungullah power station remains as a registered premises with no associated reporting requirements. None of our other operating sites exceed the threshold for an environmental licence or registration.

We hold five native vegetation clearing permits issued by the Department of Water and Environmental Regulation. In 2018/19 we also held three Permits to Take granted by the Department of Biodiversity, Conservation and Attractions for Declared Rare Flora species in Esperance. Compliance reports have been submitted to the respective departments in accordance with the applicable permit reporting conditions.

Environmental incidents

No reportable environmental incidents occurred this year.

³ Estimated figure based on available information as at 8 July 2019.

⁴ 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*.

⁵ 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*.

CASE STUDY

MINIMISING OUR ENVIRONMENTAL IMPACT

Horizon Power undertook significant soil remediation projects during the year to address legacy diesel contamination at four of our former power station sites. The sites have been subject to many years of investigation and assessment and we are pleased to be undertaking positive steps to clean up the sites as well as finding opportunities to achieve sustainable outcomes in the process.

The remote location of our sites adds logistical complexity and cost to the management of legacy contamination. This challenge became an opportunity to explore alternative remediation strategies at the former Fitzroy Crossing and Exmouth power stations and has resulted in the implementation of soil bioremediation programs at the two respective sites with greater sustainable outcomes achieved by comparison to the traditional dig and dump remediation approach.

More than 3000m³ of contaminated soil from the former Fitzroy Crossing power station was transported to the local landfill facility to undergo bioremediation at a purpose-build bioremediation cell prior to being reused as top cover at the landfill.

More than 1000m³ of contaminated soil has been excavated at the former Exmouth power station and will undergo bioremediation on site prior to being reinstated in the excavations.

Bioremediation is a process that enhances naturally occurring degradation of the hydrocarbons (diesel) to reduce the level of contamination in the soil through the addition of nutrients, moisture and aeration. Using this process for our Exmouth and Fitzroy Crossing sites avoided the need to transport the contaminated soil several hundred kilometres to the nearest suitably licensed landfill for disposal. This avoided using up landfill space as well as the need for long-haul heavy vehicle transport, which is considered a high risk activity.

Reuse of the bioremediated soil either as backfill on site or daily cover material at the land fill site meant that the use of clean fill soil resources was avoided and cost savings were achieved.

Removal of redundant infrastructure and soils impacted with diesel was also undertaken at both the former Carnarvon and one of the former Onslow power stations, which will reduce potential future impacts to local groundwater.

It is hoped that the bioremediation program can be implemented for the soil remediation program planned for the Mid West legacy contaminated sites in the next financial year.



We turned a challenge into an opportunity to explore remediation strategies that resulted in soil bioremediation programs in Fitzroy Crossing and Exmouth

HERITAGE AND NATIVE TITLE

Native title and heritage compliance

We worked closely with the Community Councils, Traditional Owners and custodians of the lands on which we operate, aiming for genuine engagement by building trust through early and ongoing communication, setting appropriate timeframes for consultation and demonstrating cultural awareness.

Building strong, respectful partnerships with people and communities is fundamental to achieving our goals for reconciliation, serving our customers effectively and reflecting the community we live and operate in. Aboriginal people form a large and integral part of our customer base and many communities are directly impacted by power supply projects that benefit all.

We operated in accordance with our Heritage Management System and no potential or actual breaches of the *Aboriginal Heritage Act 1972* were recorded for this period. Assessment of both low and high impact projects ensured we continue to manage native title and heritage risks.

Aboriginal heritage monitors were engaged to assist in protecting Aboriginal cultural values during ground-disturbing works for operational and project-related activities, including with the Gnulli People in Carnarvon, the Malgana People in Denham, the Bunuba People in Fitzroy Crossing and the Yinjibarndi People for works near Roebourne. Cultural heritage surveys were completed with representatives of the Esperance Nyungar People for a proposed new power site in Esperance, and with representatives of the Ngarluma People for the proposed upgrade of the Karratha to Dampier transmission line.



Building strong, respectful partnerships with Aboriginal people and communities is fundamental to achieving our goals

→ 03

DIRECTORS' REPORT

Corporate governance

Corporate governance is the system by which we are directed and managed. It influences how:

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

To best reflect the expectations of our people, stakeholders and customers, we have sought to adopt recognised best practice for corporate governance by implementing a Corporate Governance Framework. In practical terms, the 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 understanding 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
- is aligned with our strategic and business plans
- provides accountability and control systems commensurate with the risks involved, and
- is an essential component to our overall success.

We have adopted best practice for corporate governance by implementing a Corporate Governance Framework

Our Risk Management Framework is designed to encourage and support the development of an appropriately risk-aware culture within the organisation and assist us to realise the benefits that accrue from a conscious, structured and dynamic approach to the management of risk. This means that employees are able to perform their activities in a responsible, thoughtful, knowledgeable and consistently professional manner, contributing to our overall direction and success.

Managing business risk

Our 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 Framework:

- applies to everyone including the Board of directors, the executive team and all other employees and contractors
- is applied at all levels of the business (including, but not limited to, corporate, divisional and group functions as well as programs and projects)
- is applied to all operational risk management processes and practices, and
- is integrated with other corporate frameworks, in particular the strategic planning and corporate budgeting processes. This assists with prioritising important projects and promotes a risk-based approach to investment decisions.

The corporate risk profile is reviewed and updated on an annual basis by the executive team. The corporate risk profile is an aggregation of risks identified by the various divisions and reported annually to the Audit and Risk Management Committee.

Board of directors

In accordance with the *Electricity Corporations Act 2005 (WA)*, we 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 Energy for the performance of the business.

The primary role of the Board is to set our strategic direction, 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.

During the year, our Board consisted of the following people:

- **Mr Stephen Edwell**
Chairman
(term concluded 22 May 2019)
- **Ms Rosemary Wheatley**
Deputy Chair
(term concluded 20 November 2018)
- **Mr Peter Oates**
Director
(appointed Deputy Chair 20 November 2018)
- **Professor Ray Wills**
Director
- **Mr Neil Thompson**
Director
(term concluded 20 November 2018)
- **Ms Kylie Chamberlain**
Director
- **Ms Gail Reynolds-Adamson**
Director
(term commenced 20 November 2018)
- **Ms Sandra Di Bartolomeo**
Director
(term commenced 20 November 2018)



Term concluded on 22 May 2019
Appointed in April 2018

MR STEPHEN EDWELL CHAIRMAN

Stephen is an economist specialising in energy-market regulation, design and utility reform.

His experience in the Australian energy sector is wide-ranging. Stephen led the team that project-managed Queensland's entry to the National Electricity Market. He also project-managed the design and implementation of the Wholesale Electricity Market in Western Australia.

Stephen has been a senior member of energy regulatory boards since 2005. He was appointed by the Federal Government as inaugural full-time Chair of the Australian Energy Regulator and Associate Commissioner of the Australian Competition and Consumer Commission (2005-2010). Most recently, Stephen completed an 11-year term as a part-time Governing Body Member of the Western Australian Economic Regulation Authority.

He has undertaken various energy-related projects for the (former) Western Australian Department of State Development, Public Utilities Office, Department of Finance and WA Treasury.

Stephen holds a Bachelor of Commerce (Economics) and a Master of Business Administration.

Stephen joined Horizon Power on 30 April 2018. He resigned from his position as Chairman on 22 May 2019 to take up the role of Independent Chair of the Energy Transformation Taskforce.



Appointed in November 2014
Appointed Deputy Chair on
20 November 2018.

MR PETER OATES DEPUTY CHAIR

Peter has more than 39 years' experience in the Western Australian electricity industry. Most of this was in the financial area, including periods where he was the General Manager Finance and Administration followed by a period where he was the General Manager Emerging Business, which included the development of renewable projects for Western Power prior to its disaggregation in 2006.

He was a Director of Eneabba Gas Ltd from 2006 to 2010. Peter has been involved in a number of reviews into the structure of the electricity industry in Western Australia, commencing with his appointment as Executive Officer to the Energy Board of Review in 1992, which resulted in the

disaggregation of SECWA. Peter was Chairman of the Merger Implementation Group which provided the oversight into the merger of Verve and Synergy in 2013.

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

Peter was appointed Chair of the Audit and Risk Management Committee upon his appointment to the Horizon Power Board in November 2014.



Term concluded on 20 November 2018
 Appointed in November 2012
 Appointed Deputy Chair in October 2016

MS ROSEMARY WHEATLEY DEPUTY CHAIR

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.



Appointed in November 2014

PROFESSOR RAY WILLS DIRECTOR

Professor Ray Wills has more than 35 years' experience in a wide-ranging career as a researcher, academic, planner, consultant, adviser, manager, executive, business owner and futurist.

Professor Wills is an authoritative and respected commentator on sustainability, technology and futurism across all sectors including the built environment, cleantech, energy infrastructure, industrials, manufacturing, resources, transport, and water. His research interests include adoption rates of technology and disruptive technology in all forms.

Professor Wills is Managing Director of advisory firm Future Smart Strategies, Chair of the solar farm developer, Sun Brilliance, and executive or non-executive director of several other enterprises, including Horizon Power. He is also Adjunct Professor at The University of Western Australia (UWA), contributing to the academic program, and commenting on behalf of UWA on climate change and sustainability. In August 2018, he was named as Inaugural Expert in Residence with CORE Innovation Hub in Perth.

He has been independently recognised by a number of international groups as one of the Top 100 Global Leaders in Sustainability, Climate Change and Energy.



MR NEIL THOMPSON DIRECTOR

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 a Fellow of the Australian Institute of Company Directors, 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.

Appointed in October 2016
Term concluded 20 November 2018



MS KYLIE CHAMBERLAIN DIRECTOR

Kylie has significant banking and finance industry experience having worked in the industry for over 20 years, holding senior management and executive roles with Australian banking and financial institutions including ANZ, Macquarie Bank, St George and Bankwest.

Her range of expertise includes the key areas of finance, management, business development, strategy, culture, governance and risk.

Kylie holds a Bachelor of Commerce from the University of Western Australia and postgraduate qualifications from both the Securities Institute of Australia and the Governance Institute of Australia.

Kylie is currently a non-executive director of West Coast Fever Netball Club Ltd.

Appointed in April 2018
Appointed Acting Chair of the Audit and Risk Committee on 17 June 2019



Appointed in November 2018

SANDRA DI BARTOLOMEO DIRECTOR

Sandra has over 23 years' experience as a banking and finance lawyer, specialising in corporate, construction, resources, energy and property financing. She was formerly a partner of a top tier national law firm, leading the finance division in Perth. Sandra has held various senior leadership positions with National Australia Bank Limited, most recently heading up the Corporate and Institutional Bank Legal team in Western Australia and Queensland.

Sandra has previously held positions on the Art Gallery of Western Australia Foundation Council, Italian Chamber of Commerce and Industry Committee and the Law Society Commercial Law Committee. She holds a Bachelor of Laws from the University of Western Australia, and postgraduate qualifications from both the Securities Institute of Australia and the Australian Institute of Management.



Appointed in November 2018

GAIL REYNOLDS-ADAMSON DIRECTOR

Gail Reynolds-Adamson is a descendant from the Noongar, Mirrning and Nudju peoples and has extensive experience working with Aboriginal communities and agencies across Australia. She has a vast knowledge of Aboriginal cultures and understands the need to operate in different ways to respect different cultural sensitivities. Gail has forged long term relationships with Aboriginal people, communities and stakeholders across various industries and private sector groups, to create and foster harmonious and productive relationships. She also has considerable experience in the private sector, particularly mining, and has worked for State and Commonwealth Government departments.

Gail is Chairperson of the Esperance Tjaltjraak Native Title Aboriginal Corporation RNTBC (ETNTAC), Chairperson of Goldfields Esperance Development Commission, Chairperson of South East Aboriginal Health Service and Board Member of Australian Golden Outback.

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.

Table 10: Board of directors' meetings and attendance 2018/19

Director	Number of meetings attended	Number of meetings eligible to attend during the time the director held office during the year
Stephen Edwell	13	13
Rosemary Wheatley	6	6
Peter Oates	14	14
Professor Ray Wills	14	14
Neil Thompson	6	6
Kylie Chamberlain	14	14
Gail Reynolds-Adamson	5	6
Sandra Di Bartolomeo	6	6

Table 11: Board of directors' terms of appointment

Director	Appointed	Expires
Stephen Edwell	30 April 2018	Term concluded 22 May 2019
Rosemary Wheatley Second term	13 November 2012 26 October 2016	30 July 2015 25 October 2018 Term concluded 20 November 2018
Peter Oates Second term	11 November 2014 26 October 2016	10 November 2017 25 October 2019
Professor Ray Wills Second term	11 November 2014 26 October 2016	10 November 2016 25 October 2019
Neil Thompson	26 October 2016	25 October 2018 Term concluded 20 November 2018
Kylie Chamberlain	30 April 2018	29 April 2020
Gail Reynolds-Adamson	20 November 2018	20 November 2020
Sandra Di Bartolomeo	20 November 2018	20 November 2020

Audit and Risk Management Committee

The Audit and Risk Management Committee (ARMC) is a sub-committee of our Board of directors. Its role is to help the Board discharge its responsibility to provide oversight of, and corporate governance for, the business. The ARMC is accountable to, and reports, to the Board.

A key role of the ARMC is to provide assurance to the Board that our 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.

Financial reporting

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

- considering whether our 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 our external reporting obligations
- assessing information from the internal and external auditors regarding the quality of financial reports, and
- reviewing the management of finance operations.

Internal control and risk management

The ARMC provides oversight of the identification of risks and threats to Horizon Power, as well as the processes by which those risks and threats are managed. The ARMC also assesses and adds value to our 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:

- **Peter Oates**
Chair
- **Rosemary Wheatley**
Director
(term concluded 20 November 2018)
- **Kylie Chamberlain**
Director
(appointed Acting Chair in June 2019)
- **Sandra Di Bartolomeo**
Director
(term commenced 20 November 2018)

Table 12: ARMC meetings and attendance 2018/19

Director	Number of meetings attended	Number of meetings eligible to attend during the time the director held office during the year
Peter Oates	6	6
Rosemary Wheatley	2	2
Kylie Chamberlain	6	6
Sandra Di Bartolomeo	4	4

Corporate Affairs and Communications Committee

The Corporate Affairs and Communications Committee (the CAC Committee) is a sub-committee of our Board of directors. The CAC Committee's role is to assist the Board in discharging their responsibility of oversight of the corporate affairs, customer and stakeholder communications functions as well as oversight of marketing and customer engagement activity and change-management. In doing so, the CAC Committee is accountable to the Board.

A key role of the CAC Committee is to provide reasonable assurance to the Board that our 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
- Professor Ray Wills, Director
- Neil Thompson, Director (term concluded 20 November 2018)
- Gail Reynolds-Adamson, Director (term commenced 20 November 2018)
- Bob Cronin, Advisor (term concluded 20 November 2018)

Governance and corporate compliance disclosures

In compliance with the accountability provisions of the *Electricity Corporations Act 2005* (the Act), we provided the Minister for Energy with a quarterly report for the first three quarters of the 2018/19 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 under the Act
- a comparison of performance with Statement of Corporate Intent targets, and
- 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 employee compliance with any issued codes of conduct, and
- any specific information in our 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 13: CAC Committee meetings and attendance 2018/19

Director	Number of meetings attended	Number of meetings eligible to attend during the time the member held office during the year
John Le Cras (Chair)	7	7
Professor Ray Wills	7	7
Neil Thompson	3	3
Bob Cronin AM	3	3
Gail Reynolds-Adamson	4	4

Significant issues impacting Horizon Power

Current and emerging issues and trends

The widespread adoption of distributed energy resources including solar panels and battery storage systems, and introduction of retail competition from third parties in the NWIS has the potential to lead to a decline in our revenue.

Economic and social trends

There is an expectation by our customers that services and products delivered will be enhanced to enable a greater amount of renewable energy devices connected to our network.

Changes in written law

There have been no significant changes to any primary legislation governing Horizon Power during the 2018/19 financial year.

Likely developments in operations in future years

Market reform

We are facing a changing business environment in the Pilbara. Following the State Government's decision to proceed with open access and implement a light-handed regulatory regime in the Pilbara, we have been supporting the Government by ensuring we are positioned to drive the most economically beneficial outcomes for Government and our customers.

In 2018, the Department of Treasury commenced the GTE Reform Project with the intent of improving governance processes amongst a number of government trading enterprises, including Horizon Power.

Horizon Power engaged with the Department of Treasury throughout the remainder of 2018 in regards to the areas of reform proposed and expects these reforms to culminate in amendments to the *Electricity Corporations Act 2005 (WA)*, being Horizon Power's enabling legislation.

On 2 February 2018, the Minister for Energy released his final coverage decision to cover Horizon Power under the *Electricity Networks Access Code 2004*, effective from 1 January 2020. On 9 February 2018, the Public Utilities Office (PUO) issued a Design Consultation Paper detailing its proposed reforms for the electricity industry in the Pilbara. These reforms have two key components:

1. Introduction of network open access to the Horizon Power and Alinta networks through the implementation of a light-handed regulatory regime (LHR).
2. The establishment of an Independent System Operator (ISO) to ensure the security of operation of the interconnected system in the Pilbara.

On 15 March 2019, two detailed design papers were published to describe the expected Light Handed Regulation, and System Operations Arrangements. These papers note that the Bill which will enable the implementation of the above components is expected to be passed in 2019, following which the *Pilbara Networks Access Code 2019* will be established. AEMO are expected to be assigned an administrative ISO role.

The decision to cover our NWIS network raises a number of important policy implications for Government and us, principally in respect of the introduction of competition into a currently existing monopoly market.

Future power supplies

We are currently undertaking a program of work to secure a future power solution supply for our customers in the towns of Esperance and Denham that delivers the best service to our customers and value for money for the State Government.

The power solutions are likely to include renewable energy technologies such as solar, battery storage and/or wind generation. In Denham, this work is taking place due to the current ageing infrastructure needing replacement, where it is anticipated that the new power station will be commissioned in March 2021.

The existing contractual agreement with the private company which owns the existing Esperance power station remains in place. In preparation for the expiration of the current agreement, a procurement process is underway.

Shares in statutory authorities

N/A

Shares in subsidiary bodies

N/A

Declarations of interest

Our 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.

Stephen Edwell

- None declared

Rosemary Wheatley

- Director, Guumbarr Ltd (Ms Wheatley also disclosed that Guumbarr Ltd has applied for funding for six houses as part of Horizon Power's Broome North Project with LandCorp), and
- Chairperson, Karratha Central Serviced Apartments.

Peter Oates

- None declared

Professor Ray Wills

- Owner and Managing Director, FDRW Pty Ltd trading as Future Smart Strategies
- Chair and Partner, Sun Brilliance Power Pty Ltd and non-executive director of Indian subsidiary, Sun Brilliance Energy (India) Pte Ltd
- Owner and Managing Director, Sun Brilliance Solar One Pty Ltd
- Owner and Managing Director, Blue by Design Pte Ltd (Singapore), and its Australian subsidiary Eno Store Pty Ltd
- Non-executive director, PowerMinder; and Non-executive director, BioTek Fuels
- Adjunct Professor at The University of Western Australia contributing to the academic program and one of UWA's spokespersons on climate change, sustainability and new technology, and
- Inaugural Expert in Residence, CORE Innovation Hub in Perth.

Kylie Chamberlain

- Director, West Coast Fever Netball Club Ltd, and
- Director and shareholder, Herman Property Pty Ltd.

Gail Reynolds-Adamson

- Chairperson, Esperance Tjaltjraak Native Title Aboriginal Corporation (ETNTAC)
- Chairperson, Goldfields Esperance Development Commission (GEDC)
- Director, Australian Golden Outback (AGO)
- Director, Kaata Tidje Pty Ltd
- Director, Good Fire Pty Ltd
- Chairperson, South East Aboriginal Health Service
- Director, Blue Waters Tourism Pty Ltd, and
- Appointed to the South-west Marine Parks Advisory Committee.

Sandra Di Bartolomeo

- Currently employed by Minter Ellison Lawyers, and
- Shareholder and director, Bartan Limited (private company registered in Ireland).

Neil Thompson

- Non-executive director, Smiling Mind
- Advisory Board Member, the Australian Centre on China in the World
- Advisor to Sendle
- Industry Advisory Panel Member, TFE Hotels Ltd
- Member, Opal Aged Care Advisory Panel, and
- Advisory Council Member, OnPointLoyalty LLC.

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

Additionally, we have entered into deeds of indemnity, insurance and access with our directors. Under these deeds, we agree to indemnify directors in respect of certain liabilities incurred while acting as a director of Horizon Power. The indemnity includes liabilities of a civil nature owed to persons (other than Horizon Power) incurred by the director unless the liability arises out of conduct involving a lack of good faith.

Horizon Power has entered into deeds of indemnity, insurance and access with Peter Oates, Ray Wills, Kylie Chamberlain, Gail Reynolds-Adamson and Sandra Di Bartolomeo, in addition to former director and chairman, Stephen Edwell.

Emoluments paid to Board of directors 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 Key Performance Indicators listed in our Strategic Development Plan.

Senior executive salaries have previously been reviewed annually, determined, and paid in accordance with market evaluations and our 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 our 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, and
- 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, and
- 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.

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.

Remuneration 2018/19	Cash salary and fees \$	Super annuation \$	Other remuneration \$	Total \$ \$
Non-executive directors				
S Edwell (Chairman) ¹	86,961	8,261	-	95,222
R Wheatley (Director) ²	24,692	2,346	-	27,038
R Wills (Director)	45,000	4,275	-	49,275
P Oates (Deputy Chair)	53,885	5,097	-	58,982
N Thompson (Director) ³	18,519	1,759	-	20,278
K Chamberlain (Director)	45,000	4,275	-	49,275
G Reynolds-Adamson (Director)	26,654	2,532	-	29,186
S Di Bartolomeo (Director)	26,654	2,532	-	29,186
Disclosure for the five employees with the highest emoluments				
T Mohn (General Manager Advanced Microgrid) ⁴	304,078	26,037	303,001	633,116
B Bourke ⁵	287,114	27,276	232,067	546,457
M Houlahan (General Manager Commercial Services and Finance) ⁶	432,737	41,110	-	473,847
M Paterson (General Manager Consumer Energy)	383,562	36,438	35,000	455,000
F Tudor ⁷	46,914	4,457	400,220	451,591

Notes to Table 14

¹ Ceased as Chairman on 22 May 2018.

² Ceased as director on 20 November 2018.

³ Ceased as director on 20 November 2018.

⁴ Ceased as General Manager on 1 March 2019. Other remuneration includes payment in lieu of notice \$255,000, leave payout \$22,405, separation \$5,000 and travel allowance \$20,596.

⁵ B Bourke is not part of the Executive. Other remuneration includes leave payout \$159,900, travel allowance \$45,224 and non-monetary benefits \$26,943.

⁶ M Houlahan was Acting Chief Executive Officer from 28 August 2018 to 17 March 2019.

⁷ F Tudor ceased as Chief Executive Officer on 27 August 2018. Other remuneration includes leave pay out on termination \$293,003, payment in lieu of notice \$72,434, ex gratia payment \$19,239, non-monetary benefits \$10,928 and travel allowance \$4,616.

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 or the Authority). We were issued with an Integrated Regional Licence on 30 March 2006.

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

- Code of Conduct for the Supply of Electricity to Small Use Customers 2018
- Electricity Industry (Network Reliability and Quality of Supply) Code 2005, and
- Electricity Industry (Metering) Code 2005.

Compliance with other legislation

We have a number of controls and systems in place that support the business in complying with all legislation and regulations affecting its activities. This includes an online compliance register, as well as compliance-mapping and monitoring software.

Restriction on the area within which we may operate

Within Western Australia, the performance of our 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 employees.

The Board confirms that our Code of Conduct was updated and adopted by the Board at its meeting in June 2019. The updated Code of Conduct will be circulated to all Horizon Power employees and made 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 year there was one suspected minor misconduct matter that has been reported to the Public Sector Commission. The investigation concluded that the allegations amounted to serious misconduct.

Shared responsibility with other agencies

We did not share any responsibilities with other agencies during the 2018/19 financial year.

State Records Act 2000

We maintain and support high quality record-keeping practices in our 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 our approved record-keeping plan. Our 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, supplemented by the provision of relevant information on the business' intranet, are provided and reviewed to ensure they reflect new business requirements.

Our online employee induction includes the business's Code of Conduct, which explains an employee's responsibilities with respect to information and knowledge management. We regularly review our induction process to ensure it includes all relevant information for employees and will continue to refine this process. Additional information about this is easily accessible to all employees on our 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 during 2018/19. This expenditure includes costs associated with public safety advertising campaigns, planned outage notifications, self-read meter mail outs, research and recruitment.

- **Advertising agencies:** \$245,776.32: Rare Creative, Equilibrium, Capture Branding and Multiplier
- **Market research organisations:** \$59,802.3: Metrix Consulting
- **Polling organisations:** n/a
- **Direct mail organisations:** \$5,441.71: Rare Creative and Campaign monitor
- **Media advertising organisations:** \$184,078.82: Adcorp, Carat, Fairfax Media Publications, Initiative Media Australia and Market Creations.

Total expenditure: \$495,099.15

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 us 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 Water and Environmental Regulation or the clearing is for an exempt purpose.
- *Environmental Protection (Unauthorised Discharges) Regulations 2004* provide for the prevention of unauthorised discharge of potentially environmentally harmful materials, and
- *Environmental Protection (Noise) Regulations 1997* provide for noise emitted on a premises or public place and received on another premises.

We operate 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*
- *Biodiversity Conservation Act 2016, and*
- *Wildlife Conservation Act 1950.*

Our performance in relation to environmental obligations is discussed further in the Environment and Heritage section.

Operations during the 2018/19 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 our operations during the financial year and the results of those operations.

Financial performance

We ended the year with a net profit after tax of \$35.9 million (2017/18: \$111.9 million).

Total income for the year recorded an overall decrease of 15% compared to last year (\$560.0 million v \$660.0 million). This reduction was mainly attributable to the previous year's one-off capital revenues associated to Onslow DER and South Hedland power stations. This year energy sales were higher by 2.6% due to higher supply to major customers. Government subsidies were up due to higher Tariff Equalisation Contributions +\$31 million, offset by lower contributions from Community Service Obligations (-\$7.6 million).

Electricity and fuel purchases were higher than the last year by ~4.4 % (\$232.2 million v 222.4 million) but within expected levels. Operating expenses were also slightly less than in 2017/18 despite higher maintenance activities and costs associated with Cyclone Veronica. Similarly, depreciation and amortisation and finance costs were slightly below the previous year.

Balance sheet

Our net assets amounted to \$572.4 million recording a slight reduction of \$4.6 million compared to last year. The reduction is partly due to a repayment of capital to the State Treasury in respect of unutilised funding on the Pilbara Underground Power Project completed below budget at the end of the previous year.

Total asset base amounts to \$1,776 million, mainly made up of property, plant and equipment at \$1,566 million. Major projects undertaken during the year are listed in the capital expenditure program below.

As at 30 June 2019, cash at bank was \$78.2 million, mainly through short-term liquidity debt.

Capital expenditure

We delivered an \$84.2 million capital expenditure program in 2018/19. Expenditures for the year were \$41.9 million on the Asset Management Plan; \$25.2 million on the Onslow Distributed Energy Resources project and \$2.1 million on the Roy Hill Power Supply, final payments of \$5.2 million on the Pilbara Underground Power Project and \$9.8 million on customer funded works.

Dividends

During the year we paid dividends of \$36.6 million to the State Government, representing a final dividend on profits for 2017/18 of \$22.7 million and an interim dividend of \$13.9 million for 2018/19.

GLOSSARY OF TERMS

Advanced meter - or smart meter, is a device that measures the amount of electricity used in real time and sends this information back to Horizon Power. Advanced meters collect large amounts of data that can be interpreted to provide customers with tailored energy efficiency advice and alternative ways of paying for electricity, enable energy trading, and improve network security and safety. Advanced meters can be read remotely and allow electricity supply to be remotely switched on or off.

Advanced microgrids - are powered by integrating centralised power generation with very significant levels of distributed energy resources (DER) located on customer sites and connected to the distribution network. They enable customers' DER to provide services to the network in exchange for a financial benefit and support the trading of power between customers. Advanced microgrids will be a key building block of high-DER electricity systems as they maximise reliance on intermittent renewable generation, better balance supply and demand, reduce extreme peak demand, and increase energy efficiency and service reliability.

Centralised / traditional generation - large-scale electricity generation produced at centralised facilities and typically fuelled by gas or diesel.

Demand management - an automated process that enables customer loads to rapidly decrease or increase their electricity use in response to changes in the condition of the grid and/or changes in energy price or other information. Demand management is most suitable for significant customer loads such as air conditioning, electric water heating, water pumping, and the charging of energy storage or electric vehicles. In a high-DER environment it can be used to both reduce the intensity of peak demand periods and better match appliance runtimes with times where there is an oversupply of renewable energy.

Distributed energy resource (DER) - dispersed power generation, energy storage, and demand management located at customer premises or connected directly to the distribution network. While DER is often used to refer to renewable generation sources, it also includes dispersed non-renewable generation sources.

Distributed energy resources management system (DERMS) - a software platform to manage all distributed energy resource assets connected to the energy network.

Energy storage - a means of storing energy within an electricity system, either directly or indirectly. Storage may be either centralised or distributed throughout a network. Examples include batteries, power capacitors, flywheels, and pumped hydro systems.

Feed-in-management (FIM) - a type of generation management in which participating customers allow Horizon Power to manage the output of their solar generation to better match supply with demand and help prevent system instability.

Fringe of grid (FoG) - network infrastructure at the remote edge of the grid.

Government trading enterprise (GTE) - a government body that derives its prime source of revenue from the sale of goods and services in a commercial environment.

Generation management (GM) - used to monitor, control, and optimise the performance of generation, particularly rooftop solar. Generation management controls the output of rooftop solar, and allows more renewable energy to be hosted across Horizon Power's electricity systems.

Grid / off-grid - the electrical grid is the interconnected network delivering electricity from producers to consumers, consisting of generation, transmission, and distribution assets. Off-grid power systems are not connected to the main electricity network and can be stand-alone power systems that provide a smaller community with electricity.

Lost time injury frequency rate (LTIFR) -

a formula to provide the number of lost time injuries to be sustained, per one million hours worked, over a given 12 month period.

Master meter - the main meter which measures the total electricity supplied to a building or a remote community.

Microgrid - a geographically confined collection of electrical resources that act together, with centralised generation typically playing a key role. Microgrids can be remote, embedded, or interconnected and may begin their life either detached or attached to a larger grid.

Micro power system (MPS) - a new utility asset class designed to provide remote customers with a full electric utility service, without requiring a traditional poles and wires network connection. Distinct from privately-owned stand-alone power systems (SPS), they are fully integrated across all utility back-office systems, designed for multi-decade life cycle efficiencies and capable of being fleet-managed in the thousands.

Notifiable public safety incidents - an incident or event that is caused, or significantly contributed to, by electricity and that results in serious injury; or serious damage.

Photovoltaic (PV) - the conversion of light into electricity using solar panels.

Pre-payment meter - billing system where customers pay for electricity before it can be consumed.

Stand-alone power system (SPS) -

most commonly used to describe privately owned off-grid power systems that provide electricity to a single customer through a combination of energy storage and both renewable and fossil-fuel generation.

System Average Interruption Duration Index (SAIDI) – average total length of outages in minutes over 12 months.

System Average Interruption Frequency Index (SAIFI) – average number of interruptions over 12 months.

System blueprints - the system Horizon Power uses to determine the optimal supply models for each of its microgrids over the long term.

Unassisted pole failure - an unassisted failure of a pole, as defined by Regulation 28 of the *Electricity (Network Safety) Regulations 2015*, is summarised as a network pole breaking or collapsing due to a force greater than its design specification.

Uniform tariff policy - all retail electricity customers in Western Australia are charged the same rate, even though the true cost to supply differs by system and region.

Industry measurements

GWh gigawatt hour: one GWh equals 1,000 megawatt hours or one million kilowatt hours.

kVA kilovolt ampere: one kVA equals 1,000VA.

kW kilowatt: one kW equals 1,000 watts MW megawatt: one MW equals 1,000 kilowatts.

kWh kilowatt hour: the standard 'unit' of electricity which represents the consumption of electrical energy at the rate of one kilowatt over a period of one hour MWh megawatt hour: one MWh equals 1,000 kilowatt hours.

MVA megavolt ampere: one MVA equals 1,000kVA W watt: a measure of the power present when a current of one ampere flows under a pressure of one volt.

V volt: the unit of potential or electrical pressure .

VA volt ampere: volt amperes are the 'apparent power' and are the product of the voltage applied to the equipment times the current drawn by the equipment. The VA rating is limited by the maximum permissible current, and the watt rating by the power-handling capacity of the device.



