Statement of Corporate Intent

2015/16

HORIZON POWER

energy for life

Contents

1. Purpose of the Document

This Statement of Corporate Intent (SCI) is prepared in accordance with part 5 of the Electricity Corporations Act 2005 (the Act).

The document reflects the business intentions of Regional Power Corporation, trading as Horizon Power, for the 2015/16 financial year.

Consistent with the requirements of section 99 of the Act, this SCI outlines the objectives, functions, main undertakings and performance targets for the year, the community service obligations required of the business, the dividend and accounting policies to apply and the information to be provided to the Minister for Energy.

The SCI is consistent with the Corporation's Strategic Development Plan (SDP) 2015/16 – 2019/20. The SDP sets out Horizon Power's economic and financial objectives and operational targets over the medium term, and the commercial strategies and initiatives it will pursue.

2. Executive Summary

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

Horizon Power's Strategic Review, which commenced in late 2013 has served to reinforce its regional presence and ability to deliver safe, reliable and affordable services in the most challenging of environments. Horizon Power has already delivered savings of $67.8 million per annum and is well placed to deliver on its objective of implementing initiatives that reduce subsidy by $100 million per annum by 2017/18. This will provide a platform for the business to continue to be sustainable in the long term.

Horizon Power is challenged by a vast service area with the least amount of customers in the world – a service area of approximately 2.3 million square kilometres and an average of one customer for every 53.5 square kilometres of terrain. These customers range from people living in remote, isolated communities with less than 100 people, to residents and small businesses in busy regional towns and major businesses throughout the State. Our interconnected and isolated systems are exposed to intense heat and cyclonic conditions in the north, and severe storms in the south. The isolation adds significant cost to the business which is not being returned through tariffs. Horizon Power's system blueprints will define the optimal way in terms of safety, reliability, cost and sustainability for delivering energy to its customers.

Horizon Power will ensure sufficient capacity for the Pilbara in the long term without impacting on net state debt through the Pilbara Power Transalta generation solution, as well as address safety and reliability concerns by delivering underground power for the cyclone prone areas of our network such as the Pilbara, and secure power supply for Onslow and new advanced meters for all customers which will enable meters to be read automatically and ensure accuracy of all bills.

The electricity industry is undergoing an unprecedented level of change that is being driven by cost sensitivity and technology change. Given the important role that energy plays in underpinning an economy, the changes are raising needs across the political, economic, social and technological fronts. Given the changes and strategies that Horizon Power has implemented over the last 4-5 years it is well placed to deal with:

- escalating costs of supply resulting in an increasing operational subsidy beyond levels considered sustainable;
- negotiation of a commercially viable gas supply to service growing forecast demand;
- discrete reliability, safety and capacity requirements across Horizon Power's service area;
- the increasing viability of new technologies, such as photo-voltaic systems and off-grid supplies; increasing competition in the NWIS; and
- softening of demand driven by broader economic conditions.

Under the circumstances, Horizon Power will continue to perform and position itself to be low cost and sustainable. It is committed to maximising shareholder value by reducing its dependency on operating subsidies while not detrimentally impacting the State's financial measures, namely Net State Debt and Net Operating Balance.

Ian Mickel
Chairman

Frank Tudor
Managing Director

30 April 2015

3. Current State

Horizon Power is responsible for generating, procuring, distributing and retailing electricity supplies to more than 100,000 residents and 10,000 businesses in Western Australia outside the South West Interconnected System (SWIS) across approximately 2.3 million square kilometres. Horizon Power has one customer for every 50 square kilometres in its service area, which is almost nine times the size of the SWIS.

Horizon Power has two regional divisions, one that manages the North West Interconnected System (NWIS) and one that manages the Non Interconnected System (NIS). The NWIS accounts for 53 per cent of Horizon Power's total sent-out energy sales and covers the resource rich towns of Port Hedland, South Hedland, Point Samson, Roebourne and Karratha. Within the NIS there are three regional centres of Kimberley, Gascoyne/Midwest and Esperance. These regional centres cover the towns of Kununurra, Broome, Carnarvon and Esperance as well as a number of small isolated systems.

Horizon Power recognises that the NWIS and NIS, whilst having common drivers such as safe, reliable power, have significantly different economic drivers, particularly in terms of market evolution. As such, Horizon Power manages the two regional divisions as distinct markets with their own risks and opportunities. Where relevant across its systems, Horizon Power is working collaboratively with Western Power and Synergy to take advantage of scale.

In the NWIS Horizon Power is facilitating the move towards an integrated and coordinated energy market, whilst in the NIS Horizon Power is exploring the introduction of new technology, such as a high penetration of embedded photo-voltaic systems to decrease the cost of generation and reduce subsidy.

There are a number of challenging external factors Horizon Power is facing over the SCI period, including a slowdown in economic activity leading to decreased demand, escalating costs of supply (specifically gas price), regulatory issues, a requirement for additional firm generation capacity in the NWIS and discrete reliability, safety and capacity requirements. These external factors directly influence Horizon Power's operational subsidy and recurrent funding requirements.

During 2013, Horizon Power benchmarked its centrally based retail and overhead costs with those of other similar sized utilities and commenced implementing the outcomes of a strategic review (Strategic Review); a program with the express intent of reducing Horizon Power's dependency on operating subsidies whilst not detrimentally impacting on the State's Net State Debt and Net Operating Balance. The Strategic Review, which challenges the way Horizon Power operates across the whole business, will continue to be implemented through to 2017/18.

4. Objectives

Horizon Power will continue to maximise long-term value in the business while in the short-term improve efficiencies and manage the challenges of volatile fuel prices and a slowdown in economic activity in key parts of Horizon Power's service area.

Maximising long-term value means not only ensuring a viable business into the future but also of ensuring the provision of sustainable electricity supplies using new technologies where economically appropriate to enhance the development capabilities of regional Western Australia.

Horizon Power is committed to being a forward-looking business that is sustainable in the long-term. It will achieve this through targeted investment in technologies and systems that enable the business to adapt and evolve to a changing economic environment and customer needs.

Horizon Power will drive down the cost of generation and explore alternatives to conventional electricity systems. This will be achieved through streams of work focused on reforming revenue, reducing operating costs, driving embedded renewable systems to reduce pressure on peak demand growth and empowering consumer choice by providing appropriate economic signals.

Figure 1 - Horizon Power's Service Area

Delivery of these streams of work are anticipated to reduce the long run cost to supply, which is central to Horizon Power's strategy to reduce the subsidy it receives.Horizon Power's primary key performance indicator is to pursue initiatives that will reduce annual operating subsidy by $100 million by 2017/18.

Horizon Power is differentiated by being a vertically integrated supplier responsible for generating, procuring, distributing and retailing electricity supplies and services and by the fact that it has offices and staff located in the regional communities it serves.

In order to achieve Our Vision to be 'Your Local Energy Partner: Low Cost and Sustainable' for its customers and stakeholders, Horizon Power's role is to support, develop and partner to deliver value to its customers and stakeholders.

Horizon Power's Vision is underpinned by three Objectives, as illustrated below and consistent with Appendix B.

For SCI purposes, Horizon Power has selected a high-level set of critical business outcomes and key performance indicators (KPIs) to measure its success in delivering its Vision. These are set out in Appendix A.

Your Local Energy Partner: Low Cost and Sustainable

Safety	**Value**	**Community**
Minimise the risk of harm	*Maximise long-term value*	*High performing business*

Figure 2 - Horizon Power Vision and Objectives 2015/16.

5. Initiatives (Inc. Capital And Asset Management)

Horizon Power's State Government-approved asset investment program for the SCI period is forecast at $304.2 million as shown in the table below.

Government Approved Major Projects	2015/16 ($m)	2016/17 ($m)	2017/18 ($m)	2018/19 ($m)
6.1.1 Asset Management Plan				
- Energy	33.0	27.1	25.9	26.6
- Knowledge and Technology Investment	4.7	4.1	5.1	5.5
- Mobile Plant & Operational Fleet	1.6	2.8	3.3	4.4
- Property Management	1.0	3.2	3.9	3.7
6.1.2 Onslow Temporary Generation	0.2	0.0	0.0	0.0
6.1.2 Onslow Power Station Network Connection	6.7	0.0	0.0	0.0
6.1.3 Onslow Power Infrastructure Project	1.1	0.0	0.0	0.0
6.1.4 Murchison Radio Observatory Power Station	12.6	0.0	0.0	0.0
6.1.5 Advanced Metering Infrastructure	14.4	8.2	0.2	0.0
6.1.6 Midwest Generation Project	3.7	0.0	0.0	0.0
6.1.7 Pilbara Power Project	1.7	0.0	0.0	0.0
6.1.8 Pilbara Underground Power Project	26.9	24.0	26.0	0.0
Other Customer Driven Works	3.0	3.1	3.1	0.0
South Hedland Site and Transmission Works	12.6	0.0	0.0	0.0
Aboriginal & Remote Community Power Supply Project - Phase 2	1.0	0.0	0.0	0.0
TOTAL	**124.1**	**72.4**	**67.5**	**40.2**

Table 1 - Government Approved Major Projects (2019/20 is beyond the forward estimate period)

5.1 Asset Management Plan (AMP)

Horizon Power's Asset Management Plan (AMP) contributes towards ensuring regulatory compliance, reliability and capacity of all of Horizon Power's systems to support the safe development and enhancement of communities throughout regional Western Australia.

The AMP utilises Horizon Power's Risk Management Framework; which has been enhanced during the previous year to maximise Risk Adjusted Value; being the aggregate value of Horizon Power's investments from a risk perspective. The enhancements involve a closer assessment of the consequences and likelihood of each risk event, and the value of lowering this risk, contrasted to the investment required to achieve these reductions.

By prioritising investments based on Risk Adjusted Value, Horizon Power is able to maintain or improve Horizon Power's aggregate risk position with a significantly reduced recurrent capital spend, when compared to previous AMP forecasts.

5.2 Onslow Power Project – Temporary Generation and Network Connection

The Onslow Power Project includes three discrete pieces of work: the Onslow Temporary Generation Project, the Onslow Distribution Network Extension Project and the Onslow Power Infrastructure Project.

Demand in Onslow is forecast to increase as a result of the town rapidly expanding to service construction and operational activities of nearby gas processing facilities, in particular Chevron's Wheatstone plant. Horizon Power is working to ensure both short-term and long-term energy solutions are delivered for the Onslow community. Chevron will build a 9MW firm capacity power station and associated infrastructure, which is expandable to service the town of Onslow.

Onslow Temporary Generation

The existing Onslow Power Station, owned and operated by Onslow Electric Power, is an ageing asset and cannot accommodate the current or forecasted demand. Horizon Power installed three mobile diesel generators in 2006 and an additional generator in 2013 to meet the growing demand.

Horizon Power's Power Purchase Agreement with Onslow Electric has been extended to 31 August 2015 so as to secure the additional 1MW of available capacity until Chevron constructs the new power infrastructure as required under the Wheatstone State Development Agreement.

The scheduled delivery of the new station is mid-2016, which also requires Horizon Power to install additional (hired) gas generation to meet the increasing demand.

Onslow Power Station Network Connection

In 2015/16, Horizon Power is forecast to invest to complete electricity distribution network extensions in Onslow. As a part of these works the existing distribution network and new subdivision networks will be connected to the new zone substation being installed by Chevron. These works will support the growing population of Onslow.

5.3 Onslow Power Project – Infrastructure Project

The third component of the Onslow Power Project is required to address forecast demand increases over and above the proposed capacity of the power station to be constructed by Chevron.

Onslow Power Infrastructure Project

Under the Wheatstone LNG State Development Agreement, Chevron is required to build a 9MW firm capacity power station and associated infrastructure that is expandable to service the town of Onslow. Horizon Power will be gifted this infrastructure to own and operate.

Horizon Power and Chevron have agreed in principle on the Project scope and preliminary design is well advanced. Chevron expects to award contracts in the first quarter of 2015 with the new infrastructure handed over to Horizon Power in June 2016.

5.4 Murchison Radio Observatory Power Station (MRO)

In June 2012, Horizon Power received $15.5 million in funding from Royalties for Regions and the Science and Innovation portfolios, to construct a power station of approximately 1MW capacity to support the Commonwealth Scientific and Industrial Research Organisation (CSIRO) Australian Square Kilometre Array Pathfinder Project (ASKAP).

CSIRO selected Horizon Power to design, build, operate and maintain the station at the Murchison Radio Observatory at Boolardy Station, approximately 400 kilometres north east of Geraldton.

In January 2013, a Request for Tender was issued for the design and construction of the hybrid diesel-solar power station. The tenders received were well in excess of the budget for the power station works and the tender process was terminated.

CSIRO/Horizon Power held a number of workshops during 2013 and 2014 to identify alternate power supply options resulting in a revised project brief. Horizon Power has since submitted a revised Royalties for Regions Funding Business Case to the Department of Regional Development detailing the amended Financial Assistance Agreement.

During December 2014, Horizon Power completed the engineering specifications to meet CSIRO's revised requirements and new tenders were issued. A final investment decision is expected to be submitted to the Minister for Energy for approval in May 2015, with site works commencing in June 2015 and startup planned for December 2015.

5.5 Advanced Meter Infrastructure

A project has been approved and funded to deploy Advanced Metering Infrastructure (AMI) across Horizon Power's service areas. The objectives of the AMI project are to reduce operating costs, address compliance issues that exist with the current fleet of meters, provide a compliant pre-payment metering solution and reduce lost revenue.

Horizon Power's isolated network coverage results in a high cost of managing the existing metering infrastructure, especially the costs of physical meter reading, connections and disconnections and general meter management.

For some years Horizon Power has investigated the value of advanced metering and smart grid initiatives, which led to the development of foundation technology for a pre-payment meter (PPM) solution for Aboriginal communities. In May 2014 this PPM solution was introduced at Mungullah and in August 2014 to seven Fitzroy Crossing Aboriginal Communities. The pilot has met project expectations for financial performance, technical reliability and customer acceptance.

The AMI project now seeks to leverage the technology used in the PPM project to replace remaining 'old' PPMs as well as all credit meters throughout Horizon Power's service area. To reduce project risk in developing the AMI Project, Horizon Power has applied findings from the Western Power Solar Cities project and the Victorian advanced meter deployments.

The AMI project will address two major issues: firstly address the accuracy and hence compliance and lost revenue from old meters; and secondly dramatically reduce the cost of metering field services.

The AMI project will provide $7.6 million of direct cost savings per annum whilst providing other benefits, such as addressing meter compliance obligations and allowing Horizon Power to promptly identify whether faults are on the customer or Horizon Power side of the meter.

5.6 Midwest Generation Project

The Midwest generation project involves the negotiation of a new power purchase agreement with Contract Power Australia and the replacement of the existing generation owned by the former independent power producer in six towns (Cue, Meekatharra, Mt Magnet, Sandstone, Wiluna and Yalgoo) within the Midwest and Norseman in the Goldfields. This also requires network augmentation work to enable switching between the old and new generators.

Generation at five of the towns will have been replaced by June 2015. Diesel generation will be installed at Norseman by October 2015 and the installation of gas-fired generation at Mt Magnet by June 2016 will complete the project.

5.7 Pilbara Power Project 2016 (PPP16)

Pilbara Power Project

To meet the forecasted shortfall in energy supply in the Pilbara region, Cabinet has approved Horizon Power investing $138 million to develop a new power station site in South Hedland and develop associated network infrastructure.

On 21 July 2014 Cabinet approved Horizon Power entering into contractual arrangements with the chosen IPP, TEC Hedland Pty Ltd (TransAlta), for 110 MW of new generation capacity; and a Network Access Contract with FMG. This arrangement ensures the recovery of capital to the State and removes the risk associated with asset ownership.

Augmentation of Transmission Network

The 21 July 2014 Cabinet's decision for the Pilbara Power Project also noted the requirement to upgrade the transmission system to accommodate the increased generation capacity of the new power station and to

accommodate the greater load of the Pilbara Infrastructure Group (FMG). Horizon Power has signed a 25 year Electricity Transfer Access Contract (ETAC) with FMG to allow access to the new infrastructure.

The network augmentation funding has been approved as part of the current SBF. The Department of Treasury will hold administered funds until it receives the outcomes of the financial evaluation.

5.8 Pilbara Underground Power Project (PUPP)

The PUPP will provide cyclone affected North West towns with a safer and more reliable electricity supply by replacing ageing overhead electricity infrastructure with underground networks.

The original budget estimate for the program was $130 million to be funded through $100 million from Royalties for Regions and $30 million, or approximately 25 per cent of the project, from local government contributions. In 2012 it became clear the project could not be completed within budget.

A Cabinet Submission for $77 million in funding from Royalties for Regions was approved by Cabinet in July 2014. In addition the affected Shires are contributing 25% of the cost of undergrounding lots in their Shire.

Coastal towns in the Pilbara are subject to severe weather events including tropical cyclones that typically impact towns at least once per year. If the scope of the project is not completed, electricity infrastructure in parts of Karratha, Roebourne and Onslow not currently undergrounded remain vulnerable to severe weather events. In addition aspects of the Pilbara Cities strategy will remain unfulfilled as the undergrounding of power is part of this strategy to improve street scapes and, more importantly, the safety and reliability of the power supply.

For example, at the end of December 2013 Tropical Cyclone Christine caused at least $1.5 million in damage to electricity infrastructure in Karratha. Some houses in Roebourne were without electricity for three days whilst repairs were made. Electricity supply to undergrounded properties in the region remained largely unaffected.

5.9 Projects Under Evaluation

Horizon Power is in the process of evaluating options to solve a number of discrete issues confronting the business. The evaluations may result in recommendations that relate to existing projects or entirely new projects.

5.10 Strategic Review

In August 2013, Horizon Power set up a dedicated Strategic Review team, reporting to the Executive, to identify, recommend and, where approved, implement changes to Horizon Power's business to significantly reduce the subsidy Horizon Power receives from the State Government.

The Strategic Review is implementing a number of options that will, by 2017/18, reduce by $100 million the subsidy Horizon Power receives without compromising safety, reliability and services or detrimentally impacting the State's financial position. Each option is within one of five distinct streams, being: Operational Model, Revenue, Capital Productivity, System Blueprint and NWIS Reform.

6. Financial Statements

Accounting standards/policies

Horizon Power's Financial Statements are prepared in accordance with the Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and are consistent with the financial requirements of the Electricity Corporations Act 2005.

Payments to Government

Horizon Power's payments to Government include:

- Payment of dividend in line with the Dividend Policy,
- Payment of income tax under the National Tax Equivalent Regime, representing 30 per cent of taxable profit.

Efficiency Dividend

Horizon Power continues to deliver on the State Government mandated efficiency measures: the five per cent Minister for Energy's Efficiency Dividend announced during the 2011/12 State Budget process, and the Government Trading Enterprise (GTE) Efficiency Dividend announced during the 2012/13 State Budget process.

Dividend Policy

Horizon Power complies with the Government's dividend policy of paying 65 per cent of Net Profit After Tax for the year. Dividends are declared in consultation with the Minister for Energy 75% of the projected financial year dividend will be paid in the financial Year the dividend is declared whilst 25% will be paid in the subsequent year this is subject to satisfying a solvency test.

Efficiency Dividend Type	2011/12 ($M)	2012/13 ($M)	2013/14 ($M)	2014/15 ($M)	2015/16 ($M)	Total ($M)
Minister's 5% Efficiency Dividend	6.2	7.0	7.2	7.5	-	27.9
2012-13 GTE Efficiency Dividend	-	3.4	5.6	8.0	8.8	25.8
TOTAL	**6.2**	**10.4**	**12.9**	**15.5**	**8.8**	**53.7**

Table 7 - Horizon Power's Efficiency Dividends

7. Ministerial Reporting

To meet the reporting requirements as outlined in the Electricity Corporations Act 2005, Horizon Power will provide the Minister for Energy the following information.

Quarterly Report

Horizon Power will provide to the Minister for Energy and the Western Australian Treasurer a report on performance for each three-month period. These quarterly reports will detail the actual quarterly and year-to-date performance of the business, provide comparisons to Statement of Corporate Intent targets and highlight any significant issues. The business will submit the quarterly reports in accordance with the requirements of Section 106 of the Electricity Corporations Act (2005) WA.

The quarterly reports will be provided to the Minister for Energy and the Western Australian Treasurer within one month after the end of a quarter.

Annual Report

Horizon Power will prepare and deliver an annual report on its performance for the full year to the Minister for Energy. The report will follow the end of the financial year and will be provided to the Minister for Energy in accordance with the requirements of Section 107 of the Electricity Corporations Act (2005) WA. The report will include:

- consolidated statutory financial statements and other statutory information required of any company under the Corporations Law;
- an overview of major achievements and an appraisal of future prospects;
- a comparison of performance with Statement of Corporate Intent targets; and
- other information required by the Act to be included, such as the particulars of any directions given by the Minister for Energy.

In addition to quarterly and annual reports, the Act requires that the Minister for Energy be provided with:

- a five-year Strategic Development Plan and a one-year Statement of Corporate Intent;
- a report on staff compliance with any Board issued codes of conduct; and
- any information in Horizon Power's possession requested by the Minister.

8. Community Service Obligations

Section 99(1) of the Electricity Corporations Act 2005 defines community service obligations as "obligations to perform functions or to meet performance targets that is not in the commercial interests of the corporation concerned to perform or meet".

Horizon Power receives payments or subsidies from Government for a number of community service obligations, including:

- Remote Service Extensions such as ARCPSP Phase 1 and Phase 2: ensures regularised communities receive the same quality, reliability and cost of power as customers in the South West and other regional areas. Horizon Power receives funding for the operating shortfall for regularising these communities.
- Air Conditioning Allowance: provided to eligible customers to assist with the costs of air conditioning from August to May depending on the location of the town.
- Dependent Child Rebate: supports customers who receive concessions with the increased energy cost of raising children.
- Cost of Living Assistance Payment: replaces the Supply Charge Rebate and assists concession card holders in paying their electricity bills.
- Feed-in Tariff: Horizon Power administers the scheme on behalf of the State Government via the Public Utilities Office (PUO) and receives a subsidy from Government to compensate for the operating cost of the scheme.
- Tariff Adjustment Payment: compensates Horizon Power for the difference between the cost-reflective price of electricity in the South West Interconnected System and the uniform tariff paid by customers.
- Tariff Migration: The A2 subsidy compensates Horizon Power for the difference between charging Caravan Park residents the residential tariff (A2) instead of the commercial rate.

Operating Subsidy	2015/16 ($m)	2016/17 ($m)	2017/18 ($m)	2018/19 ($m)
Aboriginal and Remote Communities Project - Stage 1	4.5	9.1	9.0	8.8
Aboriginal and Remote Communities Project - Stage 2	1.9	1.9	1.9	1.8
Air Conditioning Allowance	0.5	0.6	0.6	0.7
Dependent Child Rebate	0.5	0.6	0.6	0.6
Energy Assistance Payment	0.7	0.8	0.9	1.0
Feed-In Tariff	0.0	0.0	0.0	0.0
Tariff Adjustment Payment	28.3	26.5	16.1	11.9
Tariff Migration - Caravan Park subsidy	0.4	0.4	0.4	0.5
TOTAL	**36.9**	**39.8**	**29.6**	**25.3**

Table 8 - Horizon Power's Community Service Obligations.

Appendix A: Key Performance Indicators

Horizon Power has reassessed its Key Performance Indicators and revised the targets in line with current financial constraints and corporate strategic objectives. They are shown in the tables below.

Critical Business Outcomes	2014/15 YTD Actuals	2015/16 ($m)	2016/17 ($m)	2017/18 ($m)	2018/19 ($m)
Safety – Minimise the risk of harm					
Lost Time Injury Frequency Rate	3.3	0.0	0.0	0.0	0.0
Total Number of Notifiable Public Safety Incidents	3.0	8.0	8.0	8.0	8.0
Unassisted Pole Failure rate	1.33	1.0	1.0	1.0	1.0
Value – Maximise long-term value					
Cost to Supply Unit Cost (cents / kWh)	32.7	32.4	35.6	39.6	40.3
Return on Assets (%)	7.64%	7.08%	17.45%	5.61%	6.43%
NPAT ($M)	23.6	27.5	158.5	19.4	28.9
Efficiency Dividend ($M)	15.5	8.8	-	-	-
Community – Be a high performing business					
Customer Satisfaction (%)	82.0	70.0	70.0	70.0	70.0
Number of compliant systems	33/38	33/38	33/38	33/38	33/38
System Average Interruption Duration Index - SAIDI (Minutes)	155	290	290	290	290
System Average Interruption Frequency Index - SAIFI	3.70	6.6	6.6	6.6	6.6
Major Project Completion Within +/- 5% of approved budget (%)	100.0	100.0	100.0	100.0	100.0

Table 9 - Horizon Power's Key Performance Indicators and targets for the SCI period.

Definitions and assumptions behind the metrics are outlined in the table below.

Term	Definition	Formula	Unit
Lost Time Injury Frequency Rate (LTIFR)	Lost Time Injury Frequency Rate is a formula to provide the number of Lost Time Injuries to be sustained, per one million hours worked, over a given 12 month period.	The sum of LTI incidents sustained over the given 12 month period, divided by the sum of exposure hours worked over the 12 month period, multiplied by one million.	#
Notifiable Public Safety Incidents	A network operator must notify the Director of any incident or event that is caused, or significantly contributed to, by electricity and that results in serious injury; or serious damage.	Serious damage means damage to private property > $5 000 in total; or damage to a facility or property caused by a fire or explosion or the value of the damage is > $50 000 in total. Serious injury means an injury that is fatal or requires the victim to be admitted to hospital.	#
Unassisted Pole Failure	An unassisted pole failure: 1) is not caused by customer installation, lightning, vehicle, water ingress or vandalism; 2) occurs when the pole failed under forces that were less than its design specification.	Number of pole failures divided by 10,000 over a 12 month rolling average.	#
Cost to Supply Unit Cost	All cost associated with Horizon Power's customers divided by kilowatt hours sent out.	Includes costs to provide energy to customers, but specifically excludes business development, finance lease adjustments and interest expenses.	¢ / kWh
Return on Assets	Return to investors for every dollar of assets under the company's control.	Earnings before interest and tax (EBIT) divided by total assets.	%
NPAT	Net Profit After Tax	Does not exclude operating subsidies including Government subsidies and subsidy from the Tariff Equalisation Contribution collected from SWIS customers. EBIT minus finance charges, non-cash movements and tax.	$M
Efficiency Dividend	Targeted reduction in operating expenditure in line with Cabinet agreed efficiency dividend each year from 2011/12 to 2014/15 plus the Government Trading Enterprises Efficiency in 2012/13.	Incorporates the Minister's 5 per cent Efficiency Dividend (2011/12) plus the Government Trading Enterprises Efficiency in 2012/13.	%
Customer Survey Rating	Customer satisfaction is measured by an annual survey, undertaken by an external agency, amalgamating customer perceptions of reliability, service quality and product offering.	Average measurement of survey response on a scale of 1 to 7 (very poor, poor, somewhat poor, neither good nor poor, somewhat good, good and very good). Horizon Power's KPI for customer satisfaction is a combination of all positive responses i.e %somewhat good + %good +%very good, Over the last five years, overall customer satisfaction (across residents, businesses and stakeholders) has ranged between 77% and 83%, with the most recent score being 78% in 2013. Based on recent performance trend, customer satisfaction scores of 80%-85% are classified as high performance, and a score of over 85% would be aspirational.	%

Term	Definition	Formula	Unit
Number of compliant systems	Achievement of SAIDI and SAIFI system reliability performance (as agreed or per the Reliability Code) for each system. These measures exclude momentary interruptions of one minute or less. SAIDI / SAIFI events are normalised to exclude incidents due to: - Customer equipment - Planned work - Vehicle / Mobile equipment - Water / Flood - Wilful damage - Major events These events are outside the control of Horizon Power.	Performing systems count	#
SAIDI	The System Average Interruption Duration Index measures the duration sustained customer interruptions.	Sum of the duration of each sustained customer interruption divided by the total number of distribution customers over a 12 month average.	Minutes
SAIFI	The system average interruption duration index measures the frequency of interruptions to customers.	The total number of sustained customer interruptions divided by the total number of customers over a 12 month average.	#
Major Project completion within approved budget	Percentage of Government Approved Projects that have been completed within the approved state budget.	Percentage of Government Approved Projects that have been completed within the approved state budget.	%

Appendix B – Business Values and Vision

Horizon Power's has a Primary KPI of delivering 'initiatives which will reduce our annual operating subsidy by $100 million per annum by 2017/18.'

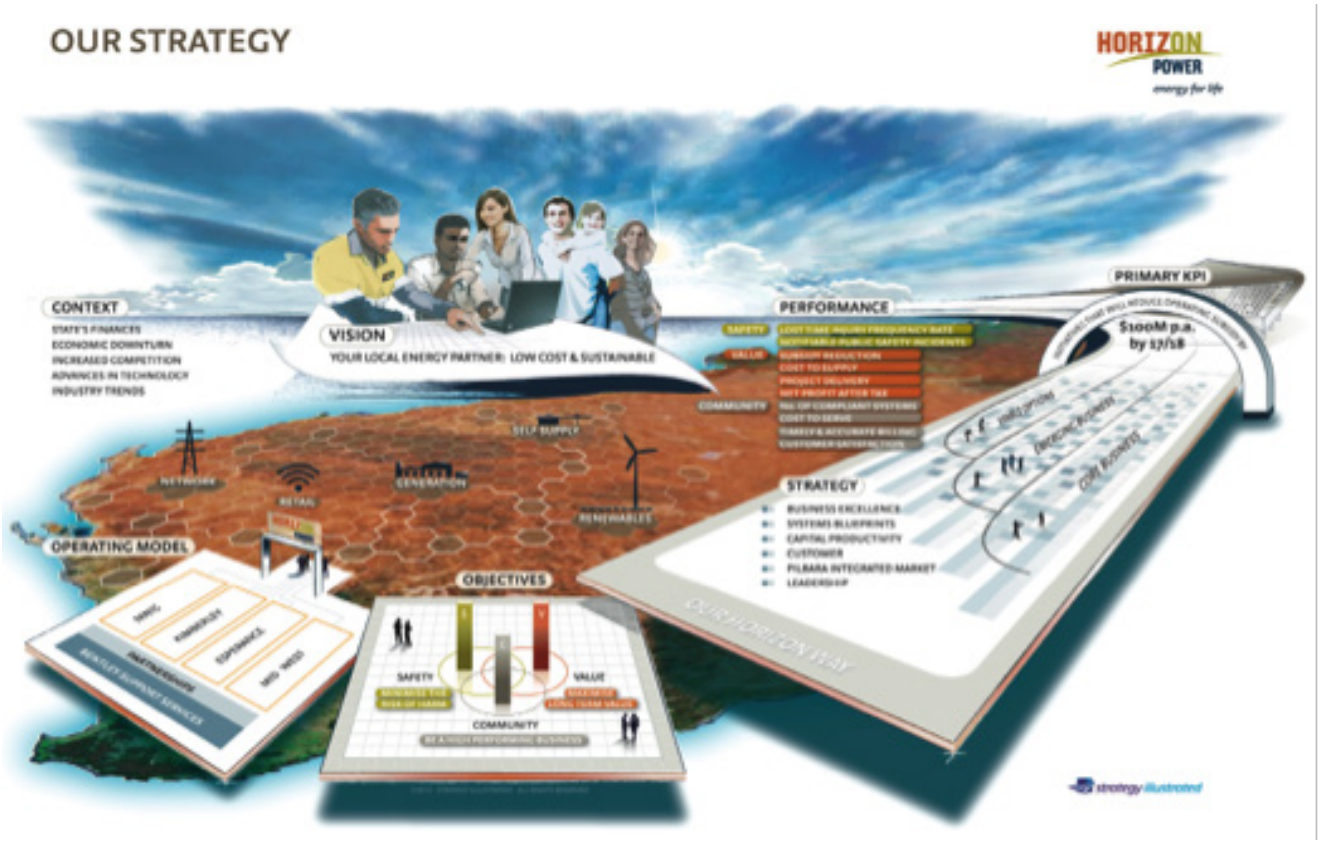
Horizon Power's Purpose, our fundamental reason for being remains Energy For Life.

'Your Local Energy Partner' will continue to underpin our operating model and our Vision will change to provide a focus on being low cost and sustainable.

Our objectives of Safety, Value and Community remain the same. How we define these has been simplified.

Our Strategy focuses on Business Excellence, System Blueprints, Capital Productivity, Customer, Pilbara Integrated Market and Leadership.

We track and measure performance via Business Key Performance Indicators (KPIs) which are tied to objectives. Our focus remains on our PRIMARY KPI of delivering 'initiatives which will reduce our annual operating subsidy by $100 million by 2017/18'. It serves as a lead indicator of our ability to be low cost and sustainable in the long term.



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