Annual Report 2022/23

Delivering cleaner energy solutions for regional growth and vibrant communities

Owned by the people of WA

HORIZON POWER

Acknowledgement of 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 (WA) and Perth, where our corporate office is based, and we honour and pay our 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. 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.

Terminology

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 WA.

Aboriginal and Torres Strait Islander peoples of Australia are advised that this report may contain images or names of deceased people.

Statement of Compliance

For the year ended 30 June 2023

To the Minister for Energy
Hon. Bill Johnston MLA

In accordance with the *Government Trading Enterprises Act 2023* (WA) (the Act), I am pleased to submit for your information and presentation to Parliament, the 2022/23 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

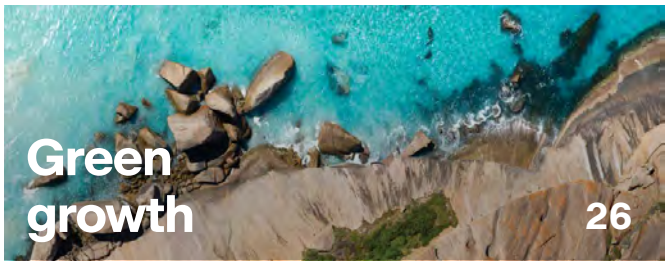
Samantha Tough

Samantha Tough
Chair

8 September 2023

Hamersley Range, Karijini National Park, Kimberley
On the cover: Cape Lambert to South Hedland 220 kV transmission line, Pilbara

Contents



About us

We are Horizon Power, WA's regional and remote energy provider, powered by an engaged local workforce working hard to ensure our customers receive safe and reliable power. Our vision is to deliver cleaner energy solutions for regional growth and vibrant communities.

As a vertically integrated utility, we operate across the full energy supply chain with generation, transmission, distribution and retail services.

The future of energy is rapidly evolving and we are partnering with customers to transition from a one-way linear relationship toward two-way community energy exchanges between renewables, households, businesses, electric vehicles (EVs), smart appliances and the Internet of Things (IoT).

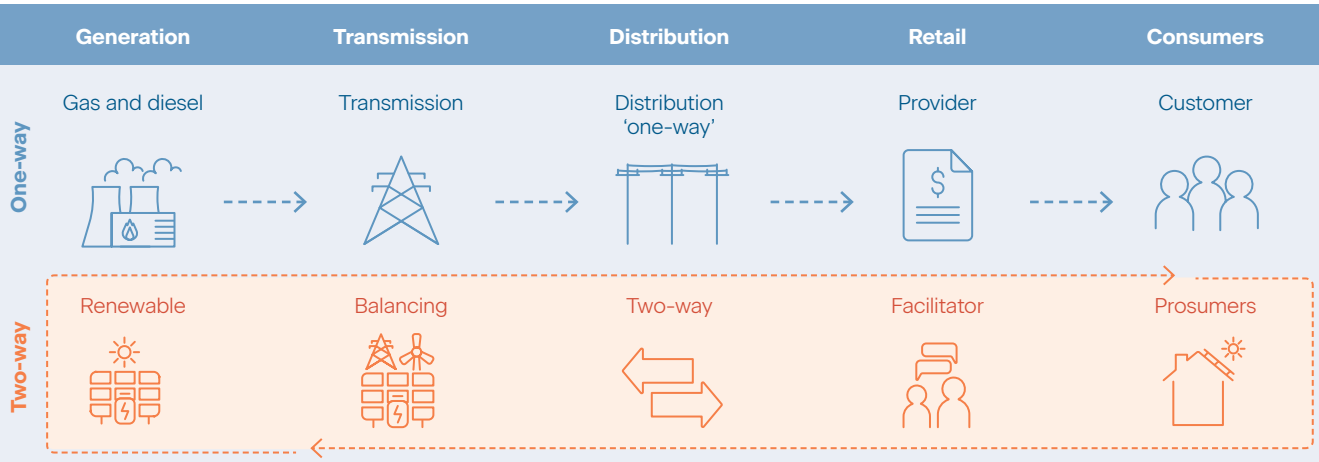
Our service area is vast – we are responsible for the largest geographical catchment area of any Australian power provider, spanning 2.3 million square kilometres. We put our regions first to support community growth through local jobs, goods and services, while honouring our commitment to improving the lives of Aboriginal peoples.

Horizon Power operates 38 power systems delivering energy to 46,662 residential, business and pre-payment customer accounts.

We provide power via the North West Interconnected System (NWIS) in the Pilbara; the connected network covering three 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. In serving these diverse customers and communities, we are a trusted partner in enabling new infrastructure, delivering power supply, integrating more renewables and accelerating new technologies.

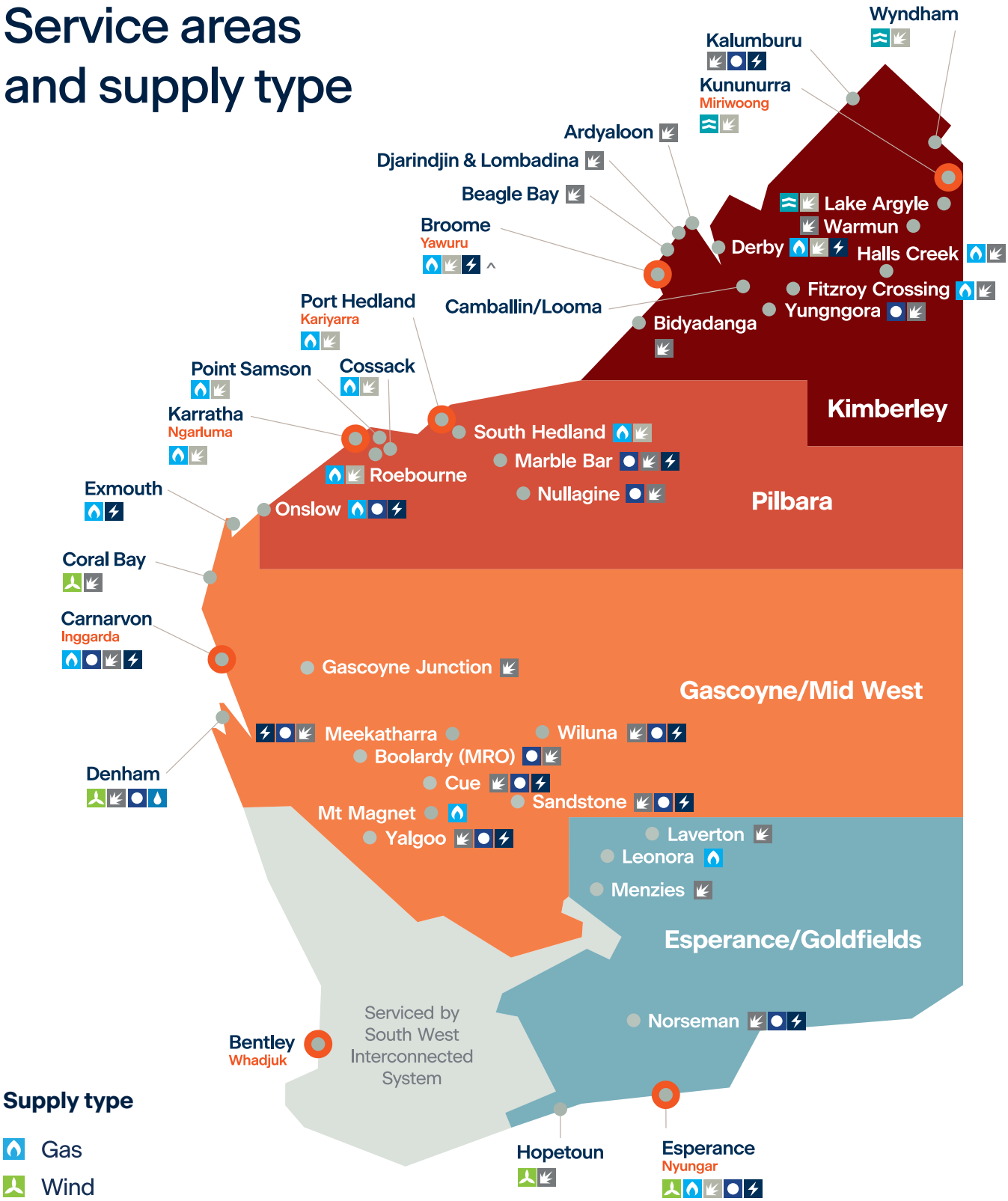
This year, we began assuming responsibility for the delivery of power to 117 remote Aboriginal communities and three town-based reserves, formerly under the responsibility of the Department of Communities. (Please see page 20 for more information on the program to improve power and water in Aboriginal communities.)

As a Government Trading Enterprise (GTE), Horizon Power operates under the *Government Trading Enterprises Act 2023* (WA) and is governed by a Board of Directors and the Minister for Energy.



Graphical representation of evolution from one-way linear relationship to two-way community energy exchanges

Service areas and supply type



Supply type

- Gas
- Wind
- Solar
- Hydro
- Diesel
- Diesel Backup
- Battery
- Hydrogen

Key

- Horizon Power Offices
- Horizon Power Supply Areas
- ^ Customer Experience Centre, Nila Janyba

Our year at a glance

$1.1m

invested in Community Partnership Program

FIRST

Horizon Power branded EV fast charger installed in Broome

5,800+ kms

of network assets surveyed

94%

customer satisfaction for the Esperance Energy Transition Plan (EETP)

6.2%

increase in approved rooftop solar

Delivered

$13.8m

in WA Household Electricity Credit payments

~1,800

safety and health leadership activities logged by leaders

Awarded $1.95m

in contracts to local Aboriginal businesses

17.1%

of delivered energy supplied by renewable energy sources

7

Battery Energy Storage Systems (BESS) installed, bringing our total to 24

26

additional standalone power systems installed across WA

Zero

reportable environmental incidents

Message from the Chair

The past year has seen Horizon Power maintain our commitment to the energy transition in WA and remain at the forefront of the adoption of renewable energy technologies.

This commitment is demonstrated through the delivery of several significant and pioneering projects which are paving the way for the realisation of a low-carbon economy.

In addition to the pursuit of future thinking and initiatives, we also remain focused on the need to deliver the energy demands of today.

Balancing the delivery of affordable and reliable energy with our ambitious plans for decarbonisation is critical to our success and a strategic priority for the Horizon Power Board.

Successfully achieving our decarbonisation goals will require operational excellence at all levels of our business. The Board has set a clear decarbonisation target and is focused on ensuring the organisation has the appropriate systems, capabilities and resources in place to deliver on this strategy.

We are prioritising environmental stewardship by investing in renewable energy products, integrating clean energy sources, engaging our customers in energy saving practices and fostering a culture of employee commitment to sustainability.

Much of our effort this year focused on delivering innovative and cleaner energy solutions to the regional and remote communities where our customers live and work. Key learnings from our Denham Hydrogen Demonstration Project and the Esperance Energy Transition Plan, just two examples among many of our recent ground-breaking efforts, will play an important role in informing future energy initiatives across the country.

I am honoured to be a part of the Horizon Power community and play a role in this exciting time in WA's energy transition

I acknowledge the efforts of our dedicated teams in their response to extraordinary circumstances such as the January 2023 floods in the Kimberley. Our Emergency Management team expertly led people from across the business to coordinate our efforts to restore power as safely and efficiently as possible — even during the most testing of times — reflecting the commitment and passion our people bring to the regions we serve.

The way we engage with our communities is second to none and I am continually impressed by the passion our people display as they enable our customers to participate in today's energy transition.

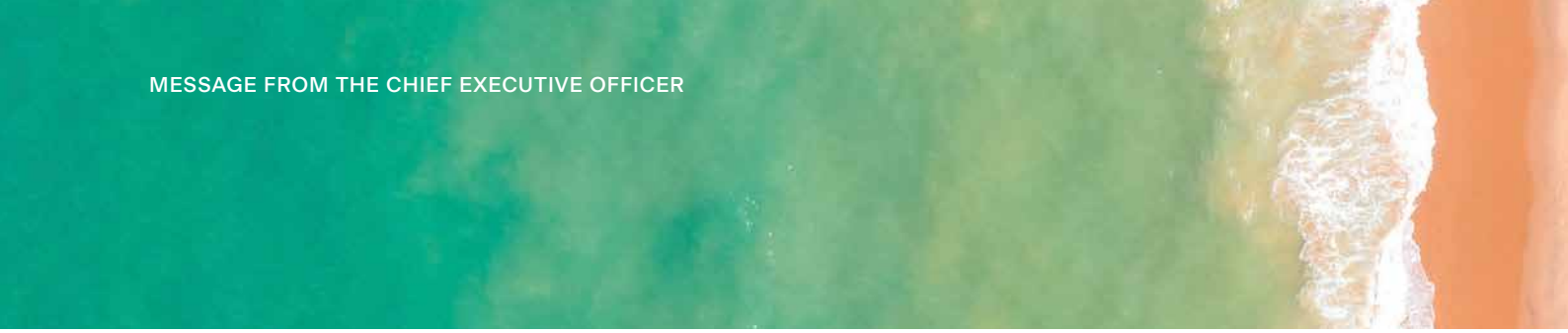
Balancing the delivery of affordable and reliable energy with our ambitious plans for decarbonisation is critical to Horizon Power's success

I want to acknowledge the collective efforts of the people who enable Horizon Power's success:

- the 500+ employees who drive our business forward, day-in and day-out, meeting our customers' energy needs and enabling us to progress innovative projects and undertake green energy trials
- my fellow Board members for their unwavering commitment and endless support, with special thanks to retiring Board member Martin Reed for his service to the organisation, and a warm welcome to Rohan Williams who joined the Board in March
- the Minister for Energy, the Hon. Bill Johnston MLA, and the State Government for their ongoing support for the important role we play in WA's energy transition
- Stephanie Unwin and the Executive team – Stephanie's leadership and vision have helped create a culture that ensures we are able to deliver a sustainable future that brings energy equity to all our customers.

I am honoured to be a part of the Horizon Power community and play a role in this exciting time in WA's energy transition. I look forward to continuing this journey together in the year ahead.

Samantha Tough
Chair



Message from the Chief Executive Officer

Our industry continues to change at unprecedented speed, and the past 12 months reaffirmed the need to be flexible as we develop our plans to lead the way in decarbonising WA's energy landscape.

We recorded a stable $7.1 million in net profit after tax this year, amidst a backdrop of skills shortages in key regional centres, supply chain delays, inflationary and commodity price pressures and increasing financing costs.

We saw a modest increase in energy sales, up 1.9% over the prior year driven primarily by growth in the Esperance Port and from the Esperance Energy Transition Plan, which transitioned approximately 400 customers from their local gas network to alternative energy solutions.

We delivered a record $122 million investment program this year, upgrading existing assets to enable us to continue to provide safe and reliable power, along with major investments in critical infrastructure for solar and battery storage solutions, standalone power systems and the WA EV Network. We know these investments will be critical enablers as we work to decarbonise our State.

We are passionate about energy equity at Horizon Power and believe strongly that transitioning to renewable sources should be accessible to all of our customers, regardless of circumstances.

Whether it is our smallest remote communities in the Kimberley or our biggest industry partners in the Pilbara, our goal is to enable all our customers to participate in the new energy landscape and reap the positive environmental and economic benefits that come with it.

Today's energy transition requires a new set of skills, and I am incredibly proud of the way our people have stepped up to the challenge. Traditional ways of working — and continuing to do what we have always done — is not an option. Adaptability, being comfortable with ambiguity and uncertainty, and the willingness to take leaps of faith have become crucial qualities for success – and I see examples of this every day across our business.

Every member of our team has a role to play in helping us achieve our ambitious goals

Technology is helping us solve complex technical challenges for our regional and remote customers. Our distributed energy resources management system (DERMS), which allows us to manage large amounts of rooftop solar, is just one example of how we're increasing access to renewables to achieve our energy transition goals.

Over the next 12 months, we will be deploying DERMS across all our microgrids to remove hosting capacity constraints while maintaining power system reliability. We must also strive to find a solution for energy storage beyond short windows of time as this is the real key to a decarbonised economy.

We appreciate our residential customers face significant challenges and increased cost-of-living pressures living in regional and remote WA. We are committed to ensuring all customers can reduce their energy bills by offering a range of products that meet their specific energy needs and will continue to inform and educate our customers as we bring them along on the energy transition.

As we evolve toward a low-carbon economy, we continue to prioritise the careful guardianship of our environment. Australia's vast landscape presents ample opportunities for abundant wind and solar energy production. In the Pilbara, we will need to transmit green electrons at considerable scale to help decarbonise industry and support new commercial ventures such as green steel.

However, in developing these renewable energy sources, we are always mindful of the impact to precious cultural heritage, flora and fauna and the need to protect biodiversity. Innovative solutions, stemming from research and development, help navigate this challenge – for example, improving solar panel efficiencies is one way to increase output while reducing the land requirements, or 'footprint', for solar generation sources.

In planning the location of new renewable resources, we are conscious of the need to focus on projects which maximise benefits for the community and industry — without overbuilding infrastructure.

Our goal is to partner in delivering sustainable solutions that minimise the impacts on our landscapes while still achieving our decarbonisation goal. We're committed to listening to our communities and Traditional Owners, enabling real and meaningful engagement as we jointly work on the pathway to decarbonisation.

WA's Uniform Tariff Policy is a great advantage to our customers, who benefit from a stable price option which protects them from the high price increases being experienced in other parts of Australia. While our business is facing considerable inflationary pressures, we keep a close eye on our operating expenses to minimise the State Government support needed for our systems. We continue to hold our subsidy in check, making real savings as we transition to higher renewable outcomes when our older systems are due for replacement.

I feel honoured to work alongside the people at Horizon Power and want to acknowledge and thank everyone who keeps our business running smoothly day-in and day-out. Despite supply chain constraints, increasing costs, a tight labour market and managing the impacts of the once-in-a-century flooding in the Kimberley, we continue to provide a reliable power source to our customers and make progress on our decarbonisation plan.

Every member of our team has a role to play in helping us achieve our ambitious goals. It is through their dedication, passion and commitment to our customers that we will make a lasting impact.

We understand we cannot achieve our emissions reduction target on our efforts alone, nor can we leave behind large numbers of customers who cannot access renewables on their own. We will continue to actively seek partnerships with like-minded organisations and government agencies to share knowledge, resources and best practices. By working together, we can amplify our impact and reshape our industry. I look forward to seeing how we continue to innovate to deliver cleaner energy solutions for the people of WA.

Stephanie Unwin
Chief Executive Officer

Operational performance report

Horizon Power by the numbers

46,662
total customer accounts
36,439 residential
8,806 business
1,417 pre-payment

56,361
distribution poles
729 transmission poles
867 transmission towers

53,190
customer connection points to network

1,020 GWh
electricity delivered a year

Notes to the performance overview table

1. Notifiable incidents

Nine notifiable network incidents were reported to Building and Energy in 2022/23:

- two electric shocks/injuries to people
  - a member of the public climbed a streetlight pole and made contact with the conductor
  - a contractor hit a power cable and received an electric shock
- one fire on a non-network building/structure when a pole top switch flashed over causing a meter box fire
- three third-party contacts with assets that were not up to standard and where contractor hit underground LV cable
- two failure to provide good work practices
  - a transformer had an LV flashover during commissioning
  - a service wire was hit when cutting trees
- one faulty neutral affecting two or more customers where a corroded connection affected two customer meters with neutral problems

2. Unassisted pole failure rate

The unassisted pole failure rate remained below the 1 per 10,000 poles due to our ongoing pole management strategy (additional information is provided on page 14).

3. Net profit after tax (NPAT)

NPAT was higher than estimated primarily due to increased customer-funded works. Profit was lower when compared to previous year, driven by inflationary and commodity price pressures and higher costs.

4. Unit cost to supply

Unit cost to supply was higher than target and previous year's results, primarily driven by higher cost base from the effects of higher inflation and commodity prices.

5. Return on assets

Higher return on assets compared to target due primarily to higher earnings before interest and taxes (EBIT). Return on assets was lower than in previous year due to lower EBIT, mainly from inflationary and commodity price pressures.

6. Customer satisfaction rating

A lower-than-expected result, with both residential and business customers reporting less overall satisfaction. The general decline in positive sentiment from the higher levels seen in the COVID-19 years needs to be viewed in the context of continuing cost-of-living pressures.

7. Reliability

The number of performing systems has increased to meet the target of 33 of 38 systems.

8. SAIDI/SAIFI

SAIDI and SAIFI have increased following a challenging year from generation outages and weather events. However, this is still below both targets.

Table 1: Performance overview/critical business outcomes FY 2021/22 and FY 2022/23

Critical business outcomes	Target performance 2022/23	Actual performance 2022/23	Target achieved	Actual performance 2021/22	Notes to the table	For more information see page
Safety – minimise the risk of harm						
Public safety Total number of notifiable public safety incidents	N/A	9	N/A	14	1	N/A
Unassisted pole failure rate Number of unassisted pole failures divided by 10,000 over a 36-month rolling average	1.00	0.65	✓	0.59	2	14
Value – maximising long-term value						
Net profit after tax ($m)[1] Profit for the year after income tax	3.5	7.1	✓	10.4	3	73
Cost management (cents/kWh)[1] Unit cost to supply (estimated total cost for financial year excluding interest, depreciation and tax)	38.2	39.1	x	35.9	4	N/A
Return on assets (%) Earnings before interest and tax (EBIT) on total assets*	3.0	3.3	✓	3.6	5	N/A
Community - be a high performing business						
Customer satisfaction (%) Survey rating	>70	70	✓	73	6	N/A
System reliability and electricity delivery						
Reliability Number of systems that meet reliability performance standards	33	33	✓	29	7	12
System Average Interruption Duration Index (SAIDI) – average total length of outages in minutes over 12 months	290	202	✓	157	8	12
System Average Interruption Duration Index (SAIDI) – average number of interruptions in minutes over 12 months	6.6	2.8	✓	2.1	8	12

[1] Target represents latest State budget estimated actual as approved by State Government (Expenditure Review Committee [ERC])
*Total assets exclude deferred tax liabilities which are offset against deferred tax assets in the financial statements.

Providing a safe and reliable supply of electricity

Our performance (Table 1, page 11) is measured against key financial and non-financial performance indicators and targets, as outlined in our Statement of Corporate Intent approved by the Minister for Energy.

Across our service area, our customers on average experienced 2.8 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 interruptions increased to 202 minutes but remains below our target of 290 minutes (System Average Interruption Duration Index – SAIDI).

Throughout the year, the number of performing systems dropped to 29 out of 38 systems, however, a targeted action plan ensured a return to our target of 33 performing systems at the end of the financial year. This is a key internal measure of our performance which considers both the duration and frequency of interruptions experienced by our customers in each of our service areas. Generation outages, lightning and storm activity, flooding in the Kimberley and wildlife interactions all impacted reliability performance in our systems at Halls Creek, Mount Magnet, Esperance (rural), Fitzroy Crossing and Broome.

We recognise the impact of interruptions on our customers and the community and continue to drive continuous improvement in our asset management practices and our response mechanisms.

Our ability to respond quickly and cost effectively to remote system faults is influenced by the distance between resource centres, and this remained a challenge throughout FY23. Where appropriate, we have adopted alternative resourcing strategies and in some areas we are piloting advanced fault location technology. We continue to investigate remote sensing and improved predictive failure mode analysis to further mitigate this issue.

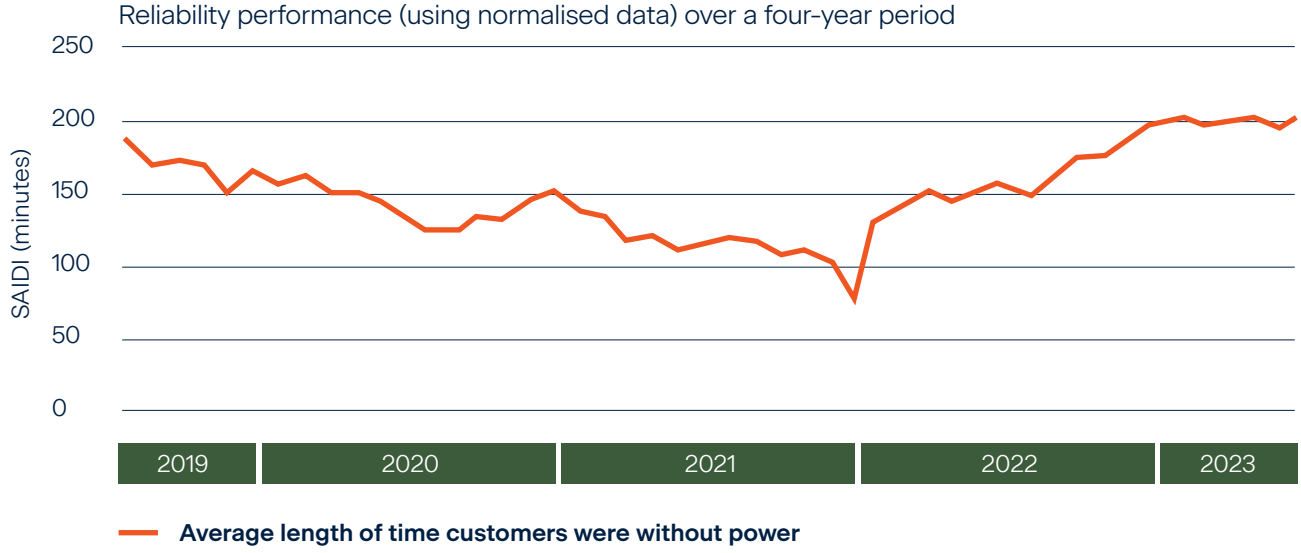
There were two significant weather events that impacted our systems during FY23:

- In January 2023, ex-Tropical Cyclone Ellie caused major flooding of the Fitzroy River affecting the towns of Fitzroy Crossing, Halls Creek, Camballin and Looma.

  This resulted in significant damage to road infrastructure and led to challenges to supply liquified natural gas (LNG) to power stations. This required us to reconfigure power station infrastructure to accommodate the temporary diesel generation which we were able to secure.
- In April 2023, the Category 5 Tropical Cyclone Ilsa made landfall near Pardoo, resulting in localised damage but minimal noticeable impact to Horizon Power infrastructure or customers.

We continued to see strong compliance with our Electricity Network Safety Management System (ENSMS) which provides a structured mechanism and strong focus to ensure safe assets and safe work practices for our employees and our communities.

Figure 1: System Average Interruption Duration Index (SAIDI) 2019/20 to 2022/23



Improving and maturing our approach to safety

Safety is a core value at Horizon Power, and we are committed to achieving excellence in Safety, Health and Wellbeing (SH&W). In 2021 we refreshed our SH&W strategy and embarked on a journey to improve and mature our approach to safety across the business.

Strong leadership and workforce engagement is central to our strategy's success. Over the past two years we have worked hard to establish strong trust and support across the business, meaningfully engaging our leaders to maintain a safe and healthy work environment.

In 2022/2023 our leaders engaged in 1,800 discrete and deliberate SH&W activities, ranging from a focus on our critical risks to safety interactions, committee membership and investigation participation.

Table 2: Transmission and distribution network lines

Network type	Carrier	Length (kilometres)
Transmission	220 kV overhead	202.7
	220 kV underground	0.4
	132 kV overhead	71.7
	132 kV underground	3.6
	66 kV overhead	157.1
	66 kV underground	3.9
Distribution	High voltage 3-phase overhead	2064.4
	High voltage 3-phase underground	977.0
	High voltage single phase overhead	2787.2
	High voltage single phase underground	17.1
	Low voltage overhead	567.1
	Low voltage underground	1645.5
Total		**8497.7**

Network assets

1.1% increase in the carrier length from FY 2021/22

Added 60 transformers, increasing overall transformer capacity by 23 megavolt amperes (MVA)

Number of distribution poles increased by 0.28%

Table 3: Other transmission and distribution assets

Carrier	Amount/number
Total transformer capacity	844 MVA
Transformers	4,384
Distribution poles	56,361
Transmission wood poles	0
Transmission steel poles	729
Transmission towers	867

Pole management strategy

We continue to refine our overhead asset inspection strategy through a disciplined approach to our pole inspection, reinforcement and replacement programs. Approximately 18% of our pole asset base, or 9,872 poles, was inspected this year. Pole unserviceability rates resulting from inspection and testing have decreased significantly and are now stabilised at less than 2% of poles inspected.

9,872 poles were inspected this year

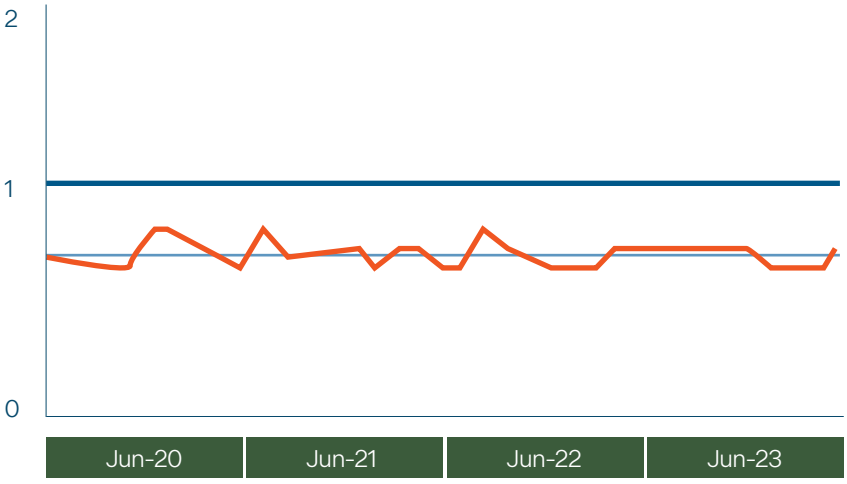
There were two unassisted pole failures this year, one each in Esperance and Karratha, an extremely low number of failures and below target for our pole population.

The current unassisted pole failure rate has remained stable, currently 0.65, well below the industry target of 1 in 10,000 poles per year. This performance is attributed to the application and continuous improvement of our overhead asset inspection strategy.

In addition to managing network pole risk, we also inspected 3,575 consumer poles, with 134 poles identified as unserviceable and replaced by customers to mitigate the risk of pole failure. Consumer poles will now be inspected routinely, similar to our network poles, as part of our updated overhead asset inspection strategy.

Figure 2: Unassisted pole failure rate 2020/21 to 2022/23

Rate per 10,000 poles on a three-year rolling average



Conductor management

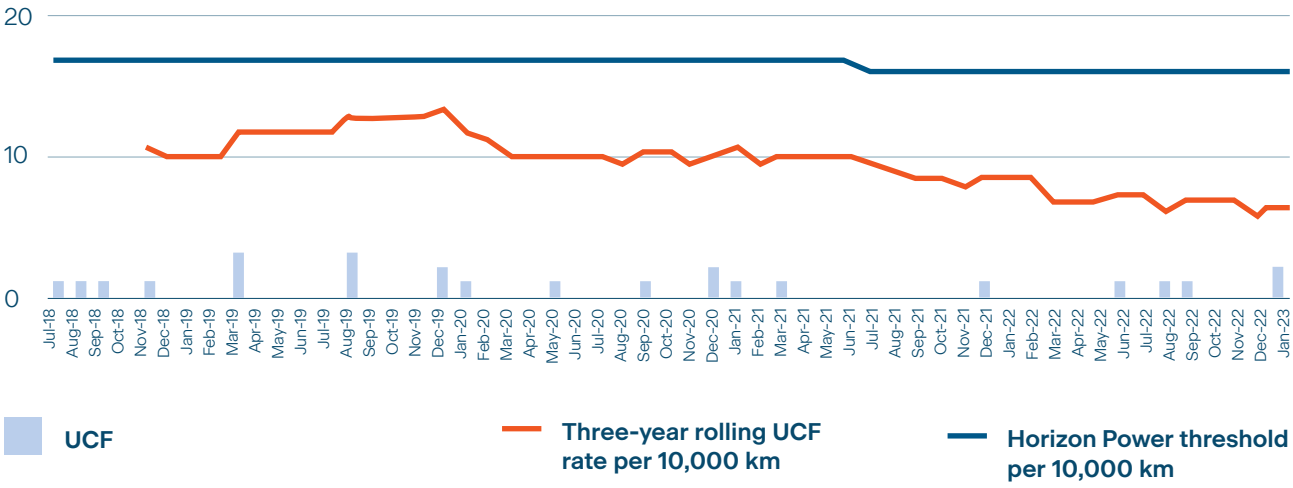
The effective management of risk as part of supplying electricity to customers through overhead networks continues to be a strong focus for Horizon Power.

Throughout FY23, there were eight unassisted conductor failures, seven in Esperance and one in Carnarvon.

Acknowledging this risk, we have:

- continued to routinely inspect conductors as part of our overhead asset inspection strategy. These inspections identify conductors most prone to failure and in poor condition, with targeted conductor replacement programs to manage the risk. This also included the development of a 10-year replacement program for conductors in Esperance.
- surveyed our entire overhead network using light detection and ranging (LiDAR) to capture all pole and conductor data. This identified more than 1,000 poles not previously captured in our enterprise asset management and geospatial systems. Following this survey, we realigned our network and improved the accuracy of our data, with 34% of network poles moved to their true geospatial location in our computer systems, resulting in 99.6% of pole locations now accurate to within 10 metres.
- captured high resolution images of all overhead assets which identified pole, hardware and conductor defects difficult to detect using traditional ground-based inspection programs. These defects have been prioritised and corrected, reducing the risk of further overhead asset and conductor failures.
- continued to analyse the correlation between conductor and pole top hardware conditions to local environmental factors (e.g. wind direction and speed, proximity to corrosion sources, conductor age and material types) to further enhance and improve our overhead asset inspection strategy.

Figure 3: Horizon Power unassisted conductor failure (UCF)



Horizon Power's

Pathway to 2030

A multi-faceted approach to emissions reduction

We are committed to supporting the WA Government's goal of being net zero by 2050, as well as its interim target of an 80% reduction in carbon emissions by 2030*. We're doing our part to help the State meet these low-carbon goals by developing a multi-faceted approach which reflects our vertical integration and diverse portfolio of generation fuel sources.

Our integrated approach targets an efficient energy transition, guided by six key themes:

Power purchase agreement (PPA) roll-offs

Transitioning the North West Interconnected System (NWIS) and our microgrids to high penetration renewable systems as PPAs expire

Transmission corridors

Explore opportunities to facilitate the enabling infrastructure required to connect renewable third-party energy projects

Alternative fuels and hydrogen (H_2) use cases

Exploring alternative clean fuels (including renewable diesel), retrofitting and green H_2 generation, natural and fossil gas/H_2 blending and emerging technology for lower-cost abatement outcomes

Electric vehicle (EV) readiness

Delivering the fast-charging WA EV Network, developing EV charging tariff, network resilience and vehicle-to-grid options

Customer products

Providing our customers with a suite of renewable energy products, with a focus on our high cost to supply towns

Firming and optimising of renewables

Providing multiple firming services across the value chain, including new storage technologies like long duration energy storage

Achieving our ambitious carbon emission reduction goal will require significant work and flexibility on our part, adjusting course to meet changing market conditions and evolving customer priorities. Successfully meeting our decarbonisation target will require us to address and solve the following challenges:

*Based on FY 2020 baseline

Land access

Acquiring land for renewable energy projects is often a lengthy process involving complex environmental, biodiversity and native title processes.

In alignment with our best-practice engagement approach, we will continue to seek input from a broad range of stakeholders to ensure we can achieve our renewable infrastructure targets without negative impacts on cultural heritage and precious flora and fauna, to protect WA's biodiversity.

Overcoming this challenge requires early planning, coordination and effective stakeholder engagement to enable timely implementation across our multiple and vast locations.

Limited resourcing

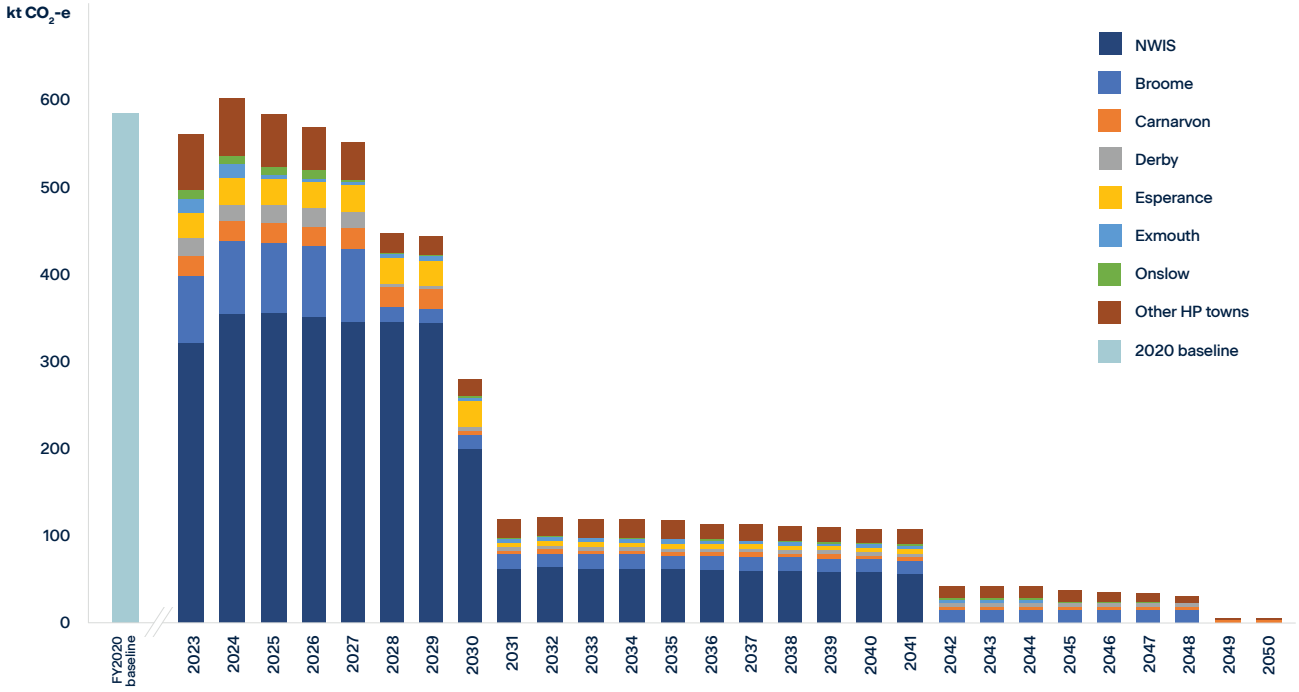
Our remote service area impacts our ability to source, procure and install equipment in a competitive supply market.

Addressing these challenges requires a robust procurement strategy to ensure efficient financial investment while maintaining project schedule.

Access to funding

While increasing renewable energy penetration is a positive step for our communities, it will require significant investment in technology and energy storage to ensure we have firming for renewables. Accessing the required funding will enable the successful integration of new renewable technology into our existing power grids and provide increasing levels of green energy to our communities.

Horizon Power emissions reduction target



Source: Horizon Power internal modelling reflecting level of CO_2-e reductions required to meet 80% decarbonisation goal.

For example purposes, the graph above illustrates how our chosen pathway of PPA roll-offs and a focus on the Pilbara could contribute to a reduction in our retailed carbon emissions.*

The PPA theme aims to deliver the lowest-cost solution to meet carbon abatement targets and concentrates our efforts in the Pilbara and the next six largest towns — where we can achieve the bulk of our emissions reduction.

* We use the term 'retailed emissions' at Horizon Power to include emissions associated with our own generation and supporting activities, as well as those which relate to the purchase of wholesale electricity supplied by independent power providers (IPPs) for re-sale by Horizon Power to our customers.

Lead the energy transition

Horizon Power is delivering groundbreaking energy transition projects across WA, positively changing the landscape in the regions where our customers, employees and stakeholders live and work.

Meeting our ambitious 80% reduction in retailed carbon emissions target by 2030 requires us to actively identify, develop and deploy new technologies that focus on cleaner, greener energy solutions.

To achieve our low carbon goal, we are adopting a multi-faceted approach which reflects Horizon Power's vertical integration and our diverse portfolio of environmental conditions, generation sources, commercial contracts, cost of supply and customer socio-economic conditions. Our integrated approach targets an efficient transition to a low-carbon future by focusing on:

- PPA roll-offs to enable transition to high percentage of renewables
- Transmission corridors to facilitate connection of new renewables
- Alternative fuels and hydrogen use cases
- EV readiness
- Customer products
- Firming and optimisation of renewables.

We want our customers to play a key role on the decarbonisation journey of our towns and how we support this goal will vary across locations.

Firming and optimisation of renewables

We opened the Shark Lake Renewables Hub in May 2022 to provide cleaner, more affordable power to Esperance. Since its commissioning, the new power station has experienced some technical issues associated with integrating higher percentages of renewables.

Over the past year, the system has provided, on average, approximately 26% of the community's power needs via renewable sources. Now that the technical issues are resolved, we are seeing the project deliver approximately 50% of the town's energy needs via renewable sources. Compared to our FY2020 baseline, we have delivered an estimated 23% reduction in absolute emissions to the Esperance community during the financial year.

Our largest generation systems account for approximately 88% of Horizon Power's total carbon emissions, so we have made the strategic decision to focus our decarbonisation efforts on these systems - located in the Pilbara and the towns of Broome, Esperance, Carnarvon, Derby, Exmouth, and Onslow.

First up is Exmouth, and our goal is to generate up to 80% of the town's power requirements from renewable energy sources from both centralised and distributed solar photovoltaic (PV). The Exmouth power project will include a solar farm and an additional large battery for energy storage, firmed by gas-powered generators to ensure continual access to a safe and reliable power source.

Once operational, the system will replace the generation from eight compressed natural gas and two diesel generators, while displacing approximately 9,000 tonnes of annual greenhouse gas emissions. We're currently working with the Shire of Exmouth to secure land for this project, but have experienced lengthy delays in land acquisition and securing a suitable footprint for this solution.

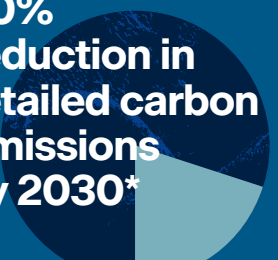
Introducing rooftop solar into our electricity networks presents challenges for our systems which were originally designed for a one-way flow of power. When too much solar is fed back into the network, voltage and frequency issues can lead to power outages. DERMS is helping us address this issue and is a crucial enabler for our decarbonisation strategy.

This project will implement technology to coordinate traditional fossil fuelled generators and Horizon Power renewables with increased volumes of customer-owned solar and storage.

Delivered 23% reduction in absolute emissions in Esperance*

* based on FY2020 baseline

80% reduction in retailed carbon emissions by 2030*



* interim target


Image supplied by Pacific Energy

- DERMS, known to customers as Smart Connect Solar, will help us efficiently manage the two-way flow of energy on our networks. DERMS will monitor a town's network – including individual rooftop solar systems and larger generation sources – and coordinate the various systems so we can maintain grid stability and reliability in our communities. The technology helps us better understand what is happening in real-time across our power systems to make the most efficient dispatch decisions.
- Bringing DERMS to our communities removes hosting capacity limits and allows more customers to access the benefits of renewable energy, reducing bills, improving network stability and lowering carbon emissions across WA.
- We will roll out this end-to-end solution across all our microgrids over the next 12 months, with the community of Carnarvon the first to go live.

Smoothing the way for renewables

We launched our solar smoothing service for commercial and government customers in Broome this year, which allows customers installing >30 kW of solar to comply with smoothing requirements without the required capital outlay to install an onsite smoothing battery.

Solar smoothing is available via a daily subscription-based service fee calculated according to the business's solar inverter size.

The system enables us to automatically manage the smoothing and storage of customers' solar energy at times when there is not enough sun or there is an excess of energy in the system, helping us maintain the stability and safety of our network. The service has launched with positive acceptance among our customers in Broome and is now fully subscribed.

Sunshine Saver

For many of our residential customers, the benefits of rooftop solar are out of reach due to personal and financial barriers including lack of home ownership or high capital costs. To help address this equity gap, our new Sunshine Saver subscription-based offering will deliver bill savings to this customer segment.

For a $1 daily subscription fee, Sunshine Saver will provide eligible customers with five kilowatt hours (kWh) credited to their account each day, regardless of usage. Further bill savings can be achieved with a 10% savings applied to additional energy consumed between 6am and 6pm daily.

Estimates project $186 in annual savings per customer, representing up to 11% of their annual energy bill. Across the 500 customers expected in our initial launch, this equates to $93,000 per year in savings.

We launched Sunshine Saver in Esperance in August and aim to expand to other regions where practicable. We are also developing additional solar solutions for our Kimberley communities to be launched in the near future.

Improving Power and Water in Aboriginal Communities

Enabling all our customers to have access to the same standard of power and water service as others living in similar sized communities is the ambition of the Improving Power and Water in Aboriginal Communities Program. The Department of Communities (DoC) was previously responsible for the delivery of services in 138 remote Aboriginal communities and three town-based reserves. Under this program, in April the DoC began transferring responsibility for the administration of power and water in these communities to Horizon Power and Water Corporation, respectively.

The full transfer will take several months to complete, with power and water services continuing to be delivered by Aboriginal-owned regional service providers for the 12,000+ residents in these communities.

The State Government is providing $200 million in funding over four years via the Remote Communities Fund for initial upgrades to power and water infrastructure and improvements to water quality.

The delivery of on-the-ground services will continue to be provided by the remote service providers with minimal impact on our business. However, community engagement and setting up customers for small use code compliance is a significant body of work for us.

We're proud to play a role in this project which will standardise power and water services for these communities over the coming decade, while supporting the State Government to advance its commitment to the National Agreement on Closing the Gap.

Supporting customers experiencing hardship

Data from the Australian Bureau of Statistics shows that the cost of living in Australia has reached an all-time high and Horizon Power is witnessing the impact that escalating cost of living is having across our service area. Historically, our regional and remote customers experience higher levels of hardship, and many suffer from hidden and entrenched disadvantage, often related to the high cost of comfort in the extreme climates found in WA.

We are committed to bringing all our customers along on the energy transition journey, and we offer a range of hardship measures for those customers needing extra support and assistance with bill payment and knowledge around energy consumption.

Household Energy Efficiency Scheme

- Delivered in partnership with Synergy and Energy Policy WA (EPWA)
- Focuses on improving energy affordability for vulnerable customers via in-person consults, home energy audits, education and mentoring
- Successfully piloted in South Hedland and Carnarvon
- Targeting further expansion in the Kimberley, acknowledging the significant level of hardship in the region

Family Violence

- New provisions to *Code of Conduct for Supply of Electricity to Small Use Customers*
- Changes implemented to identify customers experiencing or recovering from family violence
- Customers experiencing family violence are case managed by our customer relationship officers
- Partial or full debt waivers can be applied for customers experiencing or recovering from family or domestic violence

Customer Service on the Move

- Ongoing, face-to-face customer engagement in regional communities
- Provides assistance with billing enquiries, concessions, rebates eligibility and application, payment challenges and hardship assistance requests
- Builds valuable insights into our communities and customer groups through meaningful and regular interactions
- Creates valuable synergies with other community stakeholder organisations, providing customers a more fulsome ‘wraparound’ service
- Supported by three Horizon Power customer relationship officers, based in Broome, Port Hedland and Carnarvon, who provide case management services for customers facing hardship throughout their account lifecycle

Case study

WA's EV Network: Driving the transition to cleaner energy

We are working with Synergy and the State Government to build Australia's longest connected fast-charging EV network, stretching from Kununurra to Esperance, and as far east as Kalgoorlie and Eucla.

With EVs producing on average 47% less carbon emissions* than the average new vehicle powered by an internal combustion engine, this project is helping WA reach its net zero carbon emissions target by 2050.

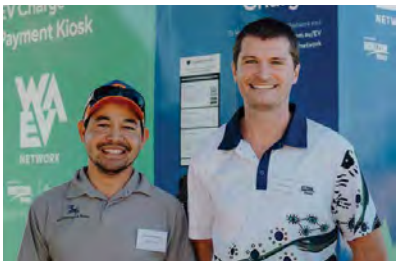
With 35% of global car sales predicted to be electric by 2030**, the WA EV Network will help connect WA and make EVs an option for more people, whether they live in the city or in regional WA.

Charged with confidence

Along the WA EV Network, there will be an EV charging station approximately every 200 kms, and each station will have a DC fast charger and a back up charger installed. The charging system will accept payment via credit cards, radio frequency identification (RFID) cards or an app.

Lessons learned

We will be identifying and sharing the lessons learned at project completion, ensuring there is sufficient time for participating local and State Government agencies to share their feedback on the process.



Charger sizes	Average charge time^
DC–50 kW	41 min
DC–75 kW	28 min
DC–150 kW	14 min

^Indicates charge time to add 200km range. Source: Calculations from the Electric Vehicle Council.

$43.5m
State Government investment to boost EV infrastructure

27
locations in Horizon Power's service area

49
total locations with 98 charging stations

Connects
7000+ kms

*Source: The Electric Vehicle Council, Recharging the economy (the economic impact of accelerating electric vehicle adoption). Relates to use phase carbon emissions when charged on existing average grid intensity; emissions reduction will increase as grid renewables increase.
**Source: International Energy Agency's Global EV Outlook 2023

Community benefits

Cleaner, sustainable future

Encouraging more EVs means less emissions than conventional petrol cars.

Connecting the regions

Fast EV charging stations will be available along major travel routes, connecting the regions to encourage tourism across WA.

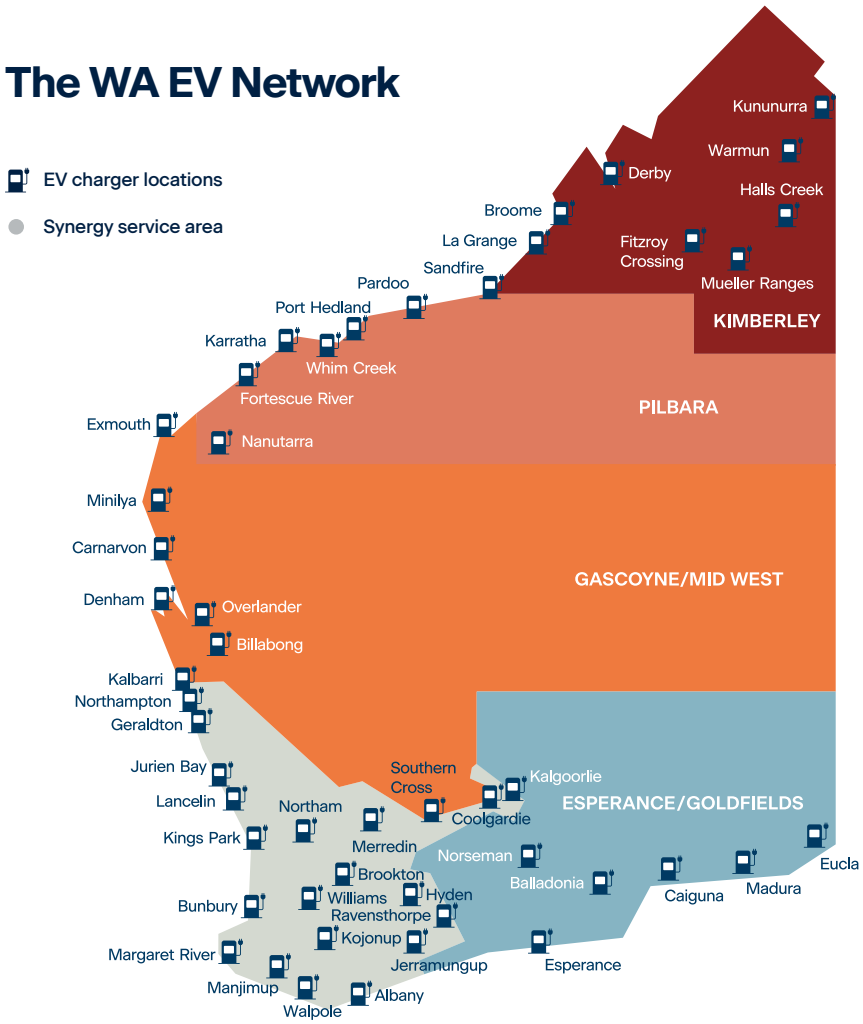
Supporting regional businesses

Construction of the WA EV Network has enabled partnerships with several regional businesses.

Electricity network benefits

When managed correctly, EVs can help smooth demand on the grid and improve network use, which could help reduce future system costs.

The WA EV Network



Timeline

2021 August

State Government announced funding for the WA EV Network

2022 August

Tender process completed for hardware and software

2023 April

First charger launched in Synergy's service area

2023 July

First charger launched in Horizon Power's service area

2024 October

Expected completion of the WA EV Network

Case study

Esperance Energy Transition: Paving the way for a renewable energy future

When the Esperance Gas Distribution Company (EGDC) announced it would cease supplying reticulated gas to Esperance effective March 2022, the State Government turned to Horizon Power to ensure a continued safe and reliable energy supply for the community. Over the course of 18 months, our customer solutions team helped to successfully transition approximately 400 Esperance customers from reticulated gas to an alternate energy source.

The Esperance Energy Transition Plan (EETP) was founded on the key principles of customer choice, like-for-like support and 'no impacted customer left behind'. Ongoing community engagement was key to the program's success, providing flexibility in assessment outcomes to ensure fairness and equity for all impacted customers.

On the commercial front, our business customers received independent energy audits to assist them in evaluating the most suitable transition options. Most small businesses transitioned to 100% electric alternatives, while 61% of high-use gas customers opted for liquified petroleum gas as electric alternatives for large-scale commercial equipment are not commercially viable.

Lessons learned

Choosing the right delivery model

Balancing customer choice while maintaining our high quality standards was critical. Trades were vetted for adherence to customer and licencing requirements, and the customer then chose their preferred trade partner.

Customer engagement

Nothing beats on-the-ground support for a positive customer experience. A well-designed online experience is valuable for digitally savvy customers, but customers valued face-to-face contact.

Education is key

Educating customers and trades on new technologies leads to greater uptake of energy efficient electric appliances; our practical demonstration on the benefits of induction cooking bolstered this process.

Trade engagement

Engaging trades who understood the objectives and customer experience was essential; local trades were committed to positive customer engagement to maintain their local reputation during delivery.

≈ 400
customers transitioned

633
residential appliances replaced

94%
customer satisfaction rating

88%
work completed by local trades

A four-step energy transition process

A package was available to affected residential customers connected to the Esperance Gas Distribution Network. To help cover the costs of replacing their gas appliances, customers were eligible for financial support and were able to transition through a simple four-step process, as outlined below.

1 → Choose a registered tradesperson

To get started, you will first need to select a registered tradesperson. They will then need to visit your property to assess the number of gas appliances and effort required for your new energy solution.

2 → Then apply for financial support

Once you have a quote from the selected tradesperson, you will then need to submit these details as part of your online application to participate in the plan.

3 → We'll assess your application

It will take around 5-10 days to review your application. We will then confirm the amount of financial support provided by us, so you can choose your own appliance and arrange for the works to get started.

4 Once approved you can arrange for installation

Once we have approved your application, you can get in touch with your registered tradesperson to confirm a time and date for installation. They wll take care of ordering and installing the appliances at your property.

Customer benefits

Lower utility bills

Choosing an energy efficient electric appliance eliminates gas network supply charges.

Avoid unregulated gas price increases

Experience shows that bottled gas prices, especially in regional areas, can increase steeply.

Decrease carbon footprint

As a large portion of Esperance's electricity comes from renewable sources, electric appliances create less greenhouse gas emissions than gas counterparts.

Safe and healthy homes

While any energy system has some risk, modern electric appliances are generally safer than gas equivalents.

Timeline

2021 September
EGDC announced plans to cease gas supply to the Esperance community in March 2022

2022 February
Horizon Power executed agreement with EGDC to extend gas supply until 31 March 2023

2022 June
First residential customer transitioned

2022 September
Customer and trade incentive program launched

2023 March
Transition program successfully completed

Green growth

The future of energy generation is rapidly evolving, driven by the urgent need to combat climate change and its impacts on our planet. We acknowledge that the transition to a low-carbon economy will require collaboration and coordination between all levels of government, businesses, communities and customers.

Esperance coast

Decarbonisation Pathways Index

To help our commercial customers successfully plan and navigate this energy transition, this year we launched our inaugural Decarbonisation Pathways Index, a key resource which outlines the energy transition goals of leaders across 13 industries in WA.

The Index identified where regional WA businesses are in their energy transition journey and the opportunities to turn ideas into action. The intent is to help businesses establish energy transition timelines and establish ways in which partnering with Horizon Power can help create a framework for their respective decarbonisation journeys.

The Index highlighted the appetite of commercial customers to participate in the new energy economy, but often without the required internal capabilities. Report findings included:

- 70% of regional businesses place a high or extremely high priority on lowering carbon emissions, with 92% believing climate change poses a risk to their business
- Approximately 50% of respondents believe a lack of understanding of the energy transition and insufficent time to research present barriers to investing in solutions to progress decarbonisation goals
- Upfront capital investment was cited as the largest impediment to business development in renewable energy sources.

The Index will be updated annually and is part of our long-term commitment to support and partner with regional WA businesses to empower them in their own decarbonisation journeys. For our largest commercial customers, Horizon Power's major accounts team provide detailed behind-the-meter solutions to support their aspirations and decarbonisation journeys.

Reducing carbon emissions on the Burrup Peninsula

To support industry's decarbonisation plans on the Burrup Peninsula, Horizon Power is progressing a proposal to develop the Maitland Burrup common user transmission infrastructure. Our focus is to expand our NWIS transmission infrastructure to reach load centres on the Burrup Peninsula and provide staged connection to the Maitland Strategic Industrial Estate approximately 20 km west of Karratha.

As part of this effort, we are working closely with Woodside to support their decarbonisation plans for the Pluto LNG facility, which includes connecting the facility and a new 50 MW solar farm located in the Maitland Strategic Industrial Estate to the NWIS. The Pluto LNG facility would be the first standalone system to connect to the NWIS under the new regulatory regime (Pilbara Network Access Code), delivering increased reliability and reduced carbon emissions for the facility.

Successful delivery of this plan will require us to undertake significant augmentation of our existing network transmission infrastructure. New transmission assets will be required to connect the Maitland solar farm to the Karratha terminal, and also the Pluto LNG facility to a new Dampier substation. New transmission lines will be subject to strict environmental approvals. Our goal is for this development to encourage other isolated power systems in the Pilbara to connect to the NWIS, and to demonstrate the reliability of common user infrastructure as industry evaluates its decarbonisation options.

Upfront capital investment was cited as the largest impediment to business development in renewable energy sources

92% of businesses believe climate change poses a risk to their business

Solar Schools is estimated to deliver average annual bill reductions of 24% per school

Joint venture: delivering solar and battery projects

Our new 50:50 joint venture with West Australian Alternative Energy (WAAE) supports our decarbonisation goals by helping address some of the renewable energy sector's wide-ranging supply chain and workforce constraints that impact our ability to deliver solar and battery projects.

Our partnership with WAAE brings together significant capacity and experience in delivering a range of renewable energy systems, thereby aligning with the State Government's commitment to achieving its 80% reduction in carbon emissions by 2030. In 2022, WAAE successfully completed our Kalumburu hybrid solar project – supporting the remote Kimberley community to transition to renewable energy.

Solar Schools

Stage two of the State Government's Solar Schools program is underway with 28 schools in the Kimberley and Pilbara regions receiving solar installations as part of the $44.6 million Schools Clean Technology Fund. This innovative program, which is being delivered by Horizon Power in partnership with the Department of Education, is helping deliver cleaner, greener energy solutions for our regional and remote schools and improving energy affordability with estimated average bill reductions of 24% per school. The largest system in the program was installed earlier this year at Broome Senior High School, featuring 499 solar panels. It is expected to save the school approximately $350,000 annually in electricity costs.

Exploring renewable diesel

We are investigating the use of renewable, or green diesel, as a future low emissions fuel that can be used to decarbonise our diesel generation portfolio. Renewable diesel is a 'drop-in fuel' that has much lower emissions in its full life cycle. We still need to address emissions at the point of combustion and will investigate capture technologies for this. We have signed a non-binding Memorandum of Understanding (MOU) with FutureEnergy Australia to explore the establishment of a renewable diesel industry in regional WA.

The first step in this journey was completing an economic impact assessment to identify potential commercial impacts and economic benefits that renewable diesel projects could accrue to regional WA. The assessment quantified several potential benefits, including:

- **Impact on regional job creation** — project is estimated to support an average increase of 650 full-time roles over the baseline across Australia, due to strong increase in net employment in WA
- **Supporting carbon emissions reduction efforts** — when paired with renewable electricity, total carbon emissions associated with production and consumption of a litre of diesel fuel can be 95% lower than fossil fuel-derived diesel fuels
- **Strengthening resilience to energy and fuel shocks** — renewable diesel projects in WA can help improve fuel security and reduce the State's exposure to commodity price cycles.

Standalone power systems

Our standalone power systems (SPS) deliver cleaner, greener energy while also providing stability to customers by reducing outages. The State Government has committed to deliver 1,000 SPS by 2025, with Horizon Power receiving $45.8 million in funding to deliver 150 SPS across our service area. Delivery of the first 50 SPS began earlier this year in the Esperance region, bringing our total to 68 SPS providing continuous, off-grid, reliable power solutions to our customers across regional WA.

Boundary Power, our joint venture with Ampcontrol Limited, is our Round 4 SPS delivery partner. Boundary Power is an industry leader in designing and producing technologically advanced SPS to enable operational efficiencies, lower costs and lower emissions.

Boundary Power is currently deploying 100 SPS units for Western Power, Australia's single-largest deployment of SPS. The program will replace approximately 760 km of overhead power lines, improve land amenity for farmers and reduce the risk of bushfires.

Deploying batteries across WA

Horizon Power was an early adopter in battery energy storage, and for the past 15 years we have been exploring how energy storage can best be used to promote increased uptake of renewable energy across regional WA.

While each battery deployment project presented technical challenges, the learnings increased our capability to integrate and operationalise future deployments. Key findings from our battery trials helped shape our strategy in this space, and we are now installing batteries in a variety of formats across the regions.

Community batteries

We commissioned our first three community batteries this year, two in Broome and one in Derby, helping us improve customer access to solar and thereby reduce energy costs and carbon emissions. The community batteries provide customers with solar smoothing capabilities, meaning the excess energy generated by rooftop solar can be absorbed by the batteries with simultaneous energy flow back into the network. Our solar smoothing service makes it easier for customers to access solar energy and avoid the expensive up-front costs of purchasing and installing their own smoothing batteries.

Long duration energy storage (LDES) trial

We recently received $2.8 million in funding from the Australian Renewable Energy Agency (ARENA) for a LDES trial. The project will trial two LDES technologies in regional microgrids in Menzies and Carnarvon. The three-year trial has the potential to showcase deep storage for energy shifting, reduce barriers to deployment in microgrids and offer valuable insights to the wider energy sector. The project engineering and design phase will be completed early in the new financial year.

Energy Storage in Regional Towns

We received $30.8 million in funding via the WA Recovery Plan to install 10 battery energy storage systems (BESS). We are nearing completion of this project, which will enable more than 1,000 households and 500 businesses (based on a standard 5 kW system per household) in regional WA to switch to rooftop solar systems, unlocking a potential average household savings of 8-10% annually in our high-consumption towns.

Mid West Solar and BESS

Decarbonising electricity generation is a key part of transitioning toward net zero emissions. To increase the percentage of renewable energy generated in our power stations, we are installing solar and BESS in five Mid West towns and in Norseman in the Esperance/Goldfields region, supported by $13.5 million in Commonwealth funding. Systems in Wiluna, Yalgoo and Sandstone have been commissioned, with Cue, Meekatharra and Norseman slated for delivery later this year.

Vanadium batteries

We announced the purchase of our first vanadium redox flow battery (VRFB) on 31 July for a LDES pilot in Kununurra, an Australian-first project for a network connected energy provider. The 78 kW/220 kWh battery will enable us to test the capabilities of LDES technology in providing periods of 100% renewable energy, with the potential for it to be used across WA.

Vanadium batteries are designed to deliver large amounts of energy over a long period of time and are temperature resilient, a critical benefit for our regional and remote networks. The pilot supports our decarbonisation efforts and will provide our project team with key learnings around how this technology can be effectively integrated into our networks.

Case study

Denham Hydrogen Demonstration Project: Leading the way for hydrogen energy use

Just over two years after the first soil was turned at the Denham Hydrogen Demonstration Project, we officially opened Australia's first remote renewable hydrogen microgrid in November 2022. The $9.3 million plant is in a remote microgrid in Denham, approximately 800 km north of Perth.

The project aims to prove that reliable, baseload power generation may be achieved by converting excess renewable energy to green hydrogen – and then converting the hydrogen to electricity for use within the community when solar generation is not available.

Commissioning is complete and the project team is preparing for operational handover and the start of the reliability run. When fully operational later this year, we expect the plant to produce renewable hydrogen energy for households and businesses in Denham and provide learnings to Horizon Power and the wider industry.

Key learnings so far

- Tests technical capability of hydrogen as a power source for remote microgrids, in anticipation of the technology becoming cost competitive in the future.
- The project has expanded our knowledge of the technology, skills and systems required to successfully operate a hydrogen microgrid, allowing the broader energy industry to consider how this technology can be used in other remote power systems together with solar, wind and batteries.
- We are aiming to improve both technology and commercial readiness of renewable hydrogen energy by understanding the technology, how it can be used in a power system, and how it needs to be operated and maintained.
- We will then use this information to determine how we can apply this in other remote microgrids.

$2.6m
from the Australian Renewable Energy Agency (ARENA) Advancing Renewables Program

$5.7m
from State Gov (incl $1m from Renewable Hydrogen Fund)

704 kW
solar farm

100 kW
fuel cell

Produced
99.85%
purity first hydrogen

Project benefits

Valuable insight

Provides valuable insight and lessons to support commercialisation for future renewable hydrogen power generation.

Decarbonisation pathways

Renewable generation will offset diesel consumption and reduce emissions, providing decarbonisation pathways for future energy systems.

Reducing carbon emissions

If replicated, this could reduce carbon emissions for remote towns that are traditionally powered by diesel-generated microgrids.

Preserving our regions

Preserves our pristine regions by advancing renewable energy; supports State Government's commitment to achieve net zero emissions by 2050.

Timeline

2021 May
Construction commenced

2022 May
Electrolyser, compressor and fuel cell shipped to Denham in preparation for assembly

2022 Nov/Dec
Official opening

2023 March
First green hydrogen produced

2023 Sept
Hydrogen plant operational handover completed

2024 Sept
One-year operational anniversary

High performing organisation

Our strategic themes provide clarity on how we will achieve our purpose to deliver energy solutions for regional growth and vibrant communities. Our high performing organisation theme sets us up for ongoing success by focusing on our people, our safety and creating a digital utility of the future.

Enabling a high performing organisation positions us to increase operational efficiency, facilitate sound decision-making by accessing real-time data and upskill our team members to identify innovative solutions to the challenges posed by the fast-paced energy transition.

Earlier this year, we made a proactive pledge to continue investing in our people with the launch of Horizon Power's first Employee Value Proposition (EVP). Our EVP is a key foundation for our organisation's culture, and reflects who we are, what we do and how we do it. It encapsulates the elements which our team members value most about working for Horizon Power and will help set us apart as an employer of choice.

People are at the core of our success, and we understand the importance of retaining a deep talent pool across our business, particularly in the current competitive job market. A strong EVP can help us achieve this goal, and will also help us attract new, skilled people to support our future growth.

Our EVP focuses on three core pillars which reflect what our people value most about working at Horizon Power:

- work that works with you
- seriously impressive projects and technology
- real recognition and rewards.

As part of our EVP launch, we introduced additional employee benefits including a Talent Referral Program; extra leave days; a flexible Australia Day public holiday; and increases to service milestone payments.

Building our future workforce

In order to successfully deliver our strategy, we continually invest in our people and their skills to ensure we can compete in the rapidly-changing energy landscape.

Reflecting our leading role in the energy transition and as a digital utility, we are developing specialist roles like control systems engineers, with opportunities to be involved in innovative trials in energy storage, a renewable hydrogen microgrid and Australia's longest fast-charging EV network. Through these opportunities, our people gain the knowledge and expertise required to undertake emerging roles in the energy transition.

Our EVP is a key foundation for our culture and reflects who we are, what we do and how we do it

SmartWorks will enable us to move toward a data-driven, proactive, risk-based maintenance focus

99%+ improved accuracy of overhead network geospatial location

Embedding our safety culture

Understanding and managing critical risks is fundamental to establishing and maintaining a safe workplace. In 2021, we identified and communicated eight critical risks across our business. Since then, we have focused on defining key controls for each critical risk, describing these controls in an easy-to-follow way, and developing an approach to check that the controls are effective. With our strong emphasis on critical risk, we have shifted our focus from injury metrics to measures which drive action and reduce risk.

Contractors make a significant contribution to the delivery of work across our business and establishing contractor relationships that result in the safe delivery of work is an ongoing priority for us. This year, we refined our contractor onboarding system, moving to a self-registration model which has delivered efficiencies for contractors and Horizon Power people that manage these relationships.

The new system offers customised resources for our contractors, providing an online induction model and ensuring they are appropriately qualified for their work. A new customised authorisation program for contractors conducting high-risk work (those who work on or near our networks) is in development and will be rolled out in the coming months.

Our Technical Training team worked closely with our people in the Mid West Region to design and trial a new process for the management of technical training. The new system is part of EmPowerMe, our people management platform, and will replace the existing stand-alone VETtrak Learning Management System. The new process will store, manage, schedule and report on technical training qualifications, licences, certifications, and authorisations for our operational workforce.

EmPowerMe will now generate automatic reminders prior to licence, authorisation and certification expiry, removing the onus on individuals to track and manage their renewal and recertification process. It also provides easy online access to track the progress of safety inductions completed during the onboarding process.

Award-winning Illuminate

Our workplace wellbeing program — Illuminate — was well received across the business in its first year of rollout, with employees rating it 3.8 out of 5 for overall effectiveness. The program comprises three pillars: energise (physical wellbeing), enlighten (mental wellbeing) and enjoy (general wellbeing).

Our Movember fundraising effort in support of men's mental health, prostate and testicular cancer is just one example of a successful Illuminate initiative — our 'MoChamps' raised over $16,000 this year, a 100% increase over the prior year.

Illuminate also received external recognition for its innovative approach, winning the Lifeline Wellbeing Excellence category at the 2022 Australian Institute of Management's (AIM) Pinnacle Awards. This award recognises an organisation that has achieved outstanding results through key initiatives that demonstrate leadership and commitment to excellence in workplace wellbeing management.

We donated the $20,000 leadership and management training prize to Shooting Stars, a not-for-profit enterprise that works to empower Aboriginal girls and women to make informed choices about their education and employment journey. Shooting Stars is also our first workplace giving program partner.

Utility of the Future (UotF) SmartWorks

The rise of new technologies, the abundance of data and multitude of software solutions on offer allow us to constantly rethink how we improve the efficiencies of our business.

Our UotF strategic initiative underlines our commitment to expedite a shift to a clean energy future by driving the digitalisation and automation of our business. By automating processes, tools and systems, UotF will deliver significant cost savings and efficiencies, while also improving reliability and network safety by increasing our understanding of asset conditions.

SmartWorks, one of several in-progress UotF projects, will help us modernise and improve how we invest in, operate and maintain our assets.

SmartWorks focuses on enhancing asset management, works management and field mobility by establishing a consistent, predictable framework to manage and deliver work and systematically capture field data across all our regions. It will enable us to move from an interval-based and reactive maintenance approach to a data-driven, proactive, risk-based maintenance focus.

Illuminate wins Lifeline Wellbeing Excellence category at 2022 AIM Pinnacle Awards

Our Aboriginal employment target is 7%

Aboriginal engagement: from awareness to action

We held our third annual Aboriginal Employee Forum in Karratha in October 2022. In addition to a powerful On-Country cultural immersion on Ngarluma Country, the forum provided an opportunity for our Aboriginal employees to discuss cultural safety at work – including what we are doing well and where we can improve. The forum helps build a sense of community and provides our people with a safe environment in which to participate in important discussions around truth telling, engagement and retention.

Innovate Reconciliation Action Plan (RAP)

Over the past several years, we've been building awareness and strengthening relationships in the reconciliation space, acknowledging that without these foundations we cannot achieve real progress or forge genuine partnerships. The October 2022 launch of our second Innovate RAP continues our reconciliation journey, moving us from awareness to action and is based on the three themes of relationships, respect and opportunities:

- **Relationships** – we will build a deeper understanding of the Aboriginal businesses and stakeholders with whom we work to empower them to make a difference in the communities in which we operate
- **Respect** – we will continue to celebrate Aboriginal cultures and further build our collective knowledge of cultural protocols and cultural heritage through On-Country cultural immersions, NAIDOC celebrations and other events
- **Opportunities** – we will increase Aboriginal recruitment and retention as well as increase our supplier diversity.

Our new Innovate RAP captures our commitment, holds us accountable and positions us for long-term success in the reconciliation space. It is a reflection of our genuine commitment to our guiding principle – to positively impact the lives of Aboriginal peoples through proactive and sustainable business decisions.

With more than 15% of our customers identifying as Aboriginal, it is vital that our organisation reflects the communities in which we operate. Our Aboriginal employment target is set at 7% in our current RAP, and we're currently at 6.4% or 36 employees. Our Aboriginal employees hold diverse roles in five of our seven divisions with several of our regional-based team members progressing their careers through in-house training and promotions over the past 12-18 months.

Our ongoing partnership with CareerTrackers, a non-profit organisation that aims to increase representation of Aboriginal graduates in professional employment, is helping us build our future workforce. We welcomed six interns to the business over two separate placements as they undertook a range of projects in our sustainability, health and wellbeing, government relations, commercial and business development and DER teams.

Engaging with our communities

We reinforced our commitment to being a customer-centric organisation by establishing Horizon Power's Customer Council.

In a first for a WA utility, the advisory council will provide an important forum for us to collaborate with our customers and stakeholders, and ensure they have a voice to represent their local communities and inform our decision-making.

Throughout the year, we focused on fostering meaningful connections, addressing community needs and promoting sustainability across our service area. To enable transparency and accountability, we hosted town hall meetings, drop-in sessions, virtual forums, pop-up market stands and even an induction cooktop demonstration in Esperance. These engagement platforms considered inclusivity and facilitated open dialogue, enabling us to directly address customer and community concerns.

Community development remained a priority, as we invested in projects aimed at improving vibrancy, liveability, and social well-being. Collaborations with local initiatives and non-profit organisations allowed us to make a positive impact in our communities, including those impacted by the devasting Kimberley floods.

We facilitated and encouraged volunteer programs for our employees, encouraging them to actively participate in community initiatives and make a positive impact.

We strive to involve our customers and communities in every step of our product and service journey, in support of our community involvement guiding principle and our human-centred design process, and to incorporate their ideas into our decision-making process whenever possible. We are committed to engaging with all our communities, as each has its own unique identity and requirements.

Supporting local and regional Aboriginal business sector

We are committed to creating opportunities for WA-based Aboriginal businesses.

To this end, we have implemented a range of initiatives to support local, established and emerging companies, contributing to their strong economic development and aligned with our guiding principles.

We continued to make progress this year in identifying new contract opportunities, awarding contracts to 28 Aboriginal businesses for the first time, helping us achieve our target of delivering 3.5% of contracts valued at $50,000 or above to Aboriginal businesses.

Table 4: Contracts awarded to Aboriginal businesses by region (FY2022/23)

Region	Value of purchase orders ($)	Value of contracts ($)	Total ($)	%
Kimberley	312,728	416,447	729,175	37.36%
Esperance/Goldfields	211,080		211,080	10.82%
Gascoyne/Mid West	3,800		3,800	0.19%
Perth Metro	235,736		235,736	12.08%
Pilbara	644,122	127,000	771,122	39.51%
South West	625		625	0.03%
Total	**1,408,090**	**543,447**	**1,951,538**	**100.00%**

1. The contract award estimates are based on the contract term and not the financial year. Spends on these contracts will only be reached over the life of each contract.
2. The actual spend is based on the amount receipted against each contract.

Contracts awarded[1] FY 2022/23 $1,951,538

Total contracts awarded since implementation of State Government Aboriginal Procurement Policy (1 July 2018) $9,668,429

Actual spend FY 2022/23[2] $1,361,658

Actual spend since Aboriginal Procurement Policy implementation $6,690,933

Measuring our social impact

We know the right investments in energy infrastructure, new technology and new industries can bring real benefits to regional and remote WA.

These investments can reduce electricity bills, help attract new business ventures and new residents, and also provide both direct employment and foundational support for the communities we serve.

Our Social Impact Index, developed in 2021, provides visibility on how we are delivering on our social impact goals and helps us better understand how our actions are supporting our communities.

The Social Impact Index comprises six social impact objectives aligned to either regional growth or vibrant communities, underpinned by 14 success indicators.

Measuring our social impact ensures that we:

- hold ourselves accountable to our communities
- tangibly measure the delivery of our ambitions
- focus on ways to continually improve how we operate to create sustainable outcomes.

Goods and services were procured from 330 unique regional suppliers, a 4.5% increase over prior financial year

Decreased total greenhouse gas emissions by 6.4%

Purchased 23.02 GWh of renewable energy from our customers, up 18% from prior financial year

Total L2 and L4 business customer accounts increased by 3.2% to 5,755 unique accounts

About our people

Developing an accessible and inclusive community

In line with our Disability Access and Inclusion Plan (DAIP) 2019-2024, we continue to provide information, services and facilities that are easy for all customers, employees and communities to access.

Our progress this year includes the following:

- We ensured that all accessibility standards were met during the planning, design and construction phase of two regional depot rebuild and refurbishment projects.
- Our external-facing communications and marketing materials continue to be produced in line with accessibility standards. During the January 2023 Kimberley floods, we worked closely with the Department of Fire and Emergency Services (DFES) to ensure our community messaging was accessible and easy to understand.
- When advertising directly to Aboriginal communities, we use messaging in local language whenever possible. For example, our recent fuse pulling campaign was produced in Kriol and broadcast through Kimberley community radio stations.
- We created a dedicated stakeholder manager role to assist customers in the Esperance Energy Transition Plan, as they transitioned from reticulated gas to alternate energy sources. The stakeholder manager supported customers facing either vulnerable circumstances or those with a disability, delivering the same level of service afforded to all impacted customers.
- Working with accessibility partner WebKeyIT, our public website is being optimised to meet World Wide Web Consortium (W3C) (WCAG) accessibility.
- We are committed to enabling people with disability to have the same opportunities as other people to obtain and maintain employment of people with disability. In support of this goal, we created a new role to explore the breadth of our traineeships, apprenticeships and graduate opportunities. This will enable additional pathways to advance and support new and existing people with a disability in our employment.

Table 5

Female representation	Number	%
Board	5/7	71%
Executive	3/7	43%
Senior management	10/30	33%
Total	**184/562**	**33%**

Table 6

Depot/office	Number of regional employees
Broome (community)	1
Broome (Nila Janyba)	5
Broome Depot	25
Carnarvon Depot	23
Denham	2
Esperance Depot	39
Karratha Depot	35
Kununurra Depot	25
Marble Bar	1
Mungullah Power Station	10
Onslow Depot	2
Port Hedland Depot	25
Total	**193**

562 employees

550.42 full-time equivalent

32.7% female

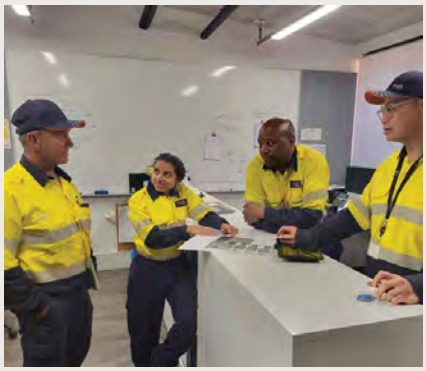
6.4% Aboriginal

26.3% from culturally and linguistically diverse backgrounds

1.4% with a disability

1.6% youth (under 25 years)

34.3% regionally based



Case study

Horizon Power delivers for flood-ravaged Kimberley

Our response to the December 2022/January 2023 Kimberley floods required an enormous, coordinated effort from teams across the business to look after our customers and continue providing a safe and reliable power supply.

Despite the magnitude of the once-in-a-century flooding, there was limited damage to our power supply assets

Our people worked around the clock to restore or maintain safe power supplies for our customers

Flooded and damaged roads complicated our ability to deliver adequate fuel supplies to the impacted power stations, which are fuelled by both diesel and liquified natural gas (LNG).

To help ease the risk of fuel shortages, we mobilised and connected additional diesel generators to enable the power stations to transition away from LNG. Additional fuel was delivered via truck from the Northern Territory and a 20-hour barge journey from Broome to Derby.

Mick Veverka, Executive General Manager Operations, reflected on the way our people worked around the clock to restore or maintain safe power supplies for our customers.

"Responding to an event like this is an incredible logistical exercise, and I'm so proud of the way our teams came together to work effectively to ensure we could keep the lights on for our communities."

Our customer, inspectorate and field crews worked together to establish clear and frequent communication channels with impacted customers. The teams efficiently assessed and isolated fault issues, and provided customers with a simple, one-page document outlining the process required to restore power as quickly and safety as possible, Mick explained.

Community support

- No customers disconnected for non-payment
- Our relief package included waiving daily supply charges, reconnection and new meter fees
- Comprehensive communications campaign, including SMS and regular email correspondence to our customers for awareness of relief measures
- Dedicated, local customer support team provided individual hardship assistance for vulnerable customers

Lessons learned

Incorporate resilience into asset management strategy

Identify asset location and type to be installed, factoring in climate change and climate variability

Consider resilience when developing new assets

Identify critical single points of failure and build in contingency levels for crisis management

Consider benefits of asset generation ownership during crisis events

Ownership affords flexibility and ability to quickly respond to changing circumstances

Contingency volumes are key to continuity of supply

Need to address historical storage capacity issues and ability to quickly access diesel supplies

Local, temporary generation was insufficient to meet system demand

Consider access to mobile fleet, including plant size, maintenance and fueling

Kimberley flood response: by the numbers

200-800mm of rainfall

Fitzroy River peaked at 17.2 metres

1K+ homes inundated with floodwater

700 km section of Great Eastern Highway closed

70,000 L/day sent to Derby via barge to supply the towns of Fitzroy Crossing, Derby and Halls Creek

10 diesel generators relocated to the area via an approximate 20-hour barge trip from Broome to Derby (transport time varied depending on freight weight; operations also impacted by tide levels)

Timeline

22-31 December 2022

Tropical Cyclone Ellie crossed Northern Territory coast; subsequent tropical low settled over the Fitzroy River Catchment

Flooding caused significant damage to infrastructure, impacting electricity supply to Derby, Fitzroy Crossing and Camballin, cutting off access to these communities

Immediately mobilised personnel and equipment to manage critical power system risks

January 2023

Introduced a range of financial relief and support options to help customers stay connected

Customer and community team contacted impacted customers to share updates, answer questions

Worked closely with DFES and other State Government agencies to ensure frequent, clear and consistent messaging

February 2023

First LNG supply shipped into Derby and Fitzroy Crossing after roads were re-opened

Case study

New in vehicle safety system helps reduce driving risks

Ensuring the delivery of safe and reliable power across the 2.3 million square kilometres of our vast service area means our crews spend countless hours behind the wheel. Driving is one of our eight critical risks, and with each vehicle in our operations fleet logging an average of 1200 km per month, it is imperative we have the correct controls in place to help our drivers return home safely each day.

As our existing in vehicle safety system (IVSS) approached its end-of-life last year, we took the opportunity to modernise and upgrade to a system that delivered improved functionality to reduce driving risks. The new system will help us better understand our driving and provides built-in alarms and alerts that identify when certain thresholds are approached or exceeded. Additionally, the system includes automated crash detection and an SOS function that can be activated when a driver needs assistance.

For example, if a vehicle is traveling above a defined speed, the IVSS alerts the driver. Evidence shows that systems that warn drivers of unsafe events in real time dramatically decrease the risk of an incident.

Drivers are now required to log in each time they start their vehicle, which automatically activates the new forward-facing dash camera. Dash cameras detect events like lane departures, following too closely and imminent crashes, and auto-records footage when an event is triggered. No audio is recorded inside the vehicle and the camera is deactivated within one minute of the vehicle being turned off.

To facilitate a smooth launch, the IVSS project team visited each depot to showcase the system's new features and gather feedback.

Debbie Brown, Health & Safety Advisor – Mid West, reflected on the value of this collaborative process. "The consultation with the regions was vital for a successful rollout, as our people in the regions are the real users of the system and the most impacted by the change."

"It provided a great opportunity to answer questions and the feedback we received resulted in helpful changes to the configuration of the new IVSS."

The team is currently developing a suite of reporting on IVSS data to be used for learning across the business.

135
vehicles installed with new IVSS

917,643+ kms
travelled between January – June 2023

51 km/hour
average fleet speed

Continuous improvement based on workforce feedback

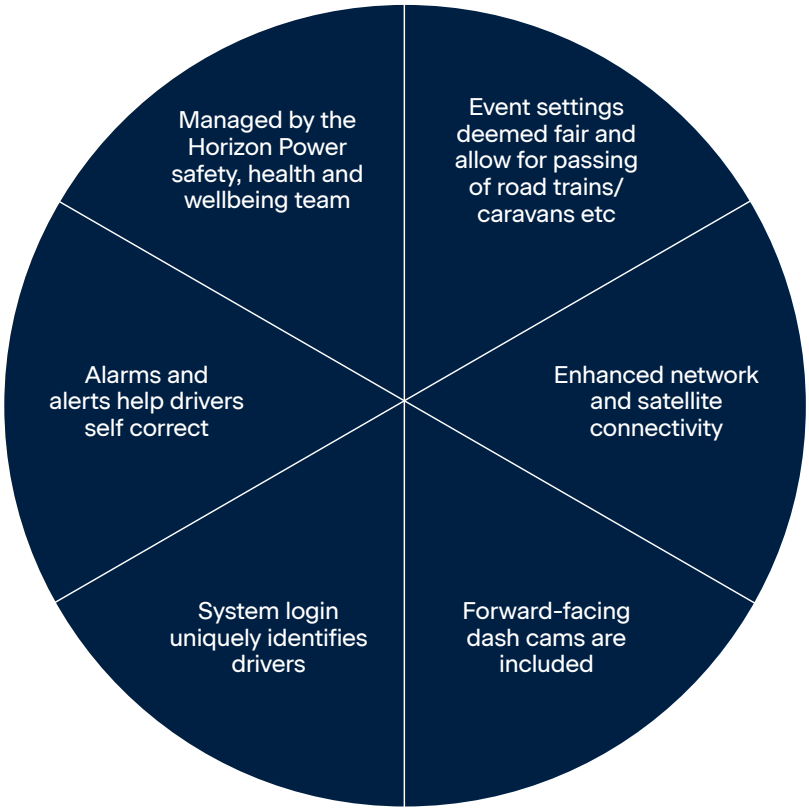
Key benefits

Driving thresholds identified and when exceeded, addressed via in vehicle alerts

Improved data on driving performance

Continued improvements in emergency and safety management outcomes

Key changes with the new in vehicle safety system



Timeline

2021 May
Project commenced, scope determined and providers canvassed for suitability

2022 June
Mix Telematics awarded contract to deliver new IVSS solution

2022 August
Initial vehicle system configuration and vehicle trial

2022 October/ November
Workforce consultation and program introduction

2023 January
Initial rollout completed (Esperance)

2023 March
Final vehicle installed in Kununurra

Case study

Ops geospatial intelligence: improved visibility into the state of our network

Our geospatial intelligence initiative is transforming traditional asset management and helping us improve how we inspect and monitor the health of our networks. Until recently, our network inspections were exclusively performed by crews either driving or walking long distances alongside powerlines.

Our traditional inspection approach is now complemented with drones and helicopters fitted with advanced sensors to capture high-resolution network asset data, down to the specific condition of equipment on a single asset.

This initiative plays a key role in our digital transformation and will deliver an enterprise-wide platform leveraging remote sensing, imagery, and advanced analytics technologies. Geospatial intelligence will help us to quickly understand the state of the network, optimise asset performance, and keep our network safe and reliable. The innovative use of imagery will enable us to move from a run-to-failure model toward a predictive, data-driven approach.

Over the course of six months, we surveyed and mapped the true geospatial location of our overhead network, improving its accuracy to more than 99%, with power poles mapped to within 10 metres of their actual location. The survey also measured our overhead network clearances, which helps our planners and designers identify clearances between our network and vegetation and for use in planning high, wide-load routes.

Geospatial intelligence is helping us monitor the health of our networks.

Lessons learned

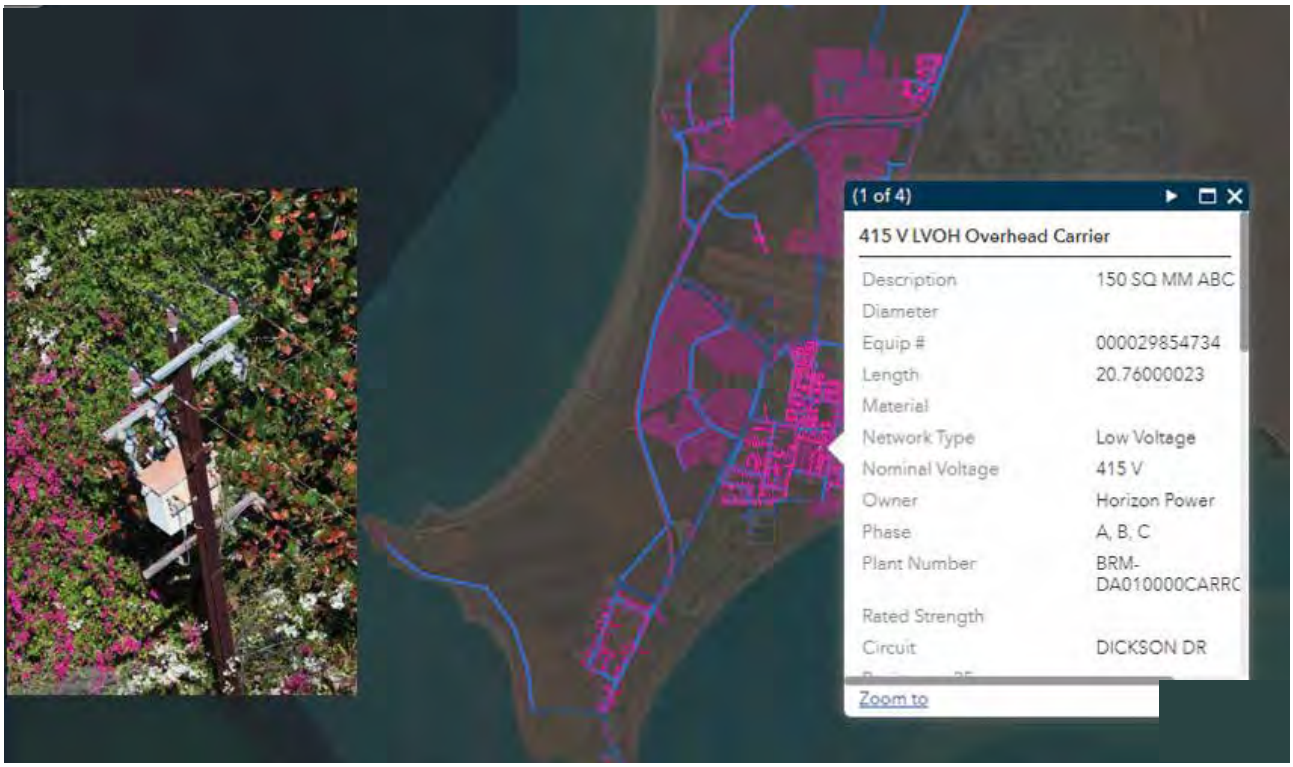
- Community education and engagement prior to commencing data capture activities is key to mitigating safety incidents, fly-over disturbances and potential impact to cultural events.
- It is important to minimise time between data capture and sharing outcomes, timing of deliverables.
- Ensure Horizon Power branding is clearly visible on equipment and vehicles used for data capture.
- Plan for a short-term increase in maintenance work to address priority defects.

Customer benefits

- Detailed analysis provides clarity around asset location and safety clearances, improving safety for the community.
- Improved data accuracy of asset locations helped reduce both duration and frequency of unplanned outages.

Business benefits

- Virtual inspections provided visibility of asset condition and equipment not accessible or easily detectable from ground level.
- Improved ability to prepare and respond to emergency events and natural disasters.
- Access to geospatial information assists crews in planning and prioritising before initiating field work, reducing site assessment visits and travel time.
- Reduction in reactive maintenance costs due to improved system reliability and improved efficiencies in fault response.
- High-resolution images captured from virtual inspections have allowed us to prioritise targeted programs of work to address all identified defects, reducing the bushfire and public safety risks associated with our overhead assets.



Surveyed
5,849 kms
of network

57,023
conductor spans
58,127 poles

303
helicopter
survey hours

107
vehicle and drone
survey hours

100+
days of drone
capture

15TB
of raw data captured,
processed and analysed

Case study

Teach Learn Grow: partnering to improve educational outcomes in regional WA

Helping regional and remote students improve their educational outcomes and aspirations is the powerful mission of Teach Learn Grow (TLG), a Horizon Power Community Partnership Program partner.

TLG was established in 2011 to address the disparity in school experiences and outcomes between students in metropolitan areas and those in regional and remote Australia. Drawing on their own experiences of growing up in the country, TLG founders Dave Sherwood and Travis Elliott launched an effort to recruit, train and transport volunteer university students, to run free one-on-one tutoring programs in regional and remote schools where support and resourcing was needed most.

Since then, TLG has expanded — with the help of sponsors like Horizon Power — and now reaches more than 30 WA schools through its Rural Program initiative. Horizon Power is TLG's longest-standing partner, a relationship that was first established in 2013 with a focus on improving education within Mid West communities. More recently, our ongoing support has enabled the program to expand to the Kimberley and Goldfields regions.

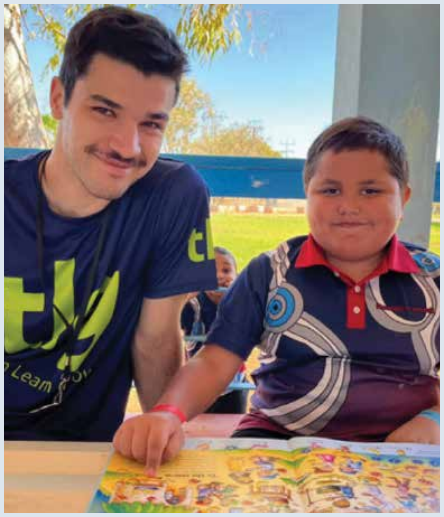
Tutor reflections: TLG enables two-way learning

"It's not our job to tell these students what to dream. But as tutors and mentors, we see our impact in the little lightbulb moments which sprinkle our sessions: that moment when a student understands how to correctly decipher place value, or multiply big numbers. Oftentimes, it's rebuilding confidence in the fundamentals which can unlock a student's potential in the classroom, and a bit of empathetic listening and individual attention goes a long way."

"So we tutor, but we also learn too. And even now, back home in Perth, we carry the school's motto with us:"

"Positive attitudes and high expectations make Wyndham winners."

Angelo Ho, TLG volunteer
Wyndham District Senior High School



94%
students believe they are better at maths after TLG tutoring

99%
students would like TLG to return to their schools

82%
teachers believe TLG leads to more enthusiasm for school

87%
volunteers think they made a difference to students

Community benefits

Student attendance and positive attitudes

Participating schools report a significant increase in student attendance and an improved positive attitude toward school.

Increase in knowledge

Students report they will use what they learned through TLG tutoring in class.

Accepting cultural differences

Improves understanding and acceptance of cultural differences, with majority of volunteers reporting an increased awareness of different cultural practices in society.

Encouraging regional opportunities

University students get to experience regional and remote WA which encourages them to seek regional or remote employment opportunities upon completing their study.

Timeline

2011

TLG launched at Three Springs Primary School

2013

Horizon Power and TLG partnership launched by supporting Cue Primary School

2016

TLG launched eMentor Program in WA schools

2021

Celebrated 10-year anniversary

2023

Horizon Power team members volunteered at TLG to pack education kits

Our communities

Our Community Partnership Program provided $1.1 million in funding to 119 organisations

Investing in our communities

Listening, creating and delivering together is at the heart of our community involvement guiding principle. We have a long and proud history of helping to improve local communities across regional and remote WA. Over the past year, our Community Partnership Program provided $1.1 million in funding to 119 organisations, 16% of which were Aboriginal registered organisations and many of them first-time program participants. The outcomes highlighted here provide a snapshot of how our Community Partnership Program is helping support grassroots organisations to build more vibrant regional communities.

Pilbara

Our community partnership with **Australian Schools Plus** enabled Marble Bar Primary School to connect the cultural knowledge of the local community with the WA science curriculum. The innovative program led to improved student attendance and engagement and has been awarded a Premier Science Award for the culturally responsive STEM Project – Marble Bar Virtual Worlds.

The **North Pilbara Football League** invested in umpire headsets with their Community Partnership funds. These professional headsets will enable referees at both the junior and senior levels across the Pilbara to communicate handsfree, leading to fairer and more efficient arbitration.

Kimberley

Our partnership with **Native Animal Rescue Broome (NARB)** enabled the purchase of a marine turtle lifting gantry for the safe and secure transport of turtles in their care. Since 2018, NARB has cared for more than 100 turtles with a recovery success rate over 94%.

The **Wyndham Youth Aboriginal Corporation (WYAC)** used their Community Partnership funds to refurbish their Youth Hub this year. Our team members in Kununurra rolled up their sleeves and spent a day volunteering with the WYAC, in support of their mission to improve the wellbeing of Aboriginal youth in the Kimberley.

Gascoyne/Mid West

The **Shire of Yalgoo** allocated its Community Partnership funds to support the popular annual Yalgoo Arts Festival last October. The partnership enabled equipment hire, craft materials, live entertainment, the event arts tent and interactive art contests.

Our first-time support of **St John – Carnarvon** helped the essential services provider purchase training mannequins for use in volunteer drills, helping their people gain valuable life-saving skills. The training mannequins will also be used to train volunteers in Shark Bay, Coral Bay and Exmouth.

Esperance/Goldfields

The **Esperance Pottery Club** used its Community Partnership program funds to purchase a new kiln, which will support more energy efficient drying of artwork created during art classes and holiday programs for kids of all ages. As a result, the Pottery Club was able to expand the number of classes offered to the Esperance community throughout the year.

Our inaugural partnership with the **Leonora Drug Action Group** enabled the purchase of new basketball sporting equipment to support the Mulya Tjitji (Good Kids) Program, resulting in an increase in participation among the group's predominantly at-risk youth. When working in the area this year, our Esperance-based team put on their sneakers and played basketball with the skilful players.

A sustainable future

We have a long and proud history of being at the forefront of renewable energy technology and innovation to provide cleaner energy systems.

Shark Lake Renewables Hub, Esperance

Our environment

Successfully delivering on our decarbonisation goal requires us to develop state-of-the-art solutions that enable us to provide increasing levels of renewables for our customers while preserving our State's unique ecosystems.

As we continue our decarbonisation journey, we are committed to engaging and collaborating with our stakeholders to deliver sustainable outcomes for regional and remote WA. A strong sustainability focus improves the quality of life in our communities and preserves natural resources for future generations.

We believe that sustainable environmental performance begins with impact avoidance. Taking guidance from Aboriginal peoples' practice of caring for country, we seek to operate in harmony with our environment and balance competing priorities for sustainable social, cultural, ecological and economic outcomes.

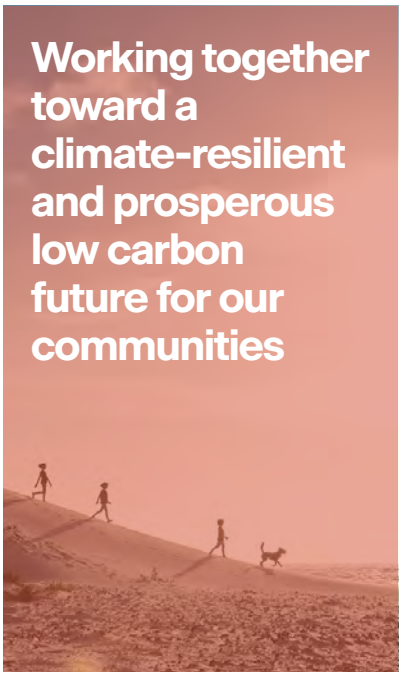
With this in mind, we evaluate all new projects to ensure they align with regulatory requirements while also managing and minimising environmental impacts. As an essential utility, the reliability of our service is the backbone and fundamental connection between infrastructure and community resilience. We continue to engage and consult with government departments and subject matter experts to reduce and avoid impacts to biodiversity wherever possible.

Our approach to climate-related reporting

Acknowledging the continuing materiality of climate-related impacts across the vast and variable climatic regions of WA, this year we disclosed climate-related risks in alignment with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

We continue to support the delivery of the State Government's interim target of an 80% reduction in emissions by 2030 and overarching net zero by 2050. We have developed an aligned short-term target of an 80% reduction in retailed emissions by 2030, based on a 2020 baseline performance, and a long-term target of net zero by 2050.

We remain focused on our Climate Change Commitment alongside Synergy and Western Power, working together toward a climate-resilient and prosperous low carbon future for WA.



80%

reduction in retailed emissions by 2030

short-term target

Net zero by 2050

long-term target

Climate change physical risk

We recognise climate change as a major challenge and have identified the physical impacts of climate change as a material corporate risk. Through our corporate risk assessment process, we ensure comprehensive risk capture, enhancing resilience in our operations, protecting valuable assets, and providing sustainable electricity solutions.

During FY2022/23 we explored the potential physical impacts of climate change on our business and assets, and continued physical vulnerability modelling and impact analysis on our existing networks.

Our modelling and analysis work explored the impact of various climate change scenarios or representative concentration pathways (RCP), specifically 2.6, 4.5 and 8.5.

RCPs are scenarios used in climate change modelling which represent various greenhouse gas (GHG) emissions and concentration trajectories, and serve as a basis for assessing potential climate change impacts under those conditions.

Each scenario was compared to the baseline and assessed at the future time horizons of 2030 and 2050.

The physical impact analysis used sophisticated climate science, natural catastrophe models and dynamic financial analysis to quantify the potential impacts of climate change for our networks and customers.

The analysis was based on financial and non-financial impacts of acute climate risks including tropical cyclone, bushfire and floods, as well as chronic climate metrics including heat, humidity, rainfall, wind and coastal inundation.

The impact analysis modelled the effect of climate forecasts under each scenario on our assets and the provision of electricity to our customers. The impacts are categorised below:

- number of assets that fail directly due to acute climate impact
- cost to restore failed assets, including:
  - asset replacement costs
  - carrier replacement costs
  - labour cost
- total number of customers interrupted and duration of interruption, used to inform the value of loss of service.

We will continue to develop this work, with the intent to embed the outcomes in our business, using it to inform asset management, planning and climate-related risk assessment processes.

Our retailed emissions baseline

Our retailed emissions baseline includes our reported scope 1 (direct) and scope 2 emissions (indirect) and the non-reportable scope 3 emissions (indirect) associated with our Independent Power Producers (IPPs) generation contracts (see Table 7).

The reported emissions component of the retailed emissions figure includes our GHG emissions reported annually to the Clean Energy Regulator (CER) in accordance with requirements of the National Greenhouse and Energy Reporting (NGER) Scheme. Our non-reportable GHG emissions included in the retailed emissions figure are those which relate to the purchase of wholesale electricity supplied by IPPs for re-sale by Horizon Power to our customers and are categorised as upstream scope 3 (indirect).

An estimate is made for our retailed emissions based on available information as of 14 August 2023.

The non-reportable scope 3 emissions have been calculated in alignment with the GHG Protocol Corporate Value Chain (scope 3) Accounting and Reporting Standard.

Total direct CO_2-e emissions attributed to Horizon Power activities in FY 2022/23 have been estimated at 44,992 tCO_2-e, a decrease over the prior reporting period due to increased renewable penetration on our network.

An estimate is made for our reported scope 1 and scope 2 emissions based on available information as of 14 August 2023.

The Clean Energy Regulator (CER) will make our FY 2022/23 reported energy and emissions data publicly available in the first quarter of FY 2023/24.

Table 7 Retailed GHG emissions ($ktCO_2$-e)

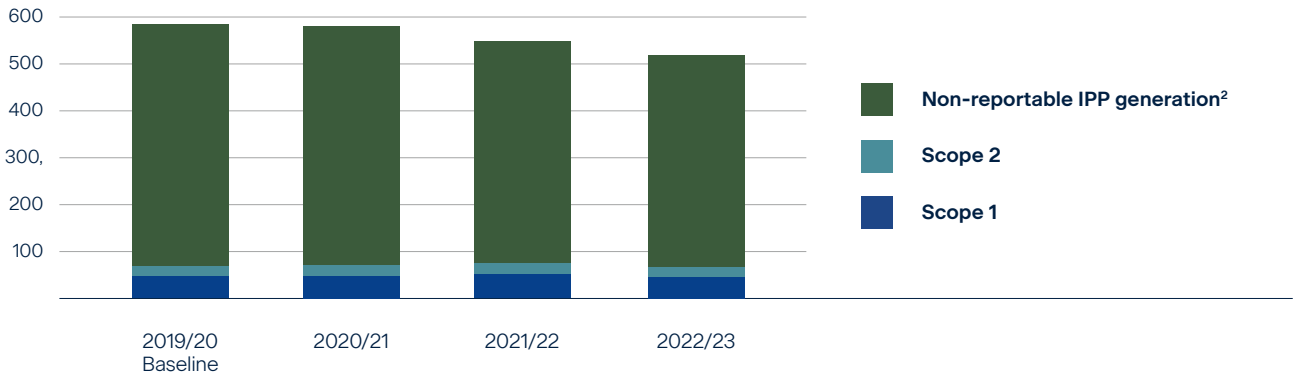


Table 8

	Reportable emissions[1]			Non-reportable	Retailed
Reporting year	**Scope 1**	**Scope 2**	**Total reported**	**IPP generation[2]**	**Total**
2019/20 (baseline)	45,093	22,731	67,824	518,348	586,172[3]
2020/21	47,012	23,299	70,311	511,638	581,949
2021/22	49,787	24,053	73,840	475,716	549,556
2022/23*	44,992	19,709	64,701	454,295	518,996

* Based on available data as of 14 August 2023.

1 Reportable emissions include scope 1 and scope 2 reported annually in accordance with the requirements of the National Greenhouse and Energy (NGER) Scheme.

2 Non-reportable emissions estimated are limited to upstream indirect scope 3 emissions attributed to the purchase and resale of IPP generated electricity only.

3 Where structural changes (e.g. acquisitions, divestments, or mergers) occur that significantly impact the baseline GHG emissions, the baseline figure will be recalculated to account for those changes.

Greenhouse gas and carbon intensity

The carbon intensity of our retailed energy, measured as kilograms of CO_2-e per kWh of electricity sent out, is a key measure of the GHG performance related to energy production. Reducing carbon intensity demonstrates improved GHG efficiency and is therefore an important indicator of how we are managing and mitigating our business's impacts on the environment.

Carbon intensity is primarily influenced by IPPs, with Horizon Power-operated power stations having a relatively low influence on total values.

Shadow carbon pricing

We have developed an internal shadow carbon price used to inform the business case evaluation process. The shadow carbon price, supported by research provided by the Western Australian Treasury Corporation (WATC), is currently set at an unweighted average carbon price of \$40/tCO_2-e.

We are committed to ensuring our shadow carbon price reflects current economic conditions, and will periodically review it to adjust for changing Federal and State climate policy and evolving emissions projection scenarios.

Understanding our contributions to the United Nations Sustainable Development Goals (UNSDG)

In November 2021, the State Government released the Supporting Continuous Improvement in ESG Outcomes for WA, outlining the State's commitment to contributing to the objectives of the UNSDGs. As a Western Australian Government Trading Enterprise (GTE), we recognise the importance of supporting our State Government's contribution to the UNSDG.

Table 9: Carbon intensity of sent-out electricity, actuals and targets FY 2019/20 to FY 2022/23

Year	Carbon intensity ($kgCO_2$-e/kWh sent out)	Target intensity ($kgCO_2$-e/kWh sent out)
2019/20	0.54	0.65
2020/21	0.56	0.65
2021/22	0.54	0.65
2022/23*	0.55	0.65

* Based on available data as of 14 August 2023.

We are committed to ensuring our shadow carbon price reflects current economic conditions

The UNSDGs provide a universal framework used to shape strategies to address challenging global sustainability issues. While Horizon Power supports all 17 UNSDGs, we identified a list of key priorities which have the greatest potential to make real and meaningful contribution to our sustainability goals. The priorities are grouped into themes which reinforce and support our corporate strategy.

The priorities were identified by internal stakeholders from across key areas of the business, helping to inform the foundation of our sustainability framework. The following key themes were identified across each of our key priorities:

- maintain proactive stakeholder engagement practices
- ensure positive impact on Aboriginal customers, suppliers, employees and communities
- prioritise customer choice and satisfaction
- facilitate the integration of relevant environmental, sustainability and governance (ESG) matters into existing Board governance frameworks.

We acknowledge that we play a role in helping to achieve the UNSDGs. We are at the start of our journey to define our priority goals and impact opportunities and are committed to developing a sustainability framework inclusive of ESG reporting.

Our sustainability framework will help identify improvements, and ensure there is an appropriate process to action identified opportunities, and monitor and report on our progress. Additional materiality assessments and stakeholder engagement will be conducted to help identify priorities as part of this framework.

Governance

Environmental leadership requires continual improvement of our environmental performance and compliance with our environmental obligations. This year, we completed:

- a systematic review of our Environmental Management System, including updating the Operational Environment and Heritage Management Plan
- comprehensive facility inspections to ensure good stewardship
- new environmental training for our project development, delivery and operations teams and external contractors
- thorough review of all active clearing permits including compliance and reporting conditions.

Regulatory instruments

We maintained our environmental operating licence for the Karratha temporary generation project, currently on care and maintenance status, however a reporting obligation was submitted late in FY2022/2023. The required report was submitted post-deadline and the regulator was notified of the administrative non-compliance; at the time of submitting this report, no compliance enforcement actions have been received. Mungullah Power Station remains a registered premises with no associated reporting requirements.

No other operating sites within our portfolio exceed the threshold for an environmental operating licence or registration.

We held 14 active native vegetation clearing permits issued by the Department of Water and Environmental Regulation.

Removing or disturbing threatened flora species in WA requires approval from the Minister for Environment. We take a conservative approach when ground-disturbing work is planned to occur within 50 metres of declared rare flora species and apply for an 'authorisation to take' permit, in the unlikely event that inadvertent impact from vehicles or machinery occurs. The Department of Biodiversity, Conservation and Attractions, in its assessment of the approval, also provides conditions or guidance to further mitigate potential impact to the species.

This year, we held and complied with four 'authorisation to take' permits in Esperance and Kununurra, relating to our annual vegetation maintenance programs conducted in areas of high conservation significance with the priority of minimising bushfire risk associated with our assets. We are diligent in our commitment to minimising onsite impacts of our work on threatened species and native vegetation.

Air emissions

We report annual air emissions for the FY 2022/23 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.

An estimate of combined air emission data from all our generation facilities is provided in Table 10.

Table 10: Summary of air emissions FY 2019/20 to FY 2022/23

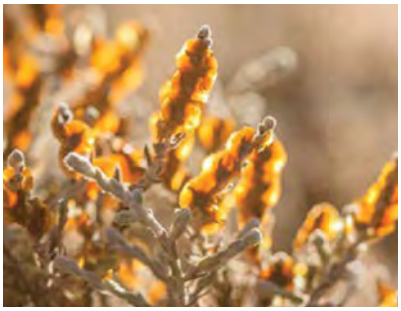
Air emissions	2019/20 total (t)	2020/21 total (t)	2021/22 total (t)	2022/23 total (t)
Sulphur Dioxide (SO_2)	0.2	0.2	0.3	0.3
Oxides of Nitrogen (NO_x)	451	531	615	568
PM10	16	17	24	20
PM2.5	15	17	23	20

Total SO_2 increased nominally over the previous year due to a slight increase in the ratio of diesel to gas generation.

The decrease in total NO_x emissions can also be attributed to a slight increase in the ratio of diesel to gas generation.

We're reporting on particulate matter (PM) emission for the first time this period in recognition of the potential impacts increasing levels of particulates may have on the health and utility of the regions where we operate. Total PM10 and PM2.5 emissions decreased nominally over the previous reporting period.

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



Noise

No noise complaints were received during the year.

Management of contaminated sites

The management and remediation of historical, and predominantly inherited, contamination arising from operational activities at power station sites has been a key focus area for several years. This year we successfully completed all associated remediation activities.

Our ongoing work around contaminated sites includes three former power station sites in the final stages of investigation, and we expect to achieve reclassification under the *Contaminated Sites Act 2003* in the upcoming financial year. Accredited contaminated site auditors continue to support the program through independent oversight of investigations on sites where groundwater contamination has migrated offsite.

Environmental incidents

There were no reportable environmental incidents during the reporting year. We continue to handle near-miss incidents with seriousness and care and communicate the occurrence of environmental near-miss situations across the business. Near-miss situations also inform our depot inspection process to ensure that risks are managed before they become incidents.

Heritage and native title

Aboriginal Cultural Heritage Management Framework

Our Executive team endorsed our new Aboriginal Cultural Heritage Management Framework this year, a recommended action from the 2021 KPMG heritage review which forms part of our corporate risk approach relating to adverse impacts on Aboriginal cultural heritage.

While the primary purpose of the Framework is to mitigate the risk of potential heritage incidents, the secondary aim is to operationalise aspects of our Aboriginal and Torres Strait Islander commitment guiding principle and elevate cultural heritage considerations to the same level as occupational health and safety.

The Framework aims to develop a mindset where looking after cultural heritage is everyone's responsibility. As such the Framework and its associated processes will:

- modernise how we manage the potential impacts and risks to Aboriginal cultural heritage
- provide the required resources to understand our obligations
- ensure we continue to make proactive and sustainable business decisions that positively impact Aboriginal peoples, communities, and businesses.

Aboriginal Cultural Heritage Management Policy

In March 2023, as our first major deliverable under the Framework, our Aboriginal Cultural Heritage Management Policy (ACHMP) was signed into effect, formalising what we have been practicing in principle for years.

The new policy explains our commitment to Aboriginal cultural heritage:

We will avoid impacting on Aboriginal cultural heritage whenever and wherever possible.

We will make proactive, sustainable business decisions that positively impact Aboriginal people, communities, and businesses.

All employees have ownership, responsibility and accountability to Aboriginal cultural heritage, and we will provide the resources to understand obligations and ensure the protection of Aboriginal cultural heritage.

Native title and heritage compliance

Aboriginal people are an integral part of our customer base, and we continue to build on our existing relationships with the Aboriginal communities we service through Partnership Agreements.

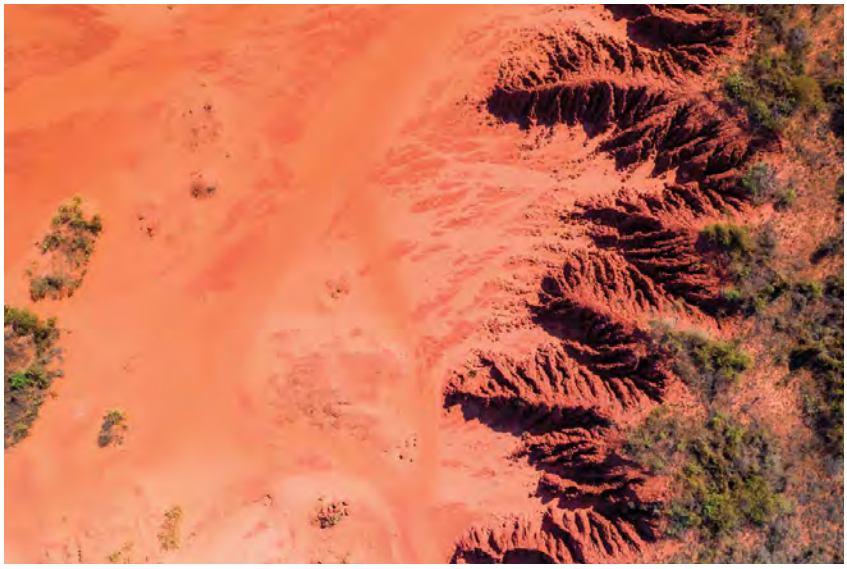
These agreements are designed to:

- enhance levels of collaboration
- promote mutual understanding of heritage values — including greater awareness for the cultural heritage values specific to a particular area
- facilitate regular meetings with Traditional Owners and community groups.

We continue to engage with individual Traditional Owner groups to understand and accommodate their preferences around establishing Partnership Agreements.

We understand some Traditional Owner groups seek a formalised collaboration approach and wish to enter into formal Partnership Agreements (such as the Tjaltjraak people of Esperance). However, others prefer informal engagement on an as-needed basis. We will continue to engage with and listen to our Traditional Owner groups in their preferred approach, with a goal of formalising additional Partnership Agreements in the coming years.

Throughout the year, we worked with several Traditional Owner groups across the state, entering into site-specific Heritage Protection Agreements to facilitate project-focused Heritage Surveys.



We completed several cultural heritage surveys this year, including with:

- Baiyungu and Yinnigurrura people in Exmouth
- Murujuga people on the Burrup Peninsula
- Ngarluma people in Karratha
- Ngoonooru people in Meekatharra
- Palyku people in the East Pilbara.

We engaged heritage monitors to assist in protecting cultural values during ground-disturbing works for operational and project-related activities, including with the Ngarluma people in Karratha, Murujuga people on the Burrup Peninsula, and the Kariyarra people in Port Hedland.

We continue to engage with individual Traditional Owner groups

Our local depots led additional engagement and consultation for operational activities with the Esperance Nyungar, Murujuga and Yawuru people, further demonstrating our commitment to building stronger relationships with Traditional Owners.

Across our service area, we operate according to our heritage management processes, and as a result, no potential or actual breaches of the *Aboriginal Heritage Act 1972* were recorded during this financial year.

Horizon Power was actively involved in the State's co-design and development guidelines for the new *Aboriginal Cultural Heritage Act 2021*, which took effect on 1 July 2023.

In the lead up to the legislation taking effect, we reviewed and aligned our existing internal processes to ensure compliance, including ensuring we could fulfill our duties as a critical service provider while enabling alignment to the new legislation.

As part of this process, we sought external feedback, which commended Horizon Power's approach, and in particular, the Sustainability Portal as a mature and effective risk mitigant, providing us with confidence that we can not only meet our obligations under the legislation, but also continue to strive to go beyond compliance.

However, this legislation is in the process of being repealed, with the previous *Aboriginal Heritage Act 1972* to be re-introduced in its place, with amendments.

As a business, we are well equipped to deal with these changes and the requirements contained in the amended *Aboriginal Heritage Act 1972*.

Ongoing process improvement, assessment of both low and high impact projects and further development of an online workflow management system (Sustainability Portal) have enabled us to adopt a more streamlined, transparent and efficient approach to managing environmental, native title and heritage risks.

Directors' report

Six Mile Creek, Port Hedland, Pilbara

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
- performance of the business is optimised.

To best reflect the expectations of our people, stakeholders and customers, we seek to use 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, 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
- is an essential component of our overall success.

Managing business risk

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

Our Corporate Risk Management Framework is aligned with the ISO 31000:2018 standard and includes processes to identify, assess, monitor, report and escalate risk exposure 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
- is applied to all operational risk management processes and practices
- is integrated with other corporate frameworks, in particular the strategic business planning and corporate budgeting processes. This assists with prioritising important projects and promotes a risk-based approach to investment decisions.

Our corporate risk profile includes risks as identified annually by various teams and divisions within the business, before it is reviewed by the Executive and then reported to the Audit and Risk Management Committee.

In accordance with the *Government Trading Enterprises Act 2023* (WA), we must be governed by a Board of between five and nine directors to be appointed by the WA Governor on the nomination of the Minister for Energy, as per the provisions of the *Electricity Corporations Act 2005* (WA).

The Board is responsible to the Minister for Energy for the performance of the business.

The primary role of the Board is to set Horizon Power's 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 team.

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

Ms Samantha Tough
Chairperson

Mr Mark Puzey
Deputy Chairperson

Ms Ivy Chen
Director

Ms Sandra Di Bartolomeo
Director

Ms Kirsty Laurie
Director

Mr Martin Reed
Director (term concluded 7 March 2023)

Ms Gail Reynolds-Adamson
Director

Mr Rohan Williams
Director (term commenced 8 March 2023)

Our board

Ms Samantha Tough
Chairperson

Appointed 26 November 2019

Current term expires
26 November 2025

Samantha has a distinguished Executive and non-Executive career with experience in energy, resources and engineering. She is the Pro Vice Chancellor of Industry and Commercial at the University of Western Australia (UWA) and has a current board portfolio that includes Aurizon Ltd (commencing September 2023), Clean Energy Finance Corporation and Rumin8 Pty Ltd.

Samantha has detailed knowledge of regional WA and served on the boards of several businesses and non-government organisations.

Samantha completed a Bachelor of Laws and Bachelor of Jurisprudence at UWA and worked as a barrister and solicitor before moving to the commercial sector. She is a Fellow of the Australian Institute of Company Directors.

Mr Mark Puzey FAICD, FCA
Deputy Chairperson

Appointed 21 December 2021

Current term expires
20 December 2024

Mark spent 33 years at KPMG where he was a Chartered Accountant, gaining extensive experience with internal and external audit, risk management, IT advisory, governance, strategy and business transformation roles. He was the lead partner for the Energy Utilities Sector (WA), and the IT Governance Asia Pacific leader.

Mark is Horizon Power's Audit and Risk Management Committee Chair. He is Audit and Risk Committee Chair and non-Executive director of DUG Technology Limited (ASX: DUG), and non-Executive director of Sircel Limited. Upon retiring from KPMG, his roles have included strategy, commercialisation, innovation and business growth advisory for a variety of entities, including energy and technology enabled companies, as well as chair of other audit, digital and risk board committees. He is also a major supporter of the arts.

Mark is a Fellow of Chartered Accountants ANZ (FCA) and the Australian Institute of Company Directors (FAICD). He is certified in the Governance of Enterprise IT (CGEIT).

Ms Ivy Chen
Director

Appointed 23 August 2020

Current term expires
26 November 2025

Ivy is a corporate governance specialist who leads mining geology and resource estimations teams in China and Australia. She currently works for Mineral Resources Limited, and her previous positions include consulting roles in the mining industry and serving as a national advisor for geology and mining for the Australian Securities and Investment Commission (ASIC).

Ivy was also heavily involved in the ASIC contribution to the 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) update, the 2015 Australasian Code for the Public Reporting of Technical Assessments and Valuations of Mineral Assets (VALMIN Code) and the ASX listing rules for mining and oil and gas. Ivy was awarded an Australian Public Service Australia Day medal in 2013 in recognition of her outstanding service for this work.

Ivy is a Director of Football West, a Director of the Football Futures Foundation (the charity arm of Football West), a member of the Mining and Petroleum Advisory Committee (MAPAC), and the WA Government's Investment Attraction Fund Governance Board. Ivy is also a Director of Multicultural Futures, and a Director of Take It Seriously.

Ms Sandra Di Bartolomeo
Director

Appointed 20 November 2018

Current term expires
9 August 2025

Sandra has significant 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, including leading the Corporate and Institutional Bank Legal Team in WA and Queensland. Sandra is also currently a non-Executive director of Interchange Incorporated.

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

Ms Kirsty Laurie
Director

Appointed 21 November 2021

Current term expires
20 November 2024

Kirsty has more than 20 years of experience across the WA and Commonwealth Governments, leading the Revenue and Intergovernmental Relations directorate of WA Treasury for 11 years and now heading up the directorate responsible for budget advice on utilities, ports and climate change.

Prior to relocating to WA in 2010, she worked in the Commonwealth Industry Department and Commonwealth Treasury on issues including the 2000 Innovation Summit, the Ralph Review of Business Taxation, GST Policy, the Commonwealth Budget, the Future Fund and the Carbon Pollution Reduction Scheme. She also served as Manager of the Climate Change and Environment Unit, leading advisory efforts to Ministers on new climate change, energy efficiency and renewable energy policy proposals.

Kirsty received Honours in Applied Economics from the Australian National University and holds a Bachelor of Economics and a Bachelor of Arts in International Relations and French, both from the University of Queensland.

Mr Martin Reed
Director

Appointed 22 February 2022

Term concluded 7 March 2023

Martin is a qualified mining engineer with more than 40 years of experience in operations management and project development across a range of commodities, international markets and business operations. He served as Chief Operating Officer and Project Manager for several metals companies, including Sandfire Resources, St Barbara Ltd, Paladin Energy Ltd and Windimurra Vanadium Ltd.

Martin has substantial experience in all aspects of management, including leadership, stakeholder relations, policy and procedures development, and has a particular focus and expertise in growing companies from the exploration phase into the producer phase.

Martin has been a director of various public companies, including Saracen Mineral Holdings, Adamus Resources Limited (later merged with Endeavour Mining Corporation where he was also a director), and Toro Gold Limited (which later merged with Resolute Mining Limited).

Ms Gail Reynolds-Adamson
Director

Appointed 20 November 2018

Current term expires
9 August 2025

Gail has held various roles in Aboriginal relations and is experienced in advocating for regional and Aboriginal communities.

She is also on several boards and is currently Chairperson of the Esperance Tjaltjraak Native Title Aboriginal Corporation and the South East Aboriginal Health Service.

She is also a director of the Indigenous Land and Sea Corporation (ILSC), a member of South West Marine Parks Australia Committee (SWMPAC), and a member of the First Nations Landcare Working Group.

Mr Rohan Williams
Director

Appointed 8 March 2023

Current term expires
7 March 2026

Rohan has 20+ years of experience leading mining and resource companies, after starting his career as a geologist. Previous roles include CEO and Managing Director of Avoca Resources Ltd, Chief Strategic Officer and Executive Director of Alacer Gold Corporation, and Executive Chairman and CEO of Dacian Gold Ltd. He served on the Board of the Telethon Kids Institute for nine years.

Rohan is currently Director of Neap Consulting, assisting resource companies and not-for profit organisations with all facets of company management including administrative, corporate and operational leadership as well as strategic activities and objectives.

Rohan holds a Bachelor of Science with First Class Honours from La Trobe University.

Attendance at Board meetings

The Board met for seven scheduled meetings throughout the year and considered seven circular resolutions, the latter of which are recognised as duly constituted Board meetings.

Table 11: Board of Directors' scheduled meeting attendance FY 2022/23

Director	Number of meetings attended	Number of meetings eligible to attend during the time the Director held office during the year
Samantha Tough	7	7
Mark Puzey	7	7
Ivy Chen	7	7
Sandra Di Bartolomeo	7	7
Kirsty Laurie	7	7
Martin Reed (term concluded 7 March 2023)	5	5
Gail Reynolds-Adamson	6	7
Rohan Williams (term commenced 8 March 2023)	1	2

Table 12: Board of Directors' terms of appointment

Director	Appointed	Expires
Samantha Tough *Second term*	26 November 2019 27 November 2022	26 November 2022 26 November 2025
Mark Puzey	21 December 2021	20 December 2024
Ivy Chen *Second term*	23 August 2020 27 November 2022	26 November 2022 26 November 2025
Sandra Di Bartolomeo *Second term* *Third term*	20 November 2018 10 August 2021 10 August 2023	9 August 2021 9 August 2023 9 August 2025
Kirsty Laurie	21 November 2021	20 November 2024
Martin Reed	22 February 2022	7 March 2023
Gail Reynolds-Adamson *Second term* *Third term*	20 November 2018 10 August 2021 10 August 2023	9 August 2021 9 August 2023 9 August 2025
Rohan Williams	8 March 2023	7 March 2026

Audit and Risk Management Committee

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

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 provides oversight of internal controls and the internal audit function.

Financial reporting

The ARMC provides oversight in relation to financial reporting by considering:

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

Relations with external auditors

The ARMC meets with Horizon Power's 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:

Mr Mark Puzey
Chairperson

Ms Ivy Chen
Director

Ms Kirsty Laurie
Director

Table 13: ARMC meetings and attendance FY 2022/23

Director	Number of meetings attended	Number of meetings eligible to attend during the time the Director held office during the year
Mark Puzey	5	5
Ivy Chen	5	5
Kirsty Laurie	5	5

People, Safety and Culture Committee

The People, Safety and Culture Committee (PSCC) is a sub-committee of our Board of Directors. It was established in June 2020 to help the Board discharge its responsibility to provide oversight of, and corporate governance for, the business. The PSCC is accountable, and reports, to the Board.

The PSCC's role is to consider and make recommendations to the Board on matters relating to human resources, safety and corporate responsibility and to assist the Board with its oversight of Horizon Power's strategy, policies, practices and controls.

The PSCC assists the Board to discharge its responsibility to exercise due care, diligence and skill in relation to Horizon Power, by providing oversight of the following areas:

- matters in relation to Board composition including:
  - independence of Directors
  - composition of the Board, including assessing and recommending to the Board the appropriate mix of skills, knowledge, experience, independence and diversity to enable the Board to discharge its responsibilities effectively regarding the execution of Horizon Power's strategic objectives, legal requirements and to the highest standards of corporate governance
  - recommendations to the Board in relation to the appointment and retirement of Directors
- the processes in place to review the performance of the Board including the Chief Executive Officer
- matters in relation to people and performance including:
  - the remuneration framework for senior management
  - Horizon Power's remuneration and employment policies, procedures and programs
- diversity within Horizon Power
- safety, health and wellness including matters relating to:
  - occupational health and safety performance, policies and systems
  - health and wellness policies, practices and programs
- environmental management and sustainability
- corporate social responsibility and customer commitment
- Aboriginal and Torres Strait Islander commitment
- corporate governance.

Composition of the PSCC

The PSCC comprises:

Ms Sandra Di Bartolomeo
Chairperson

Mr Martin Reed
Director (membership concluded 7 March 2023)

Ms Gail Reynolds-Adamson
Director

Mr Rohan Williams
Director (membership commenced 14 April 2023)

Table 14: PSCC meetings and attendance FY 2022/23

Director	Number of meetings attended	Number of meetings eligible to attend during the time the Director held office during the year
Sandra Di Bartolomeo	4	4
Martin Reed (term concluded 7 March 2023)	2	2
Gail Reynolds-Adamson	2	4
Rohan Williams (membership commenced 14 April 2023)	1	2

Governance and corporate compliance disclosures

In compliance with the accountability provisions of the *Electricty Corporations Act 2005* (WA) (the Act), we provided the Minister for Energy with a quarterly report for the first three quarters of the 2022/23 financial year and this Annual Report in accordance with the *Government Trading Enterprises Act 2023* (WA) 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
- 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 Statement of Expectations and a one-year Statement of Corporate Intent
- a separate report on employee compliance with any issued codes of conduct
- 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.

Changes in written law

The Pilbara Network Rules (PNR) was amended several times throughout the 2022/23 financial year. The most significant change made to the PNR was the creation of a Connection Point Compliance (CPC) facility type and the associated processes.

The transitional arrangements implemented under Appendix 4 largely ended on 1 July 2023, enabling the full PNR regime to commence. A minor extension of the transitional arrangement was implemented via a rule change to enable the Pilbara Independent System Operator (ISOCo) to continue developing and releasing transitional operational procedures until 1 January 2024.

The *Government Trading Enterprises Act 2023* (WA) (GTE Act) came into full effect on 1 July 2023. The GTE Act repeals a substantial part of Horizon Power's enabling legislation – the *Electricity Corporations Act 2005* (WA), with the substance of those repealed sections comprising the GTE Act. The GTE Act provides for a uniform legislative governance regime in respect of the Government Trading Enterprises it captures, including Synergy and Western Power, the water corporations and the ports.

Likely developments in operations in future years

N/A

Shares in statutory authorities

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 as to what constitutes a conflict of interest and how one should be managed. A conflict of interest may arise in a number of situations involving 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 and committee meetings.

Indemnification of Directors

The Directors' and Officers' Liability Insurance Policy insures (amongst others) Horizon Power's Directors and officers, shadow directors and employees, and 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.

Horizon Power has also entered into deeds of indemnity, insurance and access with its Directors. Under these deeds, Horizon Power agrees to indemnify its 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.

Since last year, Horizon Power has entered into a deed of indemnity, insurance and access with Rohan Williams.

Emoluments paid to Board of Directors and Executive

Board members are appointed by the State Government under the *Government Trading Enterprise Act 2023* (WA) (and prior to 1 July 2023, under the *Electricity Corporations Act 2005* (WA)) following State Government approval processes that also outline the compensation payable for their services. From 1 July 2023, Director remuneration will be determined by the Salaries and Allowances Tribunal.

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 were reviewed and set in 2023, and paid in accordance with market evaluations and our human resource policies.

Remuneration settings have been changed to align with State Government policy.

Principles used to determine the nature and amount of compensation

Compensation approval protocols are as follows:

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

Non-Executive directors

- Payment to non-executive Directors consists of base remuneration and superannuation.

Chief Executive Officer and Executives

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

- cash
- selection of prescribed non-financial benefits
- superannuation
- cost of fringe benefits 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 the Act.

Table 15: Board of Directors' remuneration* for FY 2022/23[1]

Total remuneration band $	Number of directors		Short-term $'000				Post-employment $'000				Total $'000	
			Salary and fees		Other		Super		Termination			
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
0-24,999	2	1	19	12.6	-	-	1.9	1.3	-	-	20.9	13.9
25,000-49,999	5	4	35	42	-	-	3.5	4.4	-	-	38.5	46.4
50,000-74,999	-	1	-	60	-	-	-	6.3	-	-	-	66.3
75,000-99,999	1	1	95	95	-	-	9.5	9.9	-	-	104.5	104.9
100,000-124,999	-	-	-	-	-	-	-	-	-	-	-	-
125,000-150,000	-	-	-	-	-	-	-	-	-	-	-	-

* Where there is more than one Director in the remuneration band the average remuneration is shown.

Note

[1] Government employed non-executive Directors are not remunerated by Horizon Power.

Table 16: Executive remuneration* for FY 2022/23

Total remuneration band $	Number of staff		Short-term $'000				Post-employment $'000				Total $'000	
			Salary and fees		Other		Super		Termination			
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
0-249,000	0	1	0	249	0	0	0	25	0	0	0	274
250,000-349,999	4	2	314.8	313	0	0	23.6	25	0	0	338.4	338
350,000-424,999	4	4	381	385	0	0	31	29	0	0	412	414
425,000-499,999	0	0	0	0	0	0	0	0	0	0	0	0
500,000-574,999	1	1	538	552	0	0	27	27	0	0	565	579
575,000-625,000	-	-	-	-	-	-	-	-	-	-	-	-

*Where there is more than one Executive in the remuneration band the average remuneration is shown.

Legislation

The *Electricity Corporations Act 2005* (WA) establishes Horizon Power as a corporation with responsibility for the provision of electricity outside the South West Interconnected System (SWIS).

Electricity licences

The *Electricity Industry Act 2004* (WA) requires participants who generate, transmit, distribute or retail electricity in WA 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 2022*
- *Electricity Industry (Network Reliability and Quality of Supply) 2005*
- *Electricity Industry (Metering) Code 2012.*

Compliance with other legislation

We have a number of controls and systems in place that support the business to comply with all legislation and regulations affecting our activities. This includes an online compliance register.

Restriction on the area within which we may operate

Within WA, the performance of our functions is generally limited to those parts of WA that are not serviced by the SWIS.

Observance of the Code of Conduct

Section 33 of the *Government Trading Enterprises Act 2023* (WA) requires the Board of Horizon Power to provide to the Minister for Energy, at the same time as delivering our Annual Report, a separate report on the observance of its Code of Conduct by employees.

The Board confirms that Horizon Power's Code of Conduct was updated and adopted by the Board at its meeting in June 2020.

Employees, Directors and certain contractors are required to observe the required standards of conduct and integrity as set out in the Code of Conduct.

During the year, there were two minor misconduct matters that were reported to the Public Sector Commission (PSC). Both matters have been investigated and closed during the year.

Shared responsibility with other agencies

We did not share any responsibilities with other agencies during the 2022/23 financial year.

State Records Act 2020

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 2020* 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 and State Records for approval.

Regular reviews of record-keeping systems and practices are conducted as required to enable efficiency and effectiveness. Training programs for core systems, supplemented by the provision of relevant information on our 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 all expenditure (excluding GST) incurred during the financial period ending 30 June 2023.

Table 17: *Western Australian Electoral Act 1907* expenditure FY 2022/23

Agency type	Agency/organisation name	Amount
Advertising agencies	Wunderman Thompson, Significant Other Creative Agency, Rare, Goolarri Media, Nani Creative, Kiosk, Impact Digital, The Brand Agency	$1,035,833.04
Market research	CoreData, Thinkfield	$181,772.50
Polling	N/A	
Direct mail	Campaign Monitor	$3,036.28
Media advertising organisations	Hearts & Science	$441,808.99
Total		**$1,662,450.81**

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 enable appropriate processes to be 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 WA. 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
- *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* (Cth)
- *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*
- *Wildlife Conservation Act 1950*.

Our performance in relation to environmental obligations is discussed further in the 'A sustainable future' section beginning on page 52.

Operations during the 2022/23 financial year

The *Government Trading Enterprises Act 2023* (WA) and its associated regulations stipulate 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 achieved a net profit after tax (NPAT) of $7.1 million, compared to $10.4 million in the prior financial year. The decline in profit is mainly attributable to inflationary and commodity price pressures driven by global economic conditions. NPAT was also impacted by increases in financing costs and the effects of ex-Cyclone Ellie in the Kimberley, a once-in-a-century event which posed significant challenges to our operational performance.

We recorded a 5.4% increase in total income for the year compared to last year ($585.6 million in FY 2022/23 v $555.7 million in FY 2021/22). The increase was primarily attributable to:

- higher energy sales
- increased customer service obligation receipts for the Remote Essential Services Program
- increased revenue from contract works for customers
- higher network revenue.

The increase in energy sales (+$6.2 million, from $330.0 million in FY 2021/22 to $336.2 million in FY 2022/23), is primarily attributable to the uplift in mining activities in the Pilbara, and increased activities in the Esperance region driven by port load increases and the electrification of the Esperance Gas Distribution Network.

Overall electricity purchases were down during the year, reflecting the new Esperance power station becoming fully operational ($169.0 million in FY 2022/23 v $179.8 million in FY 2021/222). Fuel purchases were up 20% this year, ($68.0 million in FY 2022/23 v $56.6 million in FY 2021/22), mainly attributable to increased global commodity prices and increased demand in Esperance.

Operating expenses increased by 15.1% ($166.7 million in FY 2022/23 v $144.8 million in FY 2021/22) mainly due to one-off expenditures associated with the Esperance Energy Transition Plan and payments made on behalf of Department of Communities for the Remote Essential Services Program.

Depreciation and amortisation costs were higher due

to an increase in capital base, attributable to Renew the Regions' infrastructure investments made in 2021/22 becoming operational. Finance costs were higher than in the previous year due to a higher interest rates.

Balance sheet

Our net assets totalled $640.7 million, an increase of $7.1 million over the previous year. Notable changes during the year included an investment in West Australian Alternative Energy (WAAE), a specialist renewables solution provider which will complement and expedite both Horizon Power and the State Government's decarbonisation goals. Our asset base is $2,014.7 million, with $1,297.8 million of property, plant and equipment being the key asset class.

Capital expenditure.

We delivered a $122 million capital expenditure program in FY 2022/23, upgrading existing assets to enable us to continue to provide safe and reliable power across WA. Major expenditures for the year included the following key investments.

- $21.5 million Renew the Regions Program
- $10.9 million UotF project
- $7.1 million to WA EV Network
- $4.6 million roll-out of 50 additional SPS units in the Esperance region
- $3.3 million remote solar and battery systems

Dividends

As requested by the State Government and approved by the ERC at its November 2022 meeting, Horizon Power has retained its dividend payments to finance infrastructure priorities, including the Utility of the Future program. The retention relates to any dividends that were forecast to be paid in the current reporting period (including the 2021/22 final dividend and 2022/23 interim dividends).

Denham, Gascoyne region

Regional Power Corporation trading as Horizon Power Financial statements For the year ended 30 June 2023

ABN: 57 955 011 697

Table of contents

Statement of comprehensive income

	Notes	30 June 2023 $'000	30 June 2022 $'000
Revenue	1(b)	**410,194**	368,217
Other income	2(b)	**175,426**	187,500
Total income		**585,620**	555,717
Expenses			
Electricity and fuel purchases	3(b)	**(237,537)**	(236,820)
Employee benefits expense	3(b)	**(86,468)**	(73,928)
Materials and services	3(b)	**(69,306)**	(64,266)
Depreciation and amortisation expense	3(b)	**(111,842)**	(104,925)
Other expenses	3(b)	**(10,933)**	(6,651)
Finance costs	3(b)	**(59,799)**	(53,817)
Profit before income tax equivalent expense		**9,735**	15,310
Income tax equivalent expense	4(b)	**(2,594)**	(4,925)
Profit for the year		**7,141**	10,385
Other comprehensive income			
Items not to be reclassified subsequently to profit or loss			
Re-measurement of defined benefits plan		**(29)**	53
Tax equivalent on re-measurement of defined benefits plan	4(d)	**9**	(16)
		(20)	37
Other comprehensive income for the year, net of tax equivalent		**(20)**	37
Total comprehensive income for the year		**7,121**	10,422

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

	Notes	30 June 2023 $'000	Restated 30 June 2022 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6	**161,987**	154,079
Receivables	7	**47,820**	48,005
Current tax equivalent receivable	5	**-**	2,894
Inventories	8	**18,648**	12,400
Intangible assets	9	**2,012**	1,427
Financial instruments	17	**-**	3,925
Other current assets		**6,357**	4,641
Total current assets		**236,824**	227,371
Non-current assets			
Property, plant and equipment	10	**1,297,786**	1,289,608
Right-of-use (ROU) asset	11	**235,224**	260,448
Work in progress	12	**180,421**	139,695
Intangible assets	9	**22,086**	26,448
Investment in joint venture	20	**2,907**	553
Other non-current assets		**3,251**	3,965
Deferred tax equivalent assets	5	**36,167**	34,802
Total non-current assets		**1,777,842**	1,755,519
Total assets		**2,014,666**	1,982,890
LIABILITIES			
Current liabilities			
Payables	13	**92,478**	85,714
Provisions	14	**20,330**	20,018
Current tax equivalent payable	5	**733**	-
Interest bearing liabilities	15	**144,442**	123,989
Total current liabilities		**257,983**	229,721
Non-current liabilities			
Payables	13	**66,588**	68,570
Provisions	14	**19,594**	15,076
Retirement benefit obligations		**1,258**	1,262
Interest bearing liabilities	15	**1,028,530**	1,034,669
Total non-current liabilities		**1,115,970**	1,119,577
Total liabilities		**1,373,953**	1,349,298
Net assets		**640,713**	633,592
EQUITY			
Contributed equity	18	**416,113**	416,113
Retained earnings	18	**224,600**	217,479
Total equity		**640,713**	633,592

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

	Notes	Contributed equity $'000	Retained earnings $'000	Total equity $'000
Reported balance at 1 July 2021		**392,097**	214,184	606,281
Early adoption of amended accounting standard (Note 5 (b) (iii))		-	(1,381)	(1,381)
Correction of error (Note 5 (b) (iii))		-	(5,746)	(5,746)
Restated balance at 1 July 2021		**392,097**	**207,057**	**599,154**
Profit for the year			10,385	10,385
Other comprehensive income, net of tax equivalent		-	37	37
Total comprehensive income for the year		**-**	**10,422**	**10,422**
Transactions with owners in their capacity as owners: Contributions of equity, net of transaction costs and tax equivalent	18	24,016	-	24,016
Restated balance at 30 June 2022		**416,113**	**217,479**	**633,592**
Reported balance at 1 July 2022		**416,113**	**224,606**	**640,719**
Early adoption of amended accounting standard (Note 5 (b) (iii))		-	(1,381)	(1,381)
Correction of error (Note 5 (b) (iii))		-	(5,746)	(5,746)
Restated balance at 1 July 2022		**416,113**	**217,479**	**633,592**
Profit for the year		-	7,141	7,141
Other comprehensive income, net of tax equivalent		-	(20)	(20)
Total comprehensive income for the year		**-**	**7,121**	**7,121**
Transactions with owners in their capacity as owners: Contributions of equity, net of transaction costs and tax equivalent	18	-	-	-
Balance at 30 June 2023		**416,113**	**224,600**	**640,713**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

	Notes	30 June 2023 $'000	30 June 2022 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**448,147**	398,421
Developer and customer contributions		**13,234**	10,925
Receipts of Tariff Equalisation Contribution (TEC)		**175,000**	187,000
Net GST and fuel tax credits received		**8,424**	14,250
Interest received		**800**	139
Payments to suppliers and employees (inclusive of GST)		**(532,176)**	(530,731)
Finance costs paid		**(28,460)**	(21,733)
Receipts/(payment) for financial assets at fair value through profit or loss		**257**	1,047
Income taxes equivalent paid		**(324)**	(3,330)
Net cash inflow from operating activities	6(c)	**84,902**	55,988
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**912**	700
Payments for property, plant and equipment		**(115,260)**	(118,406)
Payments for intangibles		**(6,988)**	(4,442)
Investment in joint venture		**(1,800)**	-
Net cash outflow used in investing activities		**(123,136)**	(122,148)
Cash flows from financing activities			
Proceeds from borrowings		**180,000**	195,000
Repayment of borrowings		**(133,841)**	(143,635)
Dividends paid		**-**	-
Proceeds from contributed equity	18	**-**	24,016
Customer Extension Scheme - refunds		**(17)**	(10)
Net cash inflow from financing activities		**46,142**	75,371
Net increase in cash and cash equivalents		**7,908**	9,211
Cash and cash equivalents at the beginning of the financial year		**154,079**	144,868
Cash and cash equivalents at end of year	6(b)	**161,987**	154,079

The above statement of cash flows should be read in conjunction with the accompanying notes.

Contents of the notes to the financial statements

Notes to the financial statements

Corporation information

The financial statements of Regional Power Corporation, trading as Horizon Power ("Horizon Power" or "the Corporation") for the year ended 30 June 2023, were authorised for issue in accordance with a resolution of the Directors on 8 September 2023. The Directors have the power to amend and reissue the financial report.

Horizon Power is a not-for-profit public sector entity incorporated under the *Electricity Corporations Act 2005* and domiciled in Australia. Its registered office is at 1 Stovehill Road, Karratha.

The Corporation's principal activities include the generation, procurement, distribution and sale of electricity to residents and businesses in regional and remote Western Australia.

Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and the disclosure requirements of the *Government Trading Enterprises Act 2023*.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Corporation's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Corporation's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax equivalent assets and liabilities are always classified as non-current.

Statement of compliance

The financial statements comply with Australian Accounting Standards, as applicable to public sector entities as well as the *Electricity Corporations Act 2005*.

Accrual accounting and historical cost convention

These financial statements have been prepared on the historical cost convention except for derivative financial instruments that are measured at their fair value as at the reporting date. The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods.

Comparative amounts

Comparative amounts for the period from 1 July 2021 to 30 June 2022 have been restated following the early adoption of AASB 2021-5 'Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction' and adjustment of a prior-year error related to an understatement of the prior year's deferred tax equivalent liabilities. Refer to Note 5 (b) (iii) for further details of the restatement.

There have also been minor reclassifications within the same group of accounts to align to current year presentation.

Basis of preparation *Continued*

Going concern

The financial statements are prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, as at 30 June 2023, the Corporation had net current liabilities of $21,159,000.

The Directors believe that it is reasonably foreseeable that the Corporation will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- the net cash inflow from operations amounting to $84,902,000 (refer to Note 6c) indicates that the Corporation's ongoing operations generate sufficient cash flow to cover its usual operations, to pay interest on its debts and to pay income taxes
- under a Master Lending Agreement (MLA) with the Western Australian Treasury Corporation (WATC), the Corporation's borrowing facilities for financial year ending June 2024 is up to $908,061,000, which includes a working capital facility of $30,000,000
- WATC has advised the Corporation that in accordance with the MLA, WATC has no intention of cancelling any facility within an 18-month period from 1 July 2023
- Under the *Electricity Industry Act 2004* the Corporation receives subsidies to ensure it has the cash required for its operating activities. The subsidies include the TEC, which covers the difference between the revenue from uniform tariffs and the efficient cost of supply of electricity to persons in areas outside the South West Interconnected System (SWIS). TEC is legislated and has been gazetted at $197,000,000 for the financial year ended 30 June 2024.

Economic dependency

A significant portion of Horizon Power's revenue is derived from the Tariff Equalisation Fund (TEF), which is provided in accordance with the *Electricity Industry Act 2004*. Electricity Networks Corporation trading as Western Power pays money into the TEF in amounts determined by the Treasurer. This money is released to Horizon Power as determined by the Treasurer. Horizon Power has a significant dependency on the sufficient and timely flow of these funds to effectively remain a going concern entity to continue carrying out its objectives, obligations and commitments in the foreseeable future. Horizon Power began receiving revenue from the TEF in October 2006.

Foreign currency translation

The functional and presentation currency of Horizon Power is Australian dollars (AUD).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates prevailing at the date of the transaction. Monetary assets and monetary liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences in monetary assets and monetary liabilities currency translation are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate prevailing at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item. All other gains or losses arising on the translation of non-monetary items are recognised in profit or loss.

Significant accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The area where estimates and assumptions are significant to the financial statements, as a higher degree of judgement or complexity is involved, are listed below and described in more detail in the related notes:

- allowance for expected credit loss (Note 7 (c))
- useful life of intangible assets (Note 9 (a) (iv))
- impairment of intangible assets (Note 9 (a) (vi))
- useful life of property, plant and equipment (Note 10 (a) (vi))
- impairment of property, plant and equipment (Note 10 (a) (vii))
- impairment of ROU (Note 11 (c))
- provision for employee benefits – annual leave and long service leave (Note 14 (a) (i))
- provision for restoration and decommissioning costs (Note 14 (a) (ii))
- lease liabilities incremental borrowing rate (Note 15 (a) (iv))
- lease liabilities lease term (Note 15 (a) (v))
- commitments (Note 25).

New and amended accounting standards and interpretations

New and amended accounting standards adopted

Horizon Power has early adopted the amendment to AASB 112 *Income Taxes* under AASB 2021-5 'Amendments to Australian Accounting Standards—Deferred Tax related to Assets and Liabilities arising from a Single Transaction'. The amendment requires entities to recognise deferred taxes on certain single transactions that historically applied the initial recognition exemption. The amendment has given rise to a change in deferred tax liabilities related to decommissioning assets. Refer to Note 5 (b) (iii).

New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2023 reporting periods and have not been early adopted by Horizon Power. The assessment of the impact of these new standards and interpretations is detailed below. These standards are not expected to have a material impact on Horizon Power in the current or future reporting periods or on foreseeable future transactions.

Reference	Title	Summary	Application date of standard	Impact on entity financial report	Application date for entity
AASB 2021-2	**AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates**	This Standard amends: • AASB 7 Financial Instruments — Disclosures, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements • AASB 101 Presentation of Financial Statements, to require entities to disclose their material accounting policy information rather than their significant accounting policies • AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates • AASB Practice Statement 2 Making Materiality Judgements, to provide guidance on how to apply the concept of materiality to accounting policy disclosures.	1 January 2023	Adoption of the amended accounting standards is not expected to have a material impact on Horizon Power's future reporting periods or transactions.	1 July 2023
AASB 2020-1	**AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current**	This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. For example, the amendments clarify that liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of liability is also clarified.	1 January 2024	Adoption of the amended accounting standards is not expected to have a material impact on Horizon Power's future reporting periods or transactions	1 July 2024

Profit for the reporting year

1. Revenue

(a) Accounting policy

(i) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to Horizon Power and the revenue can be reliably measured. It is valued at the fair value of the consideration received, or to be received, net of the amount of Goods and Services Tax (GST). The following specific recognition criteria must also be met before revenue is recognised.

(ii) Sale of electricity

Sale of electricity comprises revenue earned from the provision of electricity and is recognised once the performance obligations have been met during the period, which is at the point in time electricity is delivered to the customers, less rebates/concessions allowed to entitled customers. As at each reporting date, sales and receivables incorporate amounts attributable to 'unbilled sales', which relate to electricity delivered to customers who have not been billed at the reporting date.

(iii) Community service obligations

Community service obligations (CSOs) are obligations to perform functions, on behalf of the WA Government (State Government), that are not in the commercial interests of Horizon Power. Where the State Government agrees to reimburse Horizon Power for the cost of CSOs, the entitlement to reimbursement is recognised in the statement of comprehensive income on a basis consistent with the associated CSO expenses. Horizon Power recognises revenue in respect of the reimbursement of CSOs including:

- Air Conditioning Rebate
- Power for Remote Water and Waste Water Service
- Energy Assistance Payments
- Dependent Child Rebates
- Tariff Adjustment Payments
- Cost of living support payments
- Esperance Energy Transition Plan payments
- Remote Essential Services Program.

(iv) Developer and customer contributions

Horizon Power receives developer and customer contributions toward the extension of electricity infrastructure to facilitate network connection. Contributions can be in the form of either cash or assets and consist of:

- work performed for developers — developers make cash contributions to Horizon Power for the construction of electricity infrastructure within a subdivision
- upgrade and new connections — customers (including generators) make cash contributions for the upgrade or extension of electricity infrastructure to existing lots or for the construction of electricity infrastructure to new lots in existing areas
- handover works — developers have the option to independently construct electricity infrastructure within a subdivision. Upon approval by Horizon Power of the completed work, these network assets are vested in Horizon Power.

Cash contributions and network assets are recognised as revenue when the customers/developers are connected to the network in accordance with the terms of the contributions. Vested assets are recognised as revenue at the point of handover and are measured at their fair value. The network assets resulting from contributions received are recognised as property, plant and equipment and depreciated over their useful life.

1. Revenue *Continued*

(a) Accounting policy *Continued*

(v) Network revenue

Network revenue is recognised when the service is provided to the customer, which is at the point in time the network is used. The consideration invoiced for network services consists mainly of fixed access charge.

(vi) Revenue from contract works

Revenue from contract works is recognised when the products or services have been delivered to the customer. Contract works include installation of renewable energy equipment, vegetation clearing, design works and high load escorts.

(vii) Revenue from grants

Grants are recognised upon achievement of funding agreement milestones.

(b) Amounts recognised in statement of comprehensive income

	30 June 2023 $'000	30 June 2022 $'000
Revenue consists of the following items:		
Sale of electricity	**336,256**	329,977
Community service obligations revenue	**32,377**	2,779
Developer and customer contributions	**11,115**	4,732
Network revenue	**14,341**	13,496
Revenue from contract works	**6,517**	6,118
Grants	**3,468**	1,070
Unrealised hedging gain	**-**	2,456
Revenue from joint controlled operations	**1,337**	2,092
Others	**4,783**	5,497
	410,194	368,217

	30 June 2023 $'000	30 June 2022 $'000
Timing of revenue recognition:		
Services transferred at a point in time	**406,726**	367,147
Services transferred over time	**3,468**	1,070
	410,194	368,217

2. Other Income

(a) Accounting policy

Tariff Equalisation Contribution

A significant portion of Horizon Power's income comes from the TEC, which is dervied from the TEF. Electricity Networks Corporation, trading as Western Power, pays money into the TEF in amounts determined by the Treasurer. This money is released to Horizon Power as determined by the Treasurer and is recognised on a cash receipt basis.

(b) Amounts recognised in statement of comprehensive income

	30 June 2023 $'000	30 June 2022 $'000
Tariff Equalisation Contribution	**175,000**	187,000
Gain on disposal of property, plant and equipment	**426**	500
	175,426	187,500

3. Expenses

(a) Accounting policy

(i) Electricity and fuel purchases

Electricity and fuel purchases are those costs attributable to the integrated manufacturing process involved in the generation and transformation of electricity into a saleable commodity. It includes costs associated with purchasing fuel and electricity.

Electricity purchased from independent generators is recognised at the contracted price on an accrual basis.

Liquid fuel costs are assigned on the basis of weighted average cost. Gas costs comprise payments made under sale and purchase agreements.

Costs to operate and maintain the electricity transmission and distribution systems are recognised on an accrual basis.

(ii) Finance costs

Finance costs include:

- amortisation of ancillary costs incurred in connection with the arrangement of borrowings
- amortisation of discounts or premiums relating to borrowings
- discount rate adjustment for the movement in present value over time in connection with the contributory extension scheme payables and decommissioning costs
- finance charges in respect of leases recognised
- interest on bank overdrafts, short-term and long-term borrowings
- guarantee fees on borrowings from the WATC.

3. Expenses *Continued*

(b) Amounts recognised in statement of comprehensive income

	30 June 2023 $'000	30 June 2022 $'000
Electricity and fuel purchases		
Electricity purchases	**169,051**	179,792
Fuel purchases	**68,071**	56,643
Water purchases	**415**	385
Total electricity and fuel purchases	**237,537**	236,820
Employee benefits expense		
Salaries, wages and allowances	**59,258**	52,317
Superannuation	**9,117**	7,706
Annual leave	**6,233**	5,071
Long service leave	**2,608**	870
Payroll tax	**5,293**	4,532
Other related expenses	**3,959**	3,432
Total employee benefits expenses	**86,468**	73,928
Materials and services		
Contracted services	**39,630**	34,817
Materials	**8,236**	10,318
IT services	**7,609**	7,311
Consultant services	**6,818**	5,546
Customer services	**3,383**	3,240
Other services	**3,630**	3,034
Total materials and services	**69,306**	64,266
Depreciation		
Generation	**12,279**	11,614
Network	**45,610**	43,600
Plant and equipment	**6,603**	6,779
ROU assets	**33,608**	29,947
Buildings	**2,732**	2,570
Total depreciation	**100,832**	94,510
Amortisation		
Computer software	**11,010**	10,415
Total amortisation	**11,010**	10,415
Total depreciation and amortisation	**111,842**	104,925

3. Expenses *Continued*

(b) Amounts recognised in statement of comprehensive income *Continued*

	30 June 2023 $'000	30 June 2022 $'000
Other expenses		
Property expenses	**5,156**	4,934
Allowance for expected credit losses	**2,025**	1,260
Other	**3,752**	457
Total other expenses	**10,933**	6,651
Finance costs		
Lease liability interest	**30,207**	27,644
Interest on debts	**24,929**	21,725
Unwinding of discount on decommissioning provision	**488**	163
Unwinding of discount on contributory extension scheme	**-**	1
Interest other	**4,175**	4,284
Total finance costs	**59,799**	53,817

4. Income tax equivalent expense

(a) Accounting policy

(i) National Taxation Equivalent Regime (NTER) and other taxes

The calculation of the liability in respect of Horizon Power's taxes is governed by the Income Tax Administration Acts and the NTER guidelines as agreed by the State Government.

Income tax equivalent expense on the statement of comprehensive income for the reporting period comprises current and deferred equivalent tax. Income tax equivalent expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in other comprehensive income.

Current tax equivalent liability is the expected tax equivalent payable on the taxable equivalent income for the reporting period using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred income equivalent tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax equivalent liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax equivalent assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income equivalent tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- when the deductible temporary differences are associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

4. Income tax equivalent expense *Continued*

(a) Accounting policy *Continued*

(i) National Taxation Equivalent Regime (NTER) and other taxes *Continued*

The carrying amount of deferred income tax equivalent assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax equivalent assets are reassessed at the end of each reporting period and are recognised to the extent that it is probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax equivalent assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Deferred tax equivalent assets and deferred tax liabilities are only offset if a legally enforceable right exists to offset current tax equivalent assets against current tax equivalent liabilities, and the deferred tax equivalent assets and liabilities relate to the same taxable entity and the same taxation authority.

(ii) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(b) Amounts recognised in statement of comprehensive income

Income tax equivalent expense

	30 June 2023 $'000	30 June 2022 $'000
Current tax	**4,904**	3,567
Deferred tax	**(910)**	1,994
Adjustments for net deferred tax assets and liabilities of prior period	**(455)**	874
Adjustments for current tax of prior periods	**(945)**	(1,510)
	2,594	4,925
Deferred income tax equivalent expense/(benefit) included in income tax equivalent expense comprises:		
(Increase)/decrease in deferred tax equivalent assets (Note 5 (b) (i))	**7,046**	(15,961)
Increase/(decrease) in deferred tax equivalent liabilities (Note 5 (b) (ii))	**(7,956)**	17,955
Closing amount	**(910)**	1,994

4. Income tax equivalent expense *Continued*

(c) Numerical reconciliation of income tax equivalent expense to prima facie tax equivalent payable

	30 June 2023 $'000	30 June 2022 $'000
Profit before income tax equivalent expense	**9,735**	15,310
Tax at the Australian tax equivalent rate of 30.0% (2022 - 30.0%)	**2,920**	4,593
Non-temporary tax adjustments:		
Research and development of non-deductible depreciation	**-**	920
Non-deductible and other	**1,073**	48
Adjustments for net deferred tax assets and liabilities of prior period	**(1,399)**	874
Adjustments for current tax of prior periods	**-**	(1,510)
Total income tax equivalent expense	**2,594**	4,925

(d) Amounts recognised directly in other comprehensive income

	30 June 2023 $'000	30 June 2022 $'000
Net deferred tax equivalent — recognised directly in other comprehensive income, in relation to:		
— Re-measurement on defined benefit plans	**9**	(16)
Total	**9**	(16)

Operational assets and liabilities

5. Tax equivalent assets and liabilities

(a) Accounting policy

Refer to Note 4 (a) (i) for details of Horizon Power's 'deferred tax equivalents' accounting policy.

(b) Amounts recognised in statement of financial position

(i) Deferred tax assets

	30 June 2023 $'000	Restated 30 June 2022 $'000
The balance comprises temporary differences attributable to:		
Lease liabilities	**97,038**	106,592
Provisions	**12,550**	12,349
Community service obligation	**4,386**	3,215
Property, plant and equipment	**24**	24
	113,998	122,180
Other		
Accruals	**199**	232
Contributory extension scheme	**153**	153
Other	**(34)**	(1,217)
Sub-total other	**318**	(832)
Total deferred tax assets	**114,316**	121,348
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 5 (b) (ii))	**(78,149)**	(86,546)
Net deferred tax assets	**36,167**	34,802

	30 June 2023 $'000	Restated 30 June 2022 $'000
Movements:		
Opening balance	**121,348**	105,387
(Credited)/expensed to profit or loss (Note 4 (b))	**(7,046)**	15,961
Adjustments for deferred tax equivalent assets of prior periods	**14**	-
Total	**114,316**	121,348

5. Tax equivalent assets and liabilities *Continued*

(b) Amounts recognised in statement of financial position *Continued*

(ii) Deferred tax equivalent liabilities

	30 June 2023 $'000	Restated 30 June 2022 $'000
The balance comprises temporary differences attributable to:		
ROU assets	**76,313**	78,135
Other	**1,836**	8,411
Total deferred tax equivalent liabilities	**78,149**	86,546
Set-off of deferred tax equivalent assets pursuant to set-off provisions (Note 5 (b) (i))	**(78,149)**	(86,546)
Net deferred tax equivalent liabilities	**-**	-

	30 June 2023 $'000	Restated 30 June 2022 $'000
Movements		
Opening balance at 1 July	**86,546**	67,717
(Expensed)/credited to profit or loss (Note 4 (b))	**(7,956)**	17,955
Adjustments for deferred tax liabilities of prior periods	**(441)**	874
Total	**78,149**	86,546

(iii) Current tax equivalent (payable)/receivable

	30 June 2023 $'000	30 June 2022 $'000
Income tax equivalent (liability)/asset	**(733)**	2,894
Total	**(733)**	2,894

(iii) Prior period restatements

Horizon Power has made the following restatements in the current year:

a) Early adoption of amendment accounting standard – AASB 2021-5 'Amendments to Australian Accounting Standards—Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (AASB 2021-5).

Horizon Power has elected to uptake early adoption of the amendment to AASB 112 Income Taxes under AASB 2021-5. The amendment requires entities to recognise deferred taxes on certain single transactions which historically applied the previous recognition exemption.

The amendment has given rise to a change in deferred tax liabilities related to decommissioning assets, which resulted in a cumulative increase in the deferred tax equivalent liability and a reduction in retained earnings as at 1 July 2021, and the same impact to both line items as at 30 June 2022. There was no impact in applying the new standard to deferred tax equivalent expense for the year ended 30 June 2022. As Horizon Power applies the offset of deferred tax equivalent liabilities against deferred tax equivalent assets, the statement of financial position shows a reduction in deferred tax equivalent assets.

5. Tax equivalent assets and liabilities *Continued*

(b) Amounts recognised in statement of financial position *Continued*

(iii) Prior period restatements *Continued*

b) Prior year restatement — deferred tax equivalent liabilities

In previous reporting periods, deferred tax equivalent liabilities were understated in error with respect to capitalised research and development (R&D) costs and all amounts have been treated as non-temporary. There was $19.152 million of costs included in the tax base of assets for which a future depreciation deduction will not be claimable. As the costs are not deductible for tax purposes, there should be no tax base recognised in respect of the R&D costs claimed in prior years.

This error has accumulated over time, giving rise to an understatement of deferred tax liabilities and tax expense that built up over time.

These restatements were applied retrospectively and impacted the financial statements of Horizon Power as follows:

Statement of financial position (extract)	30 June 2022 $000	Early adoption of AASB 2021-5 $000	Deferred tax equivalent liabilities error $000	30 June 2022 $000
	Reported	(Decrease)	(Decrease)	Restated
Deferred tax equivalent assets*	41,929	(1,381)	(5,746)	34,802
Net assets	**640,719**	**(1,381)**	**(5,746)**	**633,592**
Retained earnings	224,606	(1,381)	(5,746)	217,479
Total equity	**640,719**	**(1,381)**	**(5,746)**	**633,592**

Statement of financial position (extract)	1 July 2021 $000	Early adoption of AASB 2021-5 $000	Deferred tax equivalent liabilities error $000	1 July 2021 $000
	Reported	(Decrease)	(Decrease)	Restated
Deferred tax equivalent assets*	44,797	(1,381)	(5,746)	37,670
Net assets	**606,281**	**(1,381)**	**(5,746)**	**599,154**
Retained earnings	214,184	(1,381)	(5,746)	207,057
Total equity	**606,281**	**(1,381)**	**(5,746)**	**599,154**

* Horizon Power applies the offset under section 71 of AASB 112 Income Taxes: Deferred tax equivalent liabilities are offset against deferred tax equivalent assets.

The prior years' restatements have no impact on the statement of comprehensive income or the statement of cash flows for the year ended 30 June 2022.

6. Cash and cash equivalents

(a) Accounting policy

Cash and cash equivalents comprise cash at bank, deposits held at call with financial institutions and other short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash.

6. Cash and cash equivalents *Continued*

(b) Amounts recognised in statement of financial position

	30 June 2023 $'000	30 June 2022 $'000
Cash in operational accounts	**111,987**	104,079
Short-term investment deposits	**50,000**	50,000
Total	**161,987**	154,079

Management assessed that the fair value of cash at bank and short-term investment deposits approximate their carrying amounts.

(c) Reconciliation of profit after income tax equivalent expense to net cash inflow from operating activities

	30 June 2023 $'000	30 June 2022 $'000
Profit for the year	**7,141**	10,385
Depreciation and amortisation	**111,842**	104,925
Gifted assets	**(3,719)**	(939)
Share of profit from joint venture	**(49)**	(35)
Net gain on sale of non-current assets	**(409)**	(500)
Allowance for expected credit losses	**2,025**	1,260
Changes in operating assets and liabilities:		
Receivables	**(5,599)**	(8,162)
Inventories	**(6,248)**	(796)
Other current assets	**(2,299)**	(1,590)
Payables	**(45,124)**	(55,286)
Other current liabilities	**16,328**	5,191
Derivatives	**3,922**	(2,456)
Tax equivalent assets and liabilities	**2,265**	1,611
Employee provisions	**312**	954
Other provisions	**4,514**	1,426
Net cash inflow from operating activities	**84,902**	55,988

(d) Non-cash investing and financing activities

	30 June 2023 $'000	30 June 2022 $'000
Gifted assets (Note 10 (b))	**4,110**	939
Additions to ROU assets (Note 11 (c))	**1,281**	91,275
Total	**5,391**	92,214

7. Receivables

(a) Accounting policy

Receivables, which generally have 12-day terms for tariff customers, 7 to 14-day terms for contract customers and 30 to 90 days for non-energy customers, are recognised and carried at the original invoice amount less an allowance for any expected credit loss. No interest is charged on current receivables.

Horizon Power applies the AASB 9 'Financial Instruments' general approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables, including unbilled amounts. To measure the expected credit losses, energy trade receivables and unbilled amounts have been grouped based on their credit risk characteristics, linked to actions taken by the credit team since the customer's invoices became overdue. Unbilled amounts from customers have the same substantial risk characteristics as the receivables for the same types of contracts. The expected loss rates for receivables are a reasonable approximation of the loss rates for unbilled amounts.

The expected loss rates are based on the historical recovery rates achieved by the credit team on debtors in the relevant categories. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Non-energy receivables relate mainly to discrete transactions with customers. The expected credit loss rates are based on a review of individual debts outstanding, the risk profile of the customer and the nature of transactions.

Other receivables are not considered at risk and therefore no expected loss allowance has been provided.

The amount of the expected credit loss is recognised in the statement of comprehensive income within other expenses. When a receivable for which an expected credit loss had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised in the statement of comprehensive income against expected credit loss allowance expense.

(b) Amounts recognised in Statement of Financial Position

	30 June 2023 $'000	30 June 2022 $'000
Receivables		
Receivables: energy - billed	**21,810**	21,962
Receivables: energy - unbilled (i)	**21,991**	20,421
Total receivables: energy	**43,801**	42,383
Allowance for expected credit loss – energy	**(4,213)**	(4,077)
	39,588	38,306
Receivables: non-energy	**4,420**	7,227
Allowance for expected credit loss – non-energy	**(879)**	(727)
	3,541	6,500
Other receivables (Note 7 (d))	**4,691**	3,199
Total receivables	**47,820**	48,005

(i) Receivables: energy — unbilled: Following the roll-out of the advanced metering infrastructure, management developed reporting tools that track ongoing consumption for customers with advanced meters resulting in a high level of accuracy in the evaluation of the unbilled electricity consumption.

(c) Impaired trade receivables

(i) Critical accounting estimates and judgements: expected credit loss

The allowance for expected credit loss of receivables is based on assumptions about the risk of default and expected loss rates. Horizon Power uses judgement in making these assumptions and selecting the inputs to the expected credit loss calculation, based on past history and existing market conditions, as well as forward-looking estimates at the end of each reporting date.

7. Receivables *Continued*

(c) Impaired trade receivables *Continued*

(ii) Movements in the allowance for expected credit loss of receivables are as follows:

	30 June 2023 $'000	30 June 2022 $'000
At 1 July 2022	**4,804**	5,602
Allowance for expected credit loss recognised during the year	**2,025**	1,260
Receivables written off during the year as uncollectable	**(1,737)**	(2,058)
At 30 June 2023	**5,092**	4,804

The creation and release of the allowance for expected credit loss of receivables have been included in 'other expenses' in the statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. All expected credit losses relate to amounts due from contracts with customers.

The loss allowance as at 30 June 2023 was determined as follows for both trade receivables and unbilled amounts:

30 June 2023

Energy status

	Total energy receivables $'000	Expected loss rate	Loss allowance $'000
Not overdue	15,326	0.3%	45
Overdue			
Pre-disconnection	15,609	1.6%	251
Post-disconnection	5,528	16.3%	902
Special dispensation	5,078	19.0%	966
With collection agents	1,303	90.4%	1,179
Not recoverable	957	90.9%	870
Total	43,801	8.5%	4,213

Non-energy status

	Total non-energy receivables $'000	Expected loss rate	Loss allowance $'000
Not overdue	2,836	0.7%	20
Overdue			
Government and related entities	308	7.1%	22
Low to moderate risk	816	46.9%	383
High risk	37	83.8%	31
Not recoverable	423	100.0%	423
Total	4,420	19.9%	879

7. Receivables *Continued*

(c) Impaired trade receivables *Continued*

(ii) Movements in the allowance for expected credit loss of receivables are as follows: *Continued*

30 June 2022

Energy status

	Total energy receivables $'000	Expected loss rate	Loss allowance $'000
Not overdue	14,717	0.1%	22
Overdue			-
Pre-disconnection	16,106	1.5%	243
Post-disconnection	6,083	16.4%	995
Special dispensation	3,028	17.5%	529
With collection agents	1,492	89.2%	1,331
Not recoverable	957	100.0%	957
Total	42,383	9.6%	4,077

Non-energy status

	Total non-energy receivables $'000	Expected loss rate	Loss allowance $'000
Not overdue	5,219	0.2%	13
Overdue			
Government and related entities	943	0.8%	8
Low to moderate risk	254	13.0%	32
High risk	548	75.0%	411
Not recoverable	263	100.0%	263
Total	7,227	10.1%	727

(d) Other receivables

These amounts generally arise from transactions outside the usual operating activities of Horizon Power. No significant risk is believed to be attached to other receivables.

(e) Fair value

Due to the short-term nature of receivables, their carrying amount is approximate to their fair value.

8. Inventories

(a) Accounting policy

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle, and includes cost incurred in bringing inventories to their present location and condition.

Inventories are spares, consumables and fuel purchase for use in the business. Where the item is expected to be utilised in the ordinary course of the business, net realisable value is estimated to be equivalent to cost. Where the item is in excess of the needs of the business, net realisable value is determined with reference to the expected selling price or scrap value – whichever is higher.

(b) Amounts recognised in statement of financial position

	30 June 2023 $'000	30 June 2022 $'000
Materials	**15,216**	10,794
Fuel	**3,432**	1,606
Total inventories	**18,648**	12,400

9. Intangible assets

(a) Accounting policy

Intangible assets acquired separately are capitalised at cost at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible asset.

(i) Computer software

Computer software expenditure is capitalised at historical cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure is included in intangible assets only when it is probable the item associated with the cost will generate future economic benefits and the expenditure can be measured reliably.

Internally generated computer software is recognised only if an asset is created that can be identified; it is probable the asset created will generate future economic benefits; and the development cost of the asset can be measured reliably. Where no internally generated asset can be recognised the development cost is expensed to the profit or loss.

Software-as-a-service (SaaS) expenses are recognised as incurred when the related services are delivered, unless they qualify for capitalisation as computer software because they are identifiable and controlled in a way that allows future economic benefits to be obtained, and others' access to those benefits can be restricted. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received. A portion of the costs incurred are for the development of software code that enhances, modifies or creates additional capability to existing on-premise systems and meets the recognition criteria for an intangible asset.

(ii) Patents, trademarks and other rights

Patents, trademarks and other rights are capitalised at historical cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure is included in intangible assets only when it is probable the item associated with the cost will generate future economic benefits and the expenditure can be measured reliably.

(iii) Renewable energy certificates

Under the *Renewable Energy (Electricity) Act 2000*, parties on grids of more than 100 MW making wholesale acquisitions of electricity (relevant acquisitions) are required to demonstrate that they are supporting the generation of renewable electricity by purchasing increasing amounts of renewable energy certificates (RECs). The Act imposes an annual liability, on a calendar-year basis, by applying the specified Renewable Power Percentage and Small-Scale Technology Percentage to the relevant volume of electricity acquired.

These parties demonstrate compliance by surrendering RECs to the Clean Energy Regulator (CER). Large-Scale Generation Certificates are surrendered annually between 1 January and 14 February for the previous calendar year (compliance year). Small-Scale Technology Certificates are surrendered on a quarterly basis.

9. Intangible assets *Continued*

(a) Accounting policy *Continued*

(iii) Renewable energy certificates *Continued*

The REC's liability is extinguished by surrendering an equivalent number of RECs, with a penalty applying for any shortfall. Horizon Power acquires RECs on the spot market and under agreement with Pacific Hydro Wholesale Trading Pty Ltd. Horizon Power's liability is measured at the estimated cost to settle its obligation to the CER, being the number of RECs required to settle the obligation, less the number of any internally generated RECs on hand at year end. Any shortfall in the number of RECs is measured at market value (unless there are unfulfilled contracts to purchase RECs at a fixed or agreed price).

(iv) Amortisation and estimated useful life

The useful lives of intangible assets are assessed to be either finite or infinite. For intangible assets with finite useful lives, an amortisation expense is recognised in profit or loss over the useful lives of the assets.

The useful lives and amortisation of Horizon Power's major intangible asset classes are as follows:

Intangible asset	Finite/infinite useful life	Amortisation method	Useful life
Computer software	Finite	Straight-line method	3-5 years
Patents, trademarks and other rights	Finite	Straight-line method	10-15 years
Renewable Energy Certificates	Infinite	Not amortised	

Amortisation rates are reviewed annually, and if necessary, adjusted to reflect the most recent assessment of the useful lives of the assets.

(v) Disposal of assets

An intangible asset is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the de-recognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss when the asset is de-recognised.

(vi) Impairment of assets

Intangible assets are tested annually to determine if there is any indication of impairment. If any indication exists, Horizon Power estimates the asset's recoverable value. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

There were no indicators of impairment to intangible assets at 30 June 2023 (2022: nil).

(b) Amounts recognised in statement of financial position

(i) Current assets

Renewable energy certificates	30 June 2023 $'000	30 June 2022 $'000
Opening balance	**1,427**	1,173
Additions	**6,275**	9,849
Surrendered	**(5,690)**	(9,595)
Closing balance	**2,012**	1,427

9. Intangible assets *Continued*

(b) Amounts recognised in statement of financial position *Continued*

(ii) Non-current assets

	Computer software $'000	Total $'000
Year ended 30 June 2023		
Opening carrying amount	**26,448**	**26,448**
Transfers from work in progress (Note 12)	**6,648**	**6,648**
Amortisation charge	**(11,010)**	**(11,010)**
Closing carrying amount	**22,086**	**22,086**
Cost	**109,416**	**109,416**
Accumulated amortization	**(87,330)**	**(87,330)**
Carrying amount	**22,086**	**22,086**
Year ended 30 June 2022		
Opening carrying amount	32,749	32,749
Transfers from work in progress (Note 12)	4,114	4,114
Amortisation charge	(10,415)	(10,415)
Closing carrying amount	26,448	26,448
Cost	102,768	102,768
Accumulated amortisation	(76,320)	(76,320)
Carrying amount	26,448	26,448

10. Property, plant and equipment

(a) Accounting policy

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. A gifted asset is recognised at fair value at its initial recognition (at the point of handover to Horizon Power) and depreciated over its useful life.

(i) Acquisition of assets

The cost method of accounting is used for all acquisitions of assets. Cost is determined as the fair value attributed to the asset at the date of acquisition plus costs incidental to the acquisition. Direct costs and associated indirect costs in respect of assets being constructed are capitalised.

Costs are only capitalised when it is probable that future economic benefits will flow from the establishment of the asset and the cost of the asset can be reliably measured.

(ii) Decommissioning costs

Upon recognition of an item of property, plant and equipment, the cost of the item includes the anticipated costs of dismantling and removing the asset, and restoring the site on which it is located, discounted to its present value as at the relevant date of acquisition.

(iii) Capitalisation of borrowing costs

Horizon Power, as a not-for-profit public sector entity, has elected to expense borrowing costs in the period incurred under AASB 123 Borrowing Costs.

10. Property, plant and equipment *Continued*

(a) Accounting policy *Continued*

(iv) Depreciation

Discrete assets that are not subject to continual extension and modification are depreciated using the straight-line method. Such assets include power stations, transmission network assets and buildings.

Other assets, primarily the electricity distribution network that is continually extended and modified, are depreciated using the reducing balance method. Land is not depreciated.

The useful lives of Horizon Power's major property, plant and equipment classes are as follows:

- Buildings 25-40 years
- Generation 4-50 years
- Network 4-50 years
- Other 4-40 years

Depreciation rates are reviewed annually and, if necessary, adjusted to reflect the most recent assessment of the useful lives of the assets.

(v) Disposal of assets

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the de-recognition of an asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss when the asset is de-recognised.

(vi) Estimation of useful lives of assets

The estimation of the useful lives of assets is based on historical experience. Leased equipment is depreciated over the useful life of the asset, however if there is no reasonable certainty that Horizon Power will obtain ownership by the end of the lease term, the leased equipment is depreciated over the shorter of the estimated useful life of the asset and the lease term. In addition, the condition of the assets is assessed at least once annually and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Depreciation charges are included in Note 3 (b).

(vii) Impairment of assets

At each reporting date Horizon Power assesses whether there is any indication that an asset may be impaired, that is, where events or changes in circumstances indicate the carrying value exceeds the recoverable amount. The assessment includes an evaluation of conditions specific to Horizon Power and to the particular asset that may lead to impairment and includes product and manufacturing performance, technology, economic and political environments and future product expectation. Where an indicator of impairment exists, Horizon Power makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in profit or loss.

10. Property, plant and equipment *Continued*

(a) Accounting policy *Continued*

(vii) Impairment of assets *Continued*

Carbon pricing

At 30 June 2023 Horizon Power reports include an estimated circa $494,000,000 (2022: $500,000,000) of assets that generate or relate to CO_2 emissions, including owned and leased electricity generation assets (including power purchase agreements). The introduction of Carbon Pricing or Carbon Tax might have a potential impact on either the value or remaining useful economic life of these assets. However, as of 30 June 2023, the likelihood of the introduction of a carbon energy reform is considered remote and the shape of future arrangements is not clear.

Natural disasters

Horizon Power owns assets that can be impacted by acute and extreme weather conditions, such as cyclones or bushfires. However, these are uncertain future events.

Under Australian Accounting Standards no provisions are allowed against future losses resulting from uncertain future events.

Based on the above, there were no indicators of impairment to property, plant and equipment at 30 June 2023 (2022: nil).

(b) Amounts recognised in statement of financial position

	Freehold land $'000	Buildings $'000	Generation $'000	Network $'000	Plant and equipment $'000	Total $'000
Year ended 30 June 2023						
Opening carrying amount	11,975	51,990	190,600	1,004,148	30,895	1,289,608
Additions	39	-	-	6,720	-	6,759
Transfers from work in progress (Note 12)	-	6,127	31,205	30,007	1,975	69,314
Disposals	(272)	(238)	-	-	(161)	(671)
Depreciation charge (Note 3b)	-	(2,732)	(12,279)	(45,610)	(6,603)	(67,224)
Closing carrying amount	11,742	55,147	209,526	995,265	26,106	1,297,786
At 30 June 2023						
Cost	11,742	85,454	320,519	1,461,745	99,829	1,979,289
Accumulated depreciation	-	(30,307)	(110,993)	(466,480)	(73,723)	(681,503)
Carrying amount	11,742	55,147	209,526	995,265	26,106	1,297,786

10. Property, plant and equipment *Continued*

(b) Amounts recognised in statement of financial position *Continued*

	Freehold land $'000	Buildings $'000	Generation $'000	Network $'000	Plant and equipment $'000	Total $'000
Year ended 30 June 2022						
Opening carrying amount	12,115	50,334	188,502	978,881	29,652	1,259,484
Additions	-	-	-	-	2,131	2,131
Transfers from work in progress (Note 12)	60	4,226	13,712	68,867	5,891	92,756
Disposals	(200)	-	-	-	-	(200)
Depreciation charge (Note 3b)	-	(2,570)	(11,614)	(43,600)	(6,779)	(64,563)
Closing carrying amount	11,975	51,990	190,600	1,004,148	30,895	1,289,608
At 30 June 2022						
Cost	11,975	79,793	289,311	1,408,043	115,173	1,904,295
Accumulated depreciation	-	(27,803)	(98,711)	(403,895)	(84,278)	(614,687)
Carrying amount	11,975	51,990	190,600	1,004,148	30,895	1,289,608

Horizon Power receives non-cash capital contributions in the form of gifted assets. The fair value of the non-cash capital contributions included in the additions to plant and equipment in 2023 was $4,110,000 (2022: $939,000).

Plant and equipment include capitalised decommissioning costs of $3,036,000 (2022: $5,311,000).

11. Right-of-use Assets

(a) Recognition and measurement

At contract inception, Horizon Power assesses whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Horizon Power recognises ROU assets at the commencement date of the lease. ROU assets are measured at cost, net of accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Horizon Power has lease contracts for power purchase agreements and office and residential properties. Horizon Power also has leases of equipment with terms of less than 12 months or with low value, to which Horizon Power applies the short-term and lease of low-value recognition exemptions.

(b) Depreciation

ROU assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Power purchase agreements — based on the term of the contract (2-30 years)
- Office and residential properties — 2-13 years

(c) Impairment of assets

ROU assets are tested annually to determine if there is any indication of impairment. If any indication exists, Horizon Power estimates the asset's recoverable value. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

11. Right-of-use Assets *Continued*

(d) Amounts recognised in statement of financial position

	Power purchase agreements $'000	Office and residential properties $'000	Total $'000
Year ended 30 June 2023			
Opening carrying amount	**246,516**	**13,932**	**260,448**
Additions	**-**	**1,281**	**1,281**
Lease adjustments	**6,795**	**316**	**7,111**
Disposals	**-**	**(8)**	**(8)**
Depreciation charge (Note 3b)	**(31,100)**	**(2,508)**	**(33,608)**
Closing carrying amount	**222,211**	**13,013**	**235,224**
At 30 June 2023			
Cost	**595,765**	**19,952**	**615,717**
Accumulated depreciation	**(373,554)**	**(6,939)**	**(380,493)**
Carrying amount	**222,211**	**13,013**	**235,224**

	Power purchase agreements $'000	Office and residential properties $'000	Total $'000
Year ended 30 June 2022			
Opening carrying amount	186,421	14,634	201,055
Additions	90,044	1,231	91,275
Lease adjustments	1,208	-	1,208
Disposals	(3,143)	-	(3,143)
Depreciation charge (Note 3b)	(28,014)	(1,933)	(29,947)
Closing carrying amount	246,516	13,932	260,448
At 30 June 2022			
Cost	588,970	18,386	607,356
Accumulated depreciation	(342,454)	(4,454)	(346,908)
Carrying amount	246,516	13,932	260,448

12. Work in progress

Work in progress represents expenditure incurred on uncompleted capital projects. Upon completion of a project, expenditure is capitalised and transferred to either intangible assets (Note 9) or property plant and equipment (Note 10) to start its amortisation or depreciation in line with the assets' useful life.

Non-current assets

	30 June 2023 $'000	30 June 2022 $'000
Opening balance	**139,695**	105,273
Additions	**116,688**	131,292
Transfers to intangible (Note 9 (b) (ii))	**(6,648)**	(4,114)
Transfers to property plant and equipment (Note 10 (b))	**(69,314)**	(92,756)
Closing balance	**180,421**	139,695

13. Payables

(a) Accounting policy

These amounts represent liabilities for goods and services provided to Horizon Power that are unpaid prior to the end of the reporting period. The amounts are unsecured and are settled within prescribed periods.

Payables are non-interest bearing and are generally settled on 30-day terms. Other payables are non-interest bearing and generally have settlement terms between 14 and 30 days. Due to the short-term nature of these payables (including the current portion of the Contributory Extension Scheme (CES)), their carrying value approximates their fair value.

CES payables represent amounts received from customers to extend specific electricity supplies. These deposits are progressively refunded as other customers are connected to existing supply extension schemes.

(b) Amounts recognised in statement of financial position

(i) Current liabilities

	30 June 2023 $'000	30 June 2022 $'000
Payables	**72,913**	65,749
CES payables	**681**	683
Other payables	**1,572**	4,277
Contract liabilities	**17,312**	15,005
Total	**92,478**	85,714

(ii) Non-current liabilities

	30 June 2023 $'000	30 June 2022 $'000
Contract liabilities	**66,588**	68,570
CES payables	**-**	-
Total	**66,588**	68,570

Contract liabilities under non-current liabilities refer to upfront payments for the use of Horizon Power's network assets and are amortised over the term of the agreements.

13. Payables *Continued*

(b) Amounts recognised in statement of financial position *Continued*

(ii) Non-current liabilities *Continued*

Movements in contract liabilities

	30 June 2023 $'000	30 June 2022 $'000
Carrying amount at the start of the year	**83,575**	80,250
Additions	**15,780**	15,265
Revenue recognised in the reporting period	**(15,455)**	(11,940)
Closing balance	**83,900**	83,575
Comprised of:		
Current	**17,312**	15,005
Non-current	**66,588**	68,570
Total	**83,900**	83,575

14. Provisions

(a) Accounting policy

Provisions are recognised when:

- Horizon Power has a present obligation (legal or constructive) as a result of a past event
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation
- a reliable estimate can be made of the amount of the obligation.

(i) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include annual leave and long service leave.

Liabilities arising in respect of any employee benefits expected to be settled within 12 months from the reporting date are measured at their nominal amount based on remuneration rates that are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. The present value of future cash outflows is determined using the projected unit credit method.

A provision for the on-costs attributable to annual leave and unconditional long-service leave benefits is recognised in other provisions, not as employee benefits.

Estimates and assumptions

- *Long Service Leave*

Estimates and assumptions used in calculating Horizon Power's long service leave provision include expected future salary rates, employee retention rates and expected future payments. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows. Changes in these estimates and assumptions impact the carrying amount of the long service leave provision.

Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because Horizon Power has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

14. Provisions *Continued*

(a) Accounting policy *Continued*

(i) Employee benefits *Continued*

- *Annual Leave*

For annual leave not expected to be wholly settled before 12 months after the end of the reporting period, estimates and assumptions used in calculating the Corporation's annual leave provision include expected future salary increases and employee retention rates. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

- *Termination benefits*

Termination benefits are payable when employment is terminated by Horizon Power before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. Horizon Power recognises termination benefits at the earlier of the following dates: (a) when Horizon Power can no longer withdraw the offer of those benefits; (b) when Horizon Power recognises a cost for restructuring that is within the scope of AASB 137 'Provisions, Contingent Liabilities and Contingent Assets' and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits due more than 12 months after the end of the reporting period are discounted to present value.

(ii) Restoration and decommissioning

Provision is made for the present value of the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation arises. The nature of decommissioning activities includes the removal of generating facilities and restoration of affected areas, including the treatment of contaminated sites.

Typically, the obligation arises when the asset is installed at the location. When the provision is initially recognised, the estimated cost is capitalised by increasing the carrying amount of the related generating facility.

Over time, the provision is increased for the change in the present value based on a risk-adjusted pre-tax discount rate appropriate to the risks inherent in the liability. The unwinding of the discount is recorded as an accretion charge within finance costs. The carrying amount capitalised in generating assets is depreciated over the useful life of the related assets.

Costs incurred that relate to an existing condition caused by past operations are expensed.

Estimates and assumptions

A provision has been made for the present value of anticipated costs of future restoration and decommissioning of generating plants and workshops. The provision includes future cost estimates associated with dismantling closure, decontamination and permanent storage of historical residues. The calculation of this provision requires assumptions such as the application of environmental legislation, plant closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditures differing from the amounts currently provided. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised by adjusting both the expense or asset (if applicable) and provision. The related carrying amounts are disclosed within the property, plant and equipment in Note 10.

14. Provisions *Continued*

(b) Amounts recognised in statement of financial position

Current liabilities

	30 June 2023 $'000	30 June 2022 $'000
Long service leave	**7,644**	6,979
Annual leave	**5,345**	5,082
Decommissioning and rehabilitation	**634**	2,273
Employee benefits accruals and on-costs	**6,707**	5,684
Total	**20,330**	20,018

Non-current liabilities

	30 June 2023 $'000	30 June 2022 $'000
Long service leave	**2,250**	1,703
Decommissioning and rehabilitation	**16,949**	13,074
Employee benefits accruals and on-costs	**395**	299
Total	**19,594**	15,076

Movements in provisions - decommissioning and rehabilitation

	30 June 2023 $'000	30 June 2022 $'000
Carrying amount at start of the year	**15,347**	13,428
Payments/other sacrifices of economic benefits	**(1,632)**	(374)
Changes in assumptions	**3,380**	2,130
Unwinding of discount	**488**	163
Carrying amount at end of year	**17,583**	15,347
Comprised of:		
Current	**634**	2,273
Non-current	**16,949**	13,074
Total	**17,583**	15,347

14. Provisions *Continued*

(b) Amounts recognised in statement of financial position *Continued*

Movements in provisions – employee benefits accruals and on-costs

	30 June 2023 $'000	30 June 2022 $'000
Carrying amount at start of the year	**5,983**	5,107
Additional provisions recognised	**1,494**	3,828
Payments/other sacrifices of economic benefits	**(375)**	(2,952)
Carrying amount at end of year	**7,102**	5,983
Comprised of:		
Current	**6,707**	5,684
Non-current	**395**	299
Total	**7,102**	5,983

The annual leave benefits are reported as current because Horizon Power does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period. Based on past experience, annual and long service leave benefits are expected to be taken or paid as noted below.

Annual leave	30 June 2023 $'000	30 June 2022 $'000
Annual leave expected to be settled within 12 months	**3,943**	3,675
Annual leave expected to be settled after 12 months	**1,402**	1,407
Total	**5,345**	5,082

Long service leave liabilities are unconditional long service leave provisions, classified as current liabilities, as Horizon Power does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because Horizon Power has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service. Assessments indicate that actual settlement of the liabilities is expected to occur as noted below:

Long service leave	30 June 2023 $'000	30 June 2022 $'000
Long service leave expected to be settled within 12 months	**2,907**	2,629
Long service leave expected to be settled after 12 months	**6,987**	6,053
Total	**9,894**	8,682

15. Interest-bearing liabilities

(a) Accounting policy

(i) Loans

All loans are initially recognised at fair value net of transaction costs incurred. Subsequent to initial recognition, loans are measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement. Any difference between the cost and the redemption amount is recognised in the statement of comprehensive income over the period of the loan using the effective interest method.

(ii) Leases — initial recognition and measurement

At the commencement date of the lease, Horizon Power recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, Horizon Power uses the incremental borrowing rate provided by the WATC.

Lease payments included by Horizon Power as part of the present value calculation of lease liability include:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that depend on an index or a rate initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of purchase options (where these are reasonably certain to be exercised)
- payments for penalties for terminating a lease, where the lease term reflects Horizon Power exercising an option to terminate the lease.

The interest on the lease liability is recognised in the statement of comprehensive income over the lease term to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease liabilities do not include any future changes in variable lease payments (that depend on an index or rate) until they take effect, in which case the lease liability is reassessed and adjusted against the ROU asset. Periods covered by extension or termination options are only included in the lease term by Horizon Power if the lease is reasonably certain to be extended (or not terminated).

Variable lease payments not included in the measurement of lease liability that are dependent on sales are recognised by Horizon Power in the statement of comprehensive income in the period in which the condition that triggers those payments occurs.

(iii) Leases - subsequent measurement

Lease liabilities are measured by increasing the carrying amount to reflect interest on the lease liabilities; reducing the carrying amount to reflect the lease payments made; and re-measuring the carrying amount at amortised cost, subject to adjustments to reflect any reassessment or lease modifications.

(iv) Leases - estimation of incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what Horizon Power estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the ROU asset, with similar terms, security and economic environment.

(v) Leases - estimation of lease term

The lease term is a significant component in the measurement of both the ROU asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an

15. Interest-bearing liabilities *Continued*

(a) Accounting policy *Continued*

(v) Leases - estimation of lease term *Continued*

economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to Horizon Power's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; the existence of significant leasehold improvements; and the costs and disruption to replace the asset. Horizon Power reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option if there is a significant event or significant change in circumstances.

(b) Amounts recognised in statement of financial position

Current liabilities

	30 June 2023 $'000	30 June 2022 $'000
WATC loans (i)	**100,000**	85,000
Lease liabilities (Note 25 (b))	**44,442**	38,989
Total	**144,442**	123,989

Non-current liabilities

	30 June 2023 $'000	30 June 2022 $'000
WATC loans (ii)	**749,511**	718,353
Lease liabilities (Note 25 (b))	**279,019**	316,316
Total	**1,028,530**	1,034,669

(i) The fair value of WATC's current loans is $100,033,000 (2022: $85,030,000).

(ii) The fair value of WATC's non-current loans is $705,827,000 (2022: $680,213,000).

Classification of borrowings

As at 30 June 2023, the non-current WATC loans of $749,511,000 (2022: $718,353,000) included an amount of $83,397,000 (2022:$85,788,000) with an original contractual maturity in the 2023-24 year. Horizon Power expects this amount to be refinanced under the MLA rather than repaid, and it therefore has been classified as non-current. The loans have been classified as non-current as a result of the following:

- the MLA with the WATC, an entity owned by the State Government, allows Horizon Power the unequivocal right to refinance all or any part of maturing debt at regular intervals
- Horizon Power's approved forecast borrowing requirements for the next four years include no repayment of amounts classified above as non-current and contained within the 2023-24 State Budget.

Horizon Power's borrowing limit as at 30 June 2023 was $850,580,000 (2022:$803,793,000).

16. Financial risk management

Horizon Power's principal financial instruments comprise cash and cash equivalents, receivables, derivatives financial instruments, payables and interest-bearing borrowings.

Horizon Power holds the following financial instruments:

	30 June 2023 $'000	30 June 2022 $'000
Financial assets		
Cash and cash equivalents	**161,987**	154,079
Financial assets at amortised cost	**43,899**	43,464
Financial assets at fair value through profit or loss	**-**	3,925
Total	**205,886**	201,468
Financial liabilities		
Financial liabilities at amortised cost	**71,545**	64,905
Lease liabilities	**323,461**	355,305
WATC loans	**808,353**	803,353
Total	**1,203,359**	1,223,563

Horizon Power has developed a financial risk management policy to provide a framework through which it maintains the appropriate level of control over financial and associated risks. The Treasury Management Committee oversees treasury functions on behalf of the Board to enable significant financial and associated risks to be managed through the use of various financial instruments.

The main risks arising from Horizon Power's financial instruments are summarised below.

Risk	Exposure arising from	Measurement	Management
Market risk - foreign exchange	Future commercial transactions Fluctuations in the gasoil price	Cash flow forecasting Sensitivity analysis	Forward foreign exchange contracts
Market risk - commodity price	Fluctuations in the gasoil price	Sensitivity analysis	AUD-denominated gasoil commodity swaps
Market risk - interest rate	Long-term floating (variable) WATC loans	Sensitivity analysis	Debt guidelines
Liquidity risk	WATC loans	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities
Credit risk	Cash and cash equivalents and receivables	Aging analysis Credit ratings	Credit management Approved counterparties exposure Monitor of ratings from rating agency

16. Financial risk management *Continued*

(a) Market risk

(i) Foreign exchange risk

Exposure

At the current reporting date, Horizon Power's exposure to foreign currency risk is low as all the transactions were denominated in Australian dollars (AUD).

(ii) Commodity price risk

Exposure

Horizon Power is exposed to fluctuations in the gasoil price through the purchase of fuel for its diesel power stations as well as fuel consumed by its power producers.

Instruments used

Horizon Power may enter into a 12-month hedging program for the full financial year, based on a minimum of 80% of the monthly forecasted volumes. At year end, there was no exposure to commodity swaps.

(iii) Interest rate risk

Exposure

Horizon Power's exposure to floating interest rates relates primarily to its floating long-term debt obligations.

Horizon Power's borrowings obtained through the WATC include loans at fixed and floating rates with varying maturities. Borrowings with floating debts, including working capital facilities, have variable interest rates linked to movements in Reserve Bank of Australia rates. The ratio of floating debt shall be a maximum of 30% of total core debt portfolio.

The debt portfolio is expected to be maintained with the following minimum and maximum debt maturity guidelines in alignment with the Financial Risk Management policy.

	Term				
	< 1 Year	> 1 Year	> 3 Years	> 5 Years	> 10 Years
Maximum policy limit	30%	100%	100%	100%	10%
Minimum policy limit	0%	70%	40%	30%	0%

The exposure of Horizon Power's WATC loans to interest rate changes and the contractual re-pricing dates at the end of the year are summarized below.

	30 June 2023 $'000	**% of total loans**	30 June 2022 $'000	% of total loans
Floating rate borrowings	**164,064**	**19%**	144,899	18%
Fixed-rate borrowings - repricing or maturity dates:				
Less than 1 year	**70,710**	**8%**	73,968	9%
Between 1 and 5 years	**275,043**	**32%**	269,036	33%
Over 5 years	**339,694**	**40%**	315,450	39%
Total	**849,511**	**100%**	803,353	100%

An analysis of loans by scheduled maturity dates is provided in Note 16 (b). The table shows the proportion of WATC loans that are currently at floating and fixed rates.

16. Financial risk management *Continued*

(a) Market risk *Continued*

(iii) Interest rate risk *Continued*

Instruments used

There are no financial instruments used to manage the exposure.

Sensitivity

Profit or loss is sensitive to higher/lower interest expenses from WATC loans due to changes in interest rates for floating WATC loans.

At 30 June 2023, if interest rates had decreased/increased by 200 basis points from the year-end rates with all other variables held constant, the impact on Horizon Power's post-tax profit for the year would have been less than $1.5 million.

(b) Liquidity risk

Horizon Power's objective is to enable sufficient funding to be available at all times, to meet the financial commitments of the Corporation as they arise in a cost-effective manner.

Horizon Power has appropriate procedures to manage cash flows including preparation of cash flows forecast and making decisions using the facilities in place, and monitoring to enable sufficient funds to be available to meet its commitments.

At the reporting date, Horizon Power held short-term investment deposits of $50,000,000 (2022: $50,000,000) that are expected to readily generate cash inflows for managing liquidity risk.

Financial arrangements

Horizon Power's borrowing limits are based on the Corporation's forecast cash flow estimates submitted for the annual State Budget. WATC will manage Horizon Power's requests for borrowings within the confines of these approved limits unless, and until, it receives authority from the Treasurer for any approved amendment.

The borrowing limit at the reporting date was $850,580,000 million (2022: $ 803,793,000 million).

The amounts disclosed in the following tables are the contractual, undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

16. Financial risk management *Continued*

(b) Liquidity risk *Continued*

(iii) Interest rate risk *Continued*

Interest rate exposure and maturity analysis of financial assets and financial liabilities

2023	Weighted average effective interest rate %	Carrying amount $'000	Interest rate exposure			Nominal amount $'000	Maturity dates			
			Fixed interest rate $'000	Variable interest rate $'000	Non-interest bearing $'000		Less than 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	More than 5 years $'000
Financial assets										
Cash and cash equivalents	2.93%	161,987		161,987		161,987	161,987			
Trade receivables [a]		39,208			39,208	43,837	43,837			
Other receivables		4,691			4,691	4,691	4,691			
Total		205,886	-	161,987	43,899	210,515	210,515	-	-	-
Financial liabilities										
Payables		71,545			71,545	71,545	71,545			
Lease liabilities [b]	9.52%	323,461	323,461			505,529	17,702	52,845	216,922	218,060
WATC loans and borrowings	3.14%	849,511	685,447	164,064		980,285	120,407	65,968	362,276	431,634
Total		1,244,517	1,008,908	164.064	71,545	1,557,359	209,654	118,813	579,198	649,694

(a) The amount of payable excludes the GST recoverable from the Australian Tax Office.

(b) The amount of lease liabilities includes $308,663,000 (2022: $339,882,000) from power purchase agreements and $14,807,000 ($15,423,000) from leased buildings.

2022	Weighted average effective interest rate %	Carrying amount $'000	Interest rate exposure			Nominal amount $'000	Maturity dates			
			Fixed interest rate $'000	Variable interest rate $'000	Non-interest bearing $'000		Less than 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	More than 5 years $'000
Financial assets										
Cash and cash equivalents	0.53	154,079		154,079		154,079	154,079	-	-	-
Trade receivables [a]		40,733			40,733	45,100	45,100	-	-	-
Other receivables		2,731			2,731	2,731	2,731	-	-	-
Total		197,543	-	154,079	43,464	201,910	201,910	-	-	-
Financial liabilities										
Payables		70,737			70,737	70,737	70,737			
Lease liabilities [b]	9.54	355,305	355,305			565,279	10,275	58,370	239,389	257,245
WATC loans and borrowings	2.43	803,353	658,454	144,899		836,926	79,126	68,981	306,968	381,851
Total		1,229,395	1,013,759	144,899	70,737	1,472,942	160,138	127,351	546,357	639,096

(a) The amount of receivables excludes the GST recoverable from the Australian Tax Office.

(b) The amount of lease liabilities includes $339,882,000 from power purchase agreements and $15,423,000 from leased buildings.

16. Financial risk management *Continued*

(c) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to energy and non-energy (such as customer-funded works) customers, including outstanding receivables.

Risk management – counterparty risk

Horizon Power minimises its credit risk by transacting only with quality credit counterparties with a Standard and Poor's (S&P) rating of A or better. Where the counterparty is not specifically rated by S&P, the equivalent Moody's rating may be used.

Horizon Power manages credit risk by setting, monitoring and updating credit limits for its financial counterparties. No derivative transaction is to be undertaken with any counterparty unless an International Swaps and Derivatives Association (ISDA) Agreement is executed.

Risk management – energy and non-energy customers

Energy customer credit risk is managed under the established policies, procedures and controls relating to customer credit risk management.

Risk management – non-energy (customer-funded works)

Horizon Power has policies under which the creditworthiness of non-energy customers is assessed before credit is offered. Horizon Power has undertaken credit vetting which includes external ratings, where available and agreed, to install payment options where required.

Horizon Power follows stringent credit control and management procedures in reviewing and monitoring debtor accounts

Credit risk in respect of energy and non-energy receivables is detailed in Note 7(c).

17. Financial instruments

(a) Accounting policy

(i) Commodity swaps

Horizon Power is exposed to movements in the gasoil price through the purchase of fuel for its diesel power stations as well as fuel consumption by its power producers. Horizon Power has entered into AUD denominated commodity swaps to obtain an economic hedge against increases in wholesale crude oil prices and falls in the AUD/USD exchange rate.

(ii) Derivatives

Through its operations, Horizon Power is exposed to changes in interest rates, foreign exchange rates and commodity prices. These risks may be managed with the prudent use of derivative financial instruments such as commodity swaps, interest swaps and forward foreign exchange contracts. Horizon Power only uses derivatives in liquid markets and all hedge activities are conducted within Horizon Power's Board-approved policy. Comprehensive systems are in place and compliance is monitored closely. Horizon Power uses derivatives solely for economic hedging and not for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to fair value. The fair value of forward foreign exchange contracts, interest rate swaps and commodity price (oil) hedging contracts is obtained from an external financial risk adviser. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument.

Hedge accounting is applied to derivative financial instruments that are designated as hedging instruments. Horizon Power designates such derivatives as either:

- cash flow hedges when they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or recognised liability or a highly-probable forecasted transaction
- fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or recognised liability.

17. Financial instruments *Continued*

(a) Accounting policy *Continued*

(ii) Derivatives *Continued*

At the inception of the transaction, Horizon Power documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. Horizon Power also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(iii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and within equity in the hedging reserve. The gains or losses relating to the ineffective portion are recognised immediately in profit or loss.

Amounts accumulated in equity are recycled to profit or loss in the period when the forecast purchase that is hedged takes place. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (or non-financial liability), the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the acquisition cost or carrying amount of the asset or liability.

When a hedging instrument expires, is sold or terminated, or when it no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the net cumulative gain or loss reported in equity is immediately transferred to profit or loss.

(iv) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss, together with any changes in the fair value of the hedged asset or hedged liability that are attributable to the hedged risk. There is no impact on the equity reserves. Horizon Power has not accounted for any derivative financial instruments that qualify for hedge accounting as fair value hedges.

(v) Derivatives that do not qualify for hedge accounting

For derivatives that do not qualify for hedge accounting, any changes in fair value are recognised immediately in profit or loss.

(vi) Embedded derivatives

Derivatives embedded in contracts that change the nature of the host contract's risk are recorded separately at fair value with movements recorded in profit or loss.

(b) Amounts recognised in statement of financial position

	30 June 2023 $'000	30 June 2022 $'000
Current assets/(liabilities)		
Commodity swaps	-	3,925
Total current financial instrument assets	-	3,925

There were no commodity swaps as at 30 June 2023.

The commodity swaps are measured at fair value based on Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

17. Financial instruments *Continued*

(b) Amounts recognised in statement of financial position *Continued*

Horizon Power uses gasoil commodity swaps to hedge its diesel exposure. Gasoil commodity swaps allow Horizon Power to exchange a floating rate commitment for a fixed rate commitment, or vice versa. On maturity, there is a cash settlement based on the difference between the swap price and the average floating price over the swap contract's calculation period.

Horizon Power's commodity swaps are based on Singapore gasoil 10 parts per million (ppm) sulphur and are valued in accordance with standard market practice. Valuation is based on discounting future swap cash flows with current market gasoil futures pricing, interest rate curves and related exchange rates to determine their present value.

18. Contributed equity

(a) Accounting policy

AASB Interpretation 1038 'Contributions by Owners Made to Wholly Owned Public Sector Entities' requires transfers, other than as a result of a restructure of administrative arrangements in the nature of equity contributions, to be designated by the State Government (the owner) as contributions by owners (at the time of, or prior to transfer) before such transfers can be recognised as equity contributions. Capital contributions have been credited directly to contributed equity.

Transfer of net assets to/from other agencies, other than as a result of a restructure of administrative arrangements, is designated as contributions by owners where the transfers are non-discretionary and non-reciprocal.

(b) Amounts recognised in statement of financial position

	30 June 2023 $'000	30 June 2022 $'000
Opening balance	**416,113**	392,097
Equity contribution during the financial year	**-**	24,016
Total contributed equity at the end of the financial year (i)	**416,113**	416,113

(i) The increase in contributed equity was in respect of the following:

	30 June 2023 $'000	30 June 2022 $'000
EV charging infrastructure	**-**	10,516
WA microgrids	**-**	13,500
Total increase in contributed equity	**-**	24,016

19. Dividends

Horizon Power's dividend policy is to pay 75% of the net profit after tax plus any special dividend, if required by the shareholder. Dividends are subject to a solvency test and declared in consultation with the Minister for Energy.

	30 June 2023 $'000	30 June 2022 $'000
Final dividend for the previous financial year	**-**	-
Interim dividend for the previous financial year	**-**	-
Dividends paid	**-**	-

In August 2021, the State Government requested that all dividends payable in 2021-22 and 2022-23 be retained by Horizon Power and be held in its existing bank account to fund specifically approved projects.

20. Interests in joint operations and joint venture

(a) Accounting policy

(i) Interest in joint arrangements

Joint arrangements are contractual arrangements in which Horizon Power and other parties undertake an economic activity subject to joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

To the extent the joint arrangement provides Horizon Power with rights to the individual assets and obligations arising from the joint arrangement, the arrangement is classified as a joint operation, and as such Horizon Power recognises its share of the operations, assets, liabilities, revenue and expenses, including those incurred jointly. To the extent the joint arrangement provides Horizon Power with rights to the net assets of the arrangement, the investment is classified as a joint venture and accounted for using the equity method.

(ii) Jointly controlled operations

Jointly controlled operations	Principal activity	% of ownership interest
Mid-West Pipeline Joint Venture	Gas Transportation in the Mid-West and Hill 60 Pipelines	50% (2022: 50%)

Horizon Power has a 50% ownership interest in the Mid-West Pipeline pursuant to an unincorporated joint venture agreement dated 13 January 1999. The remaining 50% interest is owned by Mid-West Pipeline Pty Ltd. The Mid-West pipeline is a 376 km natural gas pipeline that extends from the Dampier to Bunbury Natural Gas Pipeline to the town of Mount Magnet and to the Windimurra Vanadium Project.

Horizon Power's assets employed in the above jointly controlled operations were fully depreciated as at 30 June 2019.

(iii) Interests in joint venture

Name of entity	Principal activity	% of ownership interest
Boundary Power Pty Ltd	Manufacture and sale of standalone power systems	50% (2022: 50%)

Boundary Power Pty Ltd, was established in November 2020 as a 50:50 incorporated joint venture with Ampcontrol Ltd.

The movement in the net carrying value of investment in Boundary Power Pty Ltd is shown below.

	30 June 2023 $'000	30 June 2022 $'000
Opening balance	**553**	518
Investment	**-**	-
Share of profit for the year	**14**	35
Closing balance	**567**	553

Name of entity	Principal activity	% of ownership interest
WAAE Pty Ltd	Designs and builds rooftop and ground-mounted solar PV and battery storage systems	50% (2022: Nil)

WAAE Pty Ltd, was established in March 2023 as a 50:50 incorporated joint venture with Green to Go Ltd.

20. Interests in joint operations and joint venture *Continued*

(a) Accounting policy *Continued*

(iii) Summarised financial information for joint venture interest acquired in current year

Net asset of WAAE Pty Ltd	As at 30 June 2023 $000	As at date of acquisition
Current assets	**1,377**	820
Property, plant and equipment	**236**	241
Goodwill	**3,909**	3,904
Total assets	**5,522**	4,965
Current liabilities	**775**	365
Non-current liabilities	**677**	600
Total liabilities	**1,452**	965
Net asset	**4,070**	4,000
Reconciliation to carrying amounts		
Net asset at acquisition date	**4,000**	4,000
Profit for the period	**70**	-
Closing net assets	**4,070**	4,000
Horizon Power share	**50%**	50%
Horizon Power investment in WAAE net asset	**2,035**	2,000
Shareholder loan	**305**	300
Closing balance	**2,340**	2,300

(iv) Total interests in joint ventures

Total interests in joint ventures	30 June 2023 $'000	30 June 2022 $'000
Boundary Power Pty Ltd	**567**	553
WAAE Pty Ltd	**2,340**	-
Closing balance	**2,907**	553

Other information

21. Key management personnel remuneration

Horizon Power's key management personnel has been determined to be the State Cabinet Ministers, Directors and senior officers of Horizon Power. However, Horizon Power is not obligated to compensate State Cabinet Ministers and therefore disclosures in relation to Ministers' compensation may be found in the Annual Report of State Finances.

The total compensation paid to key management personnel for the reporting period is presented below.

	30 June 2023 $'000	30 June 2022 $'000
Short-term employee benefits	**3,304**	**3,003**
Post-employment benefits	**259**	**230**
Other long-term benefits	**-**	**-**
Termination benefits	**-**	**-**
Others^	**278**	**-**
Total compensation of key management personnel	**3,841**	**3,233**

^ Amount paid for contractor services rendered as Executive General Manager.

Further details of key management personnel remuneration are disclosed in the Directors' report section of the annual report.

22. Related party transactions

Related parties of Horizon Power include:

- all Ministers and their close family members, and their controlled or jointly controlled entities
- all key management personnel and their close family members, and their controlled or jointly controlled entities
- other departments and statutory authorities, including their related bodies, that are included in the whole of Government consolidated financial statements
- associates and joint ventures of an entity that are included in the whole of Government consolidated financial statements
- the Government Employees Superannuation Board (GESB).

22. Related party transactions *Continued*

Transactions with State Government-related entities include the sale of electricity in the ordinary course of business on normal commercial terms. Other significant transactions are included in the following table.

Transactions between the Corporation and related parties during the financial year and balances at year-end are shown below.

Government departments	Note	2023 $'000	2022 $'000	Nature of transaction
Receipts				
Electricity Networks Corporation		**3,125**	2,954	Inventories and services
Electricity Generation and Retail Corporation		**-**	27	Services
Western Australian Treasury Corporation		**180,000**	195,000	Borrowings
		28	1	Interest
Department of Treasury	2 (b)	**175,000**	187,000	TEC
		23,755	-	Operating subsidy
		19,988	5,510	CSO
		15,802	-	Household Electricity Credit
		12,236	-	Remote Essential Services Program
	18	**-**	24,016	Equity injection
Water Corporation		**589**	267	Customer-funded works
Department of Education		**5,492**	6,613	Customer-funded works
Main Roads		**1,776**	1,345	Customer-funded works
Department of Communities		**1,395**	310	Customer-funded works
Payments				
Department of Treasury		**(80)**	(367)	Services
			(2,094)	Household Electricity Credit
Electricity Networks Corporation		**(10,871)**	(8,726)	Inventories and services
Electricity Generation and Retail Corporation		**(3,235)**	(27,766)	Electricity consumption
Western Australian Treasury Corporation		**(133,841)**	(143,635)	Repayment of debt
		(23,739)	(21,733)	Finance costs
		(69)	(46)	Services
Water Corporation		**(581)**	(1,370)	Water supply
Department of Education		**(1,101)**	-	Services
Department of Mines Industry		**(276)**	(264)	Services
Department of Transport		**(153)**	(138)	Services
Department of Fire and Emergency Services		**(21)**	(22)	Services
State Revenue Department		**(449)**	(400)	Land tax

22. Related party transactions *Continued*

Government departments	Note	2023 $'000	2022 $'000	Nature of transaction
Receivables				
Department of Treasury		**686**	-	CSO
Water Corporation		**12**	51	Customer-funded works
Department of Education		**515**	410	Customer-funded works
Department of Communities		**33**	1,413	Customer-funded works
Main Roads		**136**	1,220	Customer-funded works
Liabilities				
Electricity Networks Corporation		**(95)**	(424)	Inventories and services
Electricity Generation and Retail Corporation		**-**	(3)	Electricity
Western Australian Treasury Corporation		**(849,511)**	(803,353)	Borrowings
Commitments				
Electricity Generation and Retail Corporation		**(259)**	-	Electricity
Electricity Networks Corporation		**(415)**	(532)	Inventories and services
Western Australian Treasury Corporation		**(29)**	(4)	Services
Water Corporation		**(23)**	-	Services

Joint venture	Note	2023 $'000	2022 $'000	Nature of transaction
Receipts				
Boundary Power		**81**	-	Goods and services
Payments				
Boundary Power		**(7,069)**	(5,643)	Standalone power systems
WAAE PTY LTD		**(300)**	-	Equity investment
Liabilities				
Boundary Power		**(209)**	(97)	Grant
Commitments				
Boundary Power		**(8,901)**	(2,151)	Standalone power systems

22. Related party transactions *Continued*

Other related parties	Note	2023 $'000	2022 $'000	Nature of transaction
Payments				
Esperance Tjaltjraak Services Pty Ltd		(185)	(95)	Services
Parrotte Energy Consulting		(371)	-	Consulting and services as Executive General Manager
Liabilities				
Esperance Tjaltjraak Services Pty Ltd		(12)	-	Services
Commitments				
Esperance Tjaltjraak Services Pty Ltd		(11)	(8)	Services

Horizon Power had no material related party transactions with Ministers, Directors, senior officers or their close family members or their controlled or jointly controlled entities other than as disclosed above.

23. Contingencies

(i) Contingent liabilities

Horizon Power has contingent liabilities of circa $6m comprising of potential liabilities arising from natural disasters (30 June 2022: nil).

(ii) Contingent assets

Horizon Power did not have any contingent assets as at 30 June 2023 (30 June 2022: nil).

(iii) Contaminated sites

Under the *Contaminated Sites Act 2003*, the Corporation is required to report known and suspected contaminated sites to the Department of Environment and Conservation (DEC). In accordance with the Act, DEC classifies these sites on the basis of the risk to human health, the environment and environmental values. Where sites are classified as contaminated and remediation is required or possibly contaminated and investigation is required, Horizon Power may have a liability in respect of investigation or remediation expenses. All known contaminated sites are provided for as per Note 14.

(iv) Asbestos management

A number of the properties, including power stations and residential accommodations, owned by Horizon Power have asbestos containing materials. Horizon Power has a robust management and monitoring process in place for the ongoing identification and risk assessment of asbestos hazards and implements safe systems of works during any repair, maintenance and demolition works at these sites. Horizon Power complies with the relevant regulations, including the Code of Practice for the Management and Control of Asbestos in Workplaces and commissions compliance surveys on a regular basis. Our long-term objective is the removal of asbestos materials from all our sites.

There is currently no claim against Horizon Power from current or past employees and contractors for illnesses arising from exposure to asbestos that is not covered by RiskCover. Should any claim arise in the future, Horizon Power is likely to be appropriately covered by its workers' compensation and public liability insurance, or RiskCover.

24. Remuneration of auditors

	30 June 2023 $'000	30 June 2022 $'000
Audit of financial statements	**247**	231
Total	**247**	231

(i) Audit services

Under the Act, the Auditor General of Western Australia has been appointed as Horizon Power's independent auditor. During the year, the above fees were paid, or are due and payable, for audit services provided by the Office of Auditor General of Western Australia.

(ii) Non-audit services

Neither the Office of Auditor General of Western Australia nor their agents provided non-audit services during the year ended 30 June 2023 (2022: nil).

25. Commitments

(a) Capital commitments

	30 June 2023 $'000	30 June 2022 $'000
Within one year	**38,829**	42,413
Total	**38,829**	42,413

- At 30 June 2023, capital expenditure commitments principally related to standalone power system - Round 4 ($7,282,000), Mid West Solar Program ($5,507,000), electric vehicle (EV) fast-charging infrastructure ($4,378,000), Energy Storage in Regional Towns ($3,830,000), enhance work management processes and mobility ($2,864,000) and DER management platform ($2,272,000).
- At 30 June 2022, capital expenditure commitments principally related to Mid West Solar Program ($6,814,000), Carnarvon and Exmouth refurbishments ($5,329,000), standalone power systems ($2,661,000), Energy Storage in Regional Towns ($2,476,000), EV fast-charging infrastructure ($2,392,000) and Denham Hydrogen Demonstration Project ($2,317,000).

(b) Energy procurement commitments

(i) Lease commitments

Leases relate to the right of control over the use of an identified asset for a period of time in exchange for consideration in accordance with the AASB 16 Leases.

25. Commitments *Continued*

(b) Energy procurement commitments *Continued*

(i) Lease commitments *Continued*

Judgements

Horizon Power has entered into power purchase agreements relating to specific generating facilities and property lease agreements. Horizon Power has assessed whether the agreement is, or contains, a lease.

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception, including whether the fulfillment of the arrangement is dependent upon the use of a specific asset or assets and whether the arrangement conveys a right to use the asset. Under certain lease arrangements, Horizon Power has the option to purchase the underlying assets.

	30 June 2023 $'000	30 June 2022 $'000
Commitments in relation to leases are payable as follows:		
Within one year	**70,547**	68,645
Later than one year but not later than five years	**216,913**	239,389
Later than five years	**218,060**	257,245
Minimum lease payments	**505,520**	565,279
Future finance charges	**(182,059)**	(209,974)
Recognised as a liability	**323,461**	355,305
Representing lease liabilities:		
Current (Note 15 (b))	**44,442**	38,989
Non-current (Note 15 (b))	**279,019**	316,316
Total	**323,461**	355,305

Forecast energy procurement requirements are not included in the above commitments.

(c) Other commitments

These commitments consist of contractual obligations in respect of fixed charges relating to the purchase of electricity, gas and renewable energy certificates, which are not defined as leases.

	30 June 2023 $'000	30 June 2022 $'000
Within one year	**139,143**	109,972
Later than one year but not later than five years	**517,871**	409,509
Later than five years	**1,605,592**	1,672,324
Total	**2,262,606**	2,191,805

25. Commitments *Continued*

(d) Other lease commitments

Horizon Power has commitments to leases that are short term or are of low-value IT equipment and to property leases as of 30 June 2023 that do not qualify as a ROU asset under AASB 16 Leases. Property lease rentals are subject to half yearly and yearly reviews.

	30 June 2023 $'000	30 June 2022 $'000
Commitments for other lease payables are as follows:		
Within one year	**1,244**	693
Later than one year but not later than five years	**383**	308
Later than five years	**-**	12
Total	**1,627**	1,013

26. Subsequent events

In the interval between the end of the reporting period and the date of this report, the State Government transferred responsibility for the provision of power to 117 Aboriginal Communities from Department of Communities to Horizon Power effective from 1 July 2023. The supply of power is funded through a Community Services Obligation, which for financial year 2024 amounts to $49.7 million.

No other matter or circumstance has arisen that will likely, in the opinion of the Horizon Power Board, significantly affect the operations of Horizon Power, the results of those operations, or the state of affairs of Horizon Power in subsequent reporting periods.

Directors' declaration

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

In the opinion of the Directors:

(a) the financial statements and notes are prepared in accordance with the *Government Trading Enterprises Act 2023,* including section 176 and the *Government Trading Enterprises Regulations 2023*, and:

(i) gives a true and fair view of the financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and

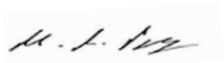
(ii) in accordance with Australian Accounting Standards and the *Corporations Regulations 2001*;

(b) there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

The directors have been given the declaration by the Chief Executive Officer and Chief Financial Officer for the reporting year ended 30 June 2023.

Signed in accordance with a resolution of the Directors:

Samantha Tough
Chairperson



Mark Puzey
Deputy Chairperson

8 September 2023

Independent auditor's report

Auditor General

INDEPENDENT AUDITOR'S REPORT
2023
Regional Power Corporation (trading as Horizon Power)

To the Parliament of Western Australia

Opinion

I have audited the financial report of Regional Power Corporation (trading as Horizon Power) (the Corporation), which comprises:

- the Statement of Financial Position as at 30 June 2023, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended
- Notes comprising a summary of significant accounting policies
- the directors' declaration.

In my opinion, the financial report of the Corporation is prepared in accordance with *Government Trading Enterprises Act 2023*, including section 176 and the Government Trading Enterprises Regulations 2023, and:

- gives a true and fair view of the financial position at 30 June 2023 and of its performance for the year then ended
- in accordance with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

The directors are responsible for the other information. The other information is the information in the Corporation's annual report for the year ended 30 June 2023, but not the financial report and my auditor's report.

My opinion on the financial report does not cover the other information and accordingly, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

7th Floor Albert Facey House 469 Wellington Street Perth MAIL TO: Perth BC PO Box 8489 Perth WA 6849 TEL: 08 6557 7500

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I did not receive the other information prior to the date of this auditor's report. When I do receive it, I will read it and if I conclude that there is a material misstatement in this information, I am required to communicate the matter to those charged with governance and request them to correct the misstated information. If the misstated information is not corrected, I may need to retract this auditor's report and re-issue an amended report.

Responsibilities of the directors for the financial report

The directors of the Corporation are responsible for:

- keeping proper records
- preparation of the financial report in accordance with the *Government Trading Enterprises Act 2023*, including section 176 and the Government Trading Enterprises Regulations 2023 that gives a true and fair view in accordance with Australian Accounting Standards and Corporations Regulations 2001
- such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for:

- assessing the Corporation's ability to continue as a going concern
- disclosing, as applicable, matters related to going concern
- using the going concern basis of accounting unless the Western Australian Government has made policy or funding decisions affecting the continued existence of the Corporation.

Auditor's responsibilities for the audit of the financial report

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial report. The objectives of my audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

A further description of my responsibilities for the audit of the financial report is located on the Auditing and Assurance Standards Board website. This description forms part of my auditor's report and can be found at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

My independence and quality management relating to the report on the financial report

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*, the Office of the Auditor General maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Independent auditor's report

Matters relating to the electronic publication of the audited financial report

This auditor's report relates to the financial report of the Corporation for the year ended 30 June 2023 included in the annual report on the Corporation's website. The Corporation's management is responsible for the integrity of the Corporation's website. This audit does not provide assurance on the integrity of the Corporation's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from the annual report. If users of the financial report are concerned with the inherent risks arising from publication on the website, they are advised to contact the Corporation to confirm the information contained in the website version.

Sandra Labuschagne

Sandra Labuschagne
Deputy Auditor General
Delegate of the Auditor General for Western Australia
Perth, Western Australia
12 September 2023

Glossary of terms and abbreviations

A

Australian Renewable Energy Agency (ARENA)	Established by the Australian Government in July 2012, ARENA supports the global transition to net zero emissions by accelerating the pace of pre-commercial innovation, to the benefit of Australian consumers, businesses and workers.

B

Battery energy storage system (BESS)	Rechargeable battery systems that store energy from solar arrays or the electric grid and provide that energy to a home or business.

C

Carbon dioxide equivalent (CO_2-e)	Greenhouse gas emissions are expressed in terms of carbon dioxide equivalents (CO_2-e), the amount of a greenhouse gas measured as an equivalent amount relative to carbon dioxide's global warming potential.
Clean Energy Council	A not-for-profit, membership-based organisation and the peak body for the clean energy industry in Australia.
Clean Energy Regulator (CER)	An independent statutory authority responsible for administering Federal legislation that will reduce carbon emissions and increase the use of clean energy.
Climate change	A change in the state of the climate that can be identified, for example, by statistical tests, by changes in the mean and/or variability of its properties, and that persists for an extended period of time, typically decades or longer.
Cost to supply	All costs associated with Horizon Power's customers, divided by kilowatt hours sent out.

D

Decarbonisation	The process by which countries, individuals or other entities aim to achieve zero fossil carbon existence. Typically refers to a reduction of the carbon emissions associated with electricity, industry, and transport.
Distributed energy resources (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 system designed to manage and optimise the technical operation of thousands of grid-connected DER to dynamically balance supply and demand, maintain system stability and optimise long-run economic efficiency.
Distributed solar	Smaller, modular solar generation connected to the electricity grid.

E

Electric vehicle (EV)	Refers to cars or other vehicles with motors that are powered by electricity, rather than liquid fuels.
***Electricity Corporations Act 2005* (WA)**	Establishes Horizon Power as a corporation with responsibility for the provision of electricity outside the Southwest Interconnected System; sets out the powers and functions of the business, including Board and corporate governance, and Ministerial relationship.
The Energy Charter	A national CEO-led collaboration that supports the energy sector toward a customer-centric future. The core values are brought to life through #BetterTogether initiatives focused on delivering better customer outcomes for all Australians. Horizon Power was the first full WA-based signatory when it joined the Energy Charter in 2019.

Energy Policy WA (EPWA)	EPWA provides policy advice to the State Government to facilitate the delivery of secure, reliable, sustainable and affordable energy services to Western Australians.
Energy efficiency	The ratio of output of useful energy or other useful physical outputs obtained from a system, conversion process, transmission or storage activity to the input of energy.
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.
Energy transition	A pathway toward transformation of the global energy sector from fossil-based to zero-carbon. At its heart is the need to reduce energy-related CO_2 emissions to limit dangerous climate change impacts.

F

Feed-in-management (FIM)	A type of generation management where participating customers allow Horizon Power to control their generation output to prevent system instability.

G

Geospatial intelligence platform	Provides an enterprise-wide single source of truth for the visualisation of asset data and their relationship connectivity, within the context of their real-world geospatial location. Enables faster, data-driven decision making based on actionable insights gained from improved data quality, advanced analytics, accessibility, and collaboration.
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.
Green hydrogen	Produced when the energy used to power electrolysis comes from renewable energy sources like wind, water or solar.
***Government Trading Enterprises Act 2023* (WA)**	The GTE Act took effect 1 July 2023, and was introduced to consolidate governance requirements of GTEs which were contained in multiple instruments, while maintaining flexibility for practices to adapt to industry, market and Government policy changes over time. The GTE Act provides GTEs with greater clarity on their relationship with Government, and consolidates and updates governance, strategic planning, and financial management provisions without mandating how GTEs undertake their day-to-day business activities.
Greenhouse gas emissions (GHG)	Includes all greenhouse gases as defined by Australia's Clean Energy Regulator, including carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), sulphur hexafluoride (SF_6) and specified hydro fluorocarbons and perfluorocarbons.
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 public electricity network and can be standalone power systems that provide a smaller community with electricity.

H

Hosting capacity	Amount of rooftop solar an electricity system can accommodate in a town without disrupting supply to customers.
Hydrogen	A clean fuel that, when consumed in a fuel cell, produces only water. Hydrogen can be produced from a variety of domestic resources, such as natural gas, nuclear power, biomass, and renewable power like solar and wind. It is an attractive fuel option for transportation and electricity generation applications, and can be used in cars, houses, for portable power, and in many other applications.

I

Independent power producer (IPP)	IPPs are usually engaged by a power purchase agreement (PPA) to build, own, operate and maintain a power generation facility.

Independent system operator (ISO)	Established to enhance whole-of-network security, manage ancillary services and perform network planning.
Integrated Resource Planning (IRP)	Process in which Horizon Power works together with communities and stakeholders to identify and explore energy options that will shape their future energy system.
Internal combustion engine (ICE)	A type of engine used in most vehicles that produces power via the combustion of a fuel and air mixture inside the engine.
Internet of things (IoT)	Refers to the group of common devices that collect, transmit and receive data via the internet.

L

Light detection and ranging (LIDAR)	A method for determining variable distance by targeting an object or a surface with a laser and measuring the time for the reflected light to return to the receiver. Similar to the way that SONAR or RADAR work by using sound or radio waves to determine the distance to a target.
Light-emitting diode (LED)	A semiconductor light source that emits light when current flows through it.
Long duration energy storage (LDES)	LDES encompasses a range of technologies that can store electrical energy in various forms for prolonged periods, at competitive cost and at scale. These technologies can then discharge electrical energy when needed – over hours, days or seasons – to fulfill long-duration system flexibility needs to shift the increasing, variable, renewable energy supply to match demand.

M

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.

N

Net zero emissions	Net zero emissions are achieved when anthropogenic emissions of greenhouse gases to the atmosphere are balanced by anthropogenic removals over a specified period.
National Pollutant Inventory (NPI)	Provides the government, industry and communities with free information about substance emissions in Australia. Includes a publicly accessible database providing information on the emissions of 93 selected substances and the source and location of these emissions.
Net profit after tax (NPAT)	Net profit is synonymous with net income and reflects a company's total earnings after subtracting all expenses. Subtracted expenses include the costs of normal business operation as well as depreciation and taxes. Net profit after tax is often referred to as a company's 'bottom line' and is a true indicator of an organisation's profitability.
North West Interconnected System (NWIS)	One of three major electricity networks in Western Australia, the NWIS comprises interconnected electricity generation, transmission and distribution assets in the Pilbara region.
Notifiable public safety incidents	A network operator must notify the Director of Building and Energy, and the Department of Mines, Industry, Regulation and Safety of any incident or event that is caused, or significantly contributed to, by electricity and that results in serious injury or serious damage.

O

Oxides of nitrogen	A mixture predominantly consisting of nitric oxide (NO) and nitrogen oxide (NO_2) which forms during fossil fuel burning processes.

P

Particulate matter (PM)	Extremely small solid particles and liquid droplets suspended in air. PM10 particles are those with a diameter of 10 micrometres or less, while PM2.5 are those with a diameter of 2.5 micrometres or less.
Photovoltaics (PV)	The conversion of light into electricity using solar panels.
Pilbara Network Access Code (PNAC)	The PNAC governs access to lightly-regulated networks in the Pilbara region.
Pilbara Network Rules (PNR)	Establishes rules for the operation, management, security and reliability of Pilbara networks and the functions of the Pilbara independent system operator.
Power purchase agreement (PPA)	A contract between two parties, one which generates electricity (the seller) and one which is looking to purchase (the buyer).
Pre-payment meter	A billing system where customers pay for electricity before it can be consumed.
Prosumer	A consumer of energy who also produces energy, a shift made possible from the rise of connected technologies and steady increase of more renewable power like solar and wind onto electricity grids. When a prosumer's energy production exceeds their requirements, they may sell, store or trade their surplus energy.

R

Reconciliation Action Plan (RAP)	A strategic document that supports an organisation's business plan, including practical applications that will drive a business's contribution to reconciliation, both internally and in the communities in which it operates.
Renewable energy	Forms of energy that can be used to provide electricity, heating or fuel for transportation. Unlike oil, gas and coal, renewable energy sources are not finite. Key sources include wind, solar and geothermal.
Retailed emissions	Horizon Power uses the term 'retailed emissions' to include emissions associated with our own generation and supporting activities, as well as those which relate to the purchase of wholesale electricity supplied by Independent Power Providers (IPPs) for re-sale by us to our customers.
Return on assets	Return to investors for every dollar of assets under the company's control.

S

Scope 1 emissions	Greenhouse gas emissions released to the atmosphere as a direct result of an activity under operational control of an entity, such as burning fossil fuels to produce electricity, sometimes referred to as direct emissions.
Scope 2 emissions	Greenhouse gas emissions released to the atmosphere from the indirect consumption of an energy commodity, such as using energy produced by another entity, sometimes referred to as indirect emissions.
Scope 3 emissions	Greenhouse gas emissions released to the atmosphere that occur in the value chain of the reporting company, including both upstream and downstream emissions which are not included in scope 2.
System Average Interruption Duration Index (SAIDI)	Average total length of outages in minutes per customer over a 12-month period.
System Average Interruption Frequency Index (SAIFI)	Average number of interruptions/outages per person over a 12-month period.
Standalone power system (SPS)	A privately owned off-grid power system that provides electricity to one or more customers through a combination of energy storage and both renewable and fossil-fuel generation.

South West Interconnected System (SWIS)	One of the three major electricity networks in Western Australia, the SWIS serves the Perth metro area and stretches from Geraldton to Albany, with a feeder to Kalgoorlie-Boulder. Managed by Western Power, this is the only regulated network in the state.
Sustainability	A dynamic process that guarantees the persistence of natural and human systems in an equitable manner.
Sulphur dioxide (SD)	A gaseous air pollutant composed of sulphur and oxygen which forms when sulphur-containing fuel such as diesel is burned.

T

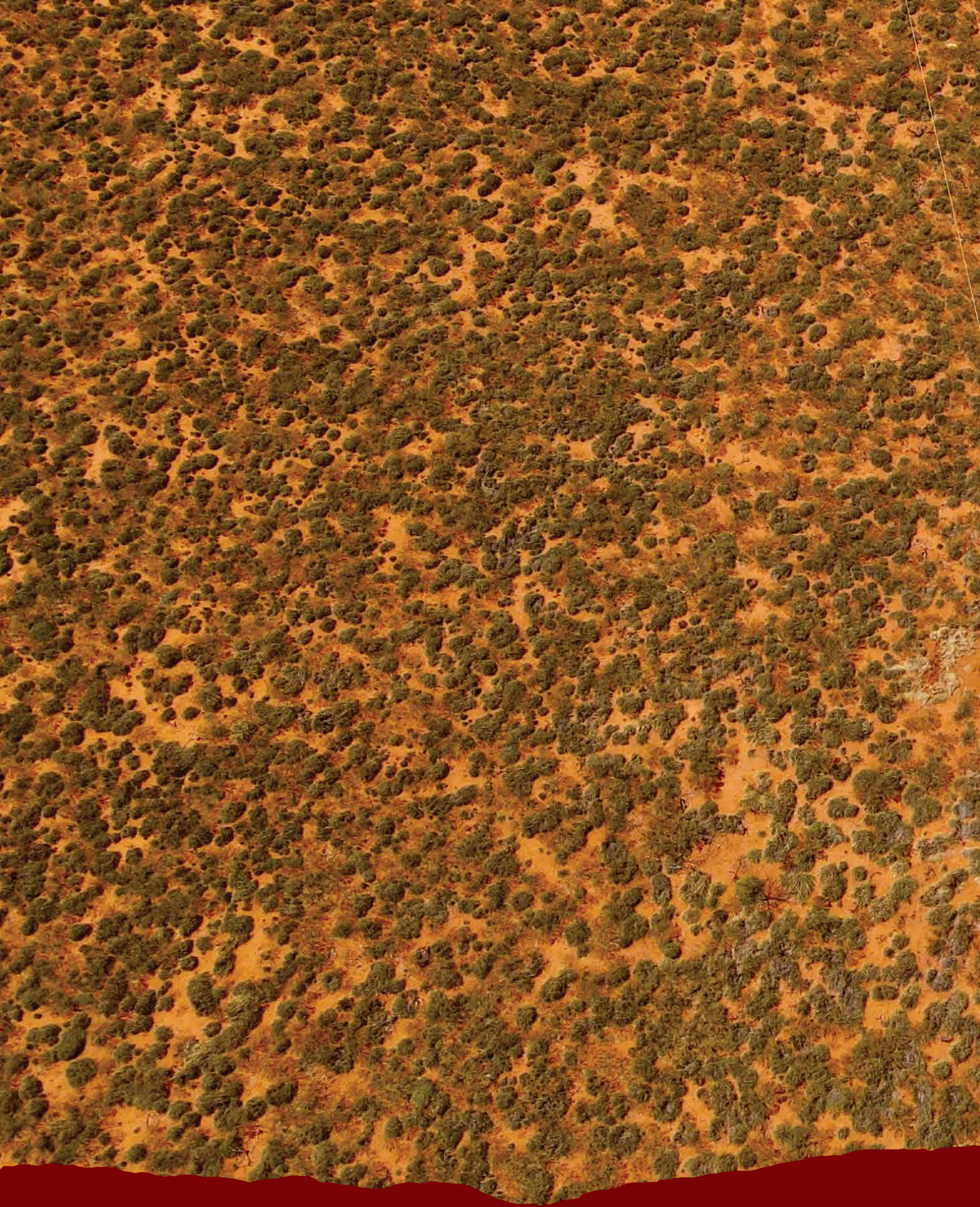
Task Force on Climate-Related Financial Disclosures (TCFD)	The Financial Stability Board's TCFD recommendations provide guidance for disclosing clear, comparable, and consistent information about the risks and opportunities presented by climate change.
Traditional generation	Large-scale electricity generation produced at centralised facilities and typically fuelled by gas or diesel. Traditional generation is from fossil fuel-fired power stations, one-way power flow to customers, and 'poles and wires' infrastructure.

U

Unassisted pole failure	As defined by Regulation 28 of the Electricity (Network Safety) Regulations 2015: 1) is not caused by customer installation, lighting, vehicle, water ingress or vandalism 2) occurs when the pole failed under forces that were less than its design specification.
Uniform tariff policy (UTF)	All retail electricity customers in Western Australia are charged the same UTF rate, even though the cost to supply differs by system and region.
Unit of energy	A unit of electrical energy, also referred to as one kilowatt hour (kWH).
United Nations Sustainable Development Goals (UNSDGs)	A set of 17 global goals adopted by United Nations member states in 2015 to address various social, economic, and environmental challenges and promote a more sustainable future.
(Vehicle) use phase emissions	Use phase emissions, in the context of EVs and internal ICE vehicles, is used to refer to the GHG emissions produced during the operation and driving of the vehicle, including the emissions from the energy/fuel source (e.g., electricity or petrol) and tailpipe emissions.
Utility of the Future (UotF)	UotF is a multi-year program which aims to future-proof our business by creating a leading-edge, digitally-enabled and sustainable business, leveraging digital platforms, smart devices, the Cloud and advanced analytics.

Units of measure

Gigawatt hour (GWh)	One GWh equals 1,000 megawatt hours or one million kilowatt hours.
Kilogram (kg)	One kg equals 1,000 grams.
Kilovolt (kV)	One kV equals 1,000 volts.
Kilowatt (kW)	One kW equals 1,000 watts.
Kilowatts per hour (kWh)	Standard 'unit' of electricity which represents the consumption of electrical energy at the rate of one kW over a period of one hour.
Megawatt (MW)	One MW equals 1,000 kilowatts.
Megawatts per hour (MWh)	One MWh equals 1,000 kilowatt hours.



Owned by the people of WA

Printed on recycled paper

HORIZON POWER