

# Quarterly Performance Report

*For the period July – September 2016*

## Performance overview

This performance report covers the three month period ending 30 September 2016. For statistics prepared on a rolling 12-month basis, data prior to 1 October 2015 is used.

### Business Highlights

- The Advance Meter Infrastructure project is progressing very well, with 47,500 or 99% of meters replaced by 30th September 2016.
- The Pilbara Underground Power Project continues to make great progress in Karratha with works in the Light Industrial Area, CBD and Bulgarra West completed.
- Murchison Radio Observatory power station and solar farm has been commissioned and exporting power.
- The Transmission line to Fortescue Metal Group is expected to be complete ahead of schedule, during the quarter all civil works have been completed.

### Financial Performance

- Horizon Power reported a September 2016 quarter and year to date Net Profit After Tax (NPAT) of \$4.1M, which is above the budgeted (State Budget Forecast) loss of -\$3.6M. Total Income recorded a negative variance against budget of -\$2.2M, driven mainly by lower electricity sales (-\$3.8M). This shortfall in income was offset by lower energy purchases (+\$8.2M) from lower volumes and lower gas prices, lower overheads (+\$2.4M), interest (+\$0.7M) and depreciation & amortisation (+\$1.9).
- The Strategic Review Subsidy reduction delivered as at September 2016 is \$90.9M which is 91% of the \$100M target. Work continues on the project to deliver the remaining savings. Key success this year include Advanced Meter Infrastructure project, Revenue Leakage project, the Rationalisation of Properties Facilities Fleet, Remote Towns project and the NWIS Generation Optimisation (spinning reserve).
- Year to date capital expenditure amounted to \$28.2M against a budget of \$32.7M. The variance of \$4.5M is mainly due to underspend in the Asset Management Plan for Microgrids due to a change in spend profile of \$3.7M for the Kununurra Generation and Reliability Upgrade Project.

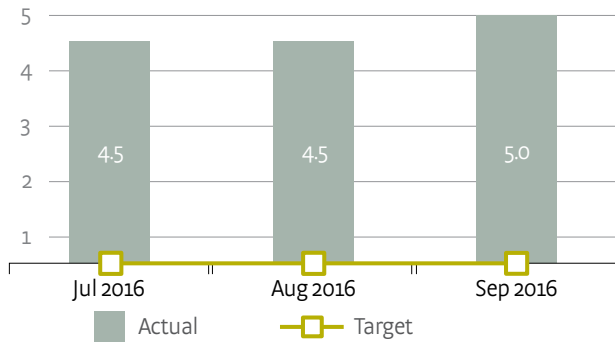
### Stakeholder service

- Horizon Power provided responses to 9 Ministerials or requests for further information from the Minister or Public Utilities Office.
- Ministerials included topics such as; Quarterly Performance Report, employee travel and consultant reports, Annual Report, Mid-Year Review, Electricity Compliance Reporting, bill enquiries and customer funded works enquiries.

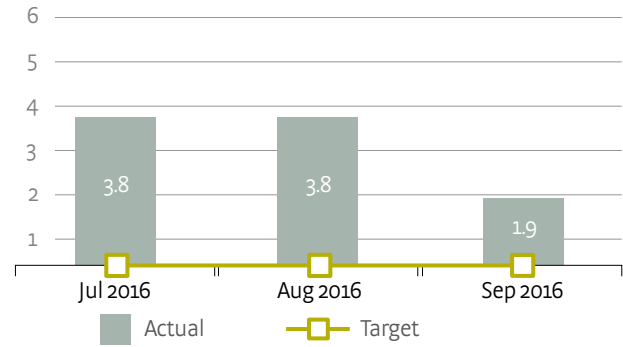
*This report has had matters deleted from it under section 109 of the Electricity Corporations Act 2005 (WA)*

## Safety, health and the environment

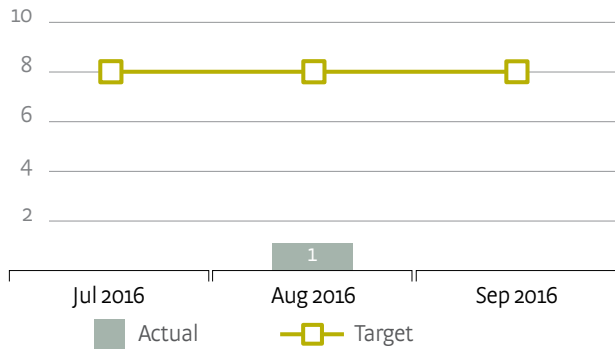
**Lost Time Injury Severity Rate** 12 month rolling average



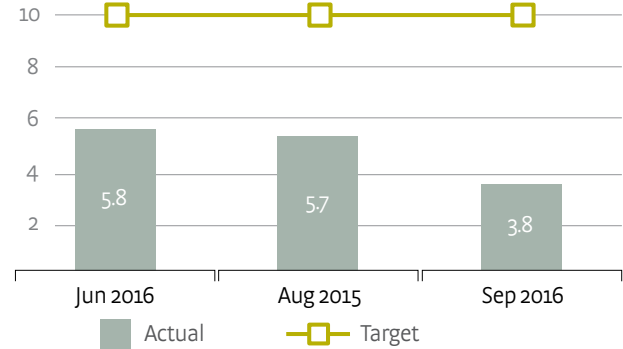
**Lost Time Injuries Frequency Rate** 12 month rolling average



**Public Safety Incidents**



**All Medical Injuries Frequency Rate** 12 month rolling average

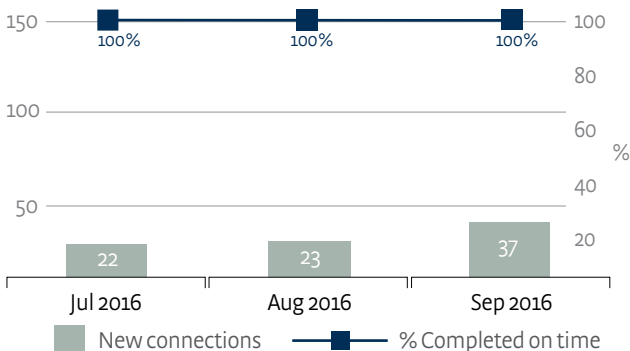


- There was a reduction in Lost Time Injury and All Medical Injury Frequency Rates in September due to Lost Time Injury from September 2015 removed from 12 month rolling average.
- The lost time severity rate for the quarter was 5.0, which is greater than the quarter ended September 2015 figure of 4.5.
- There was one public safety incident for the period ended September 2016, being the tripping of a High Voltage Feeder due to overheating of an aluminium conductor that melted and fell to the ground whilst work was being undertaken on the same.
- There was a one reportable fuel spill at Yungngora power station.
- The Unassisted Pole Failure rate\* was at 1.62 compared to a target of <1.00. There were no unassisted pole failures for the quarter.

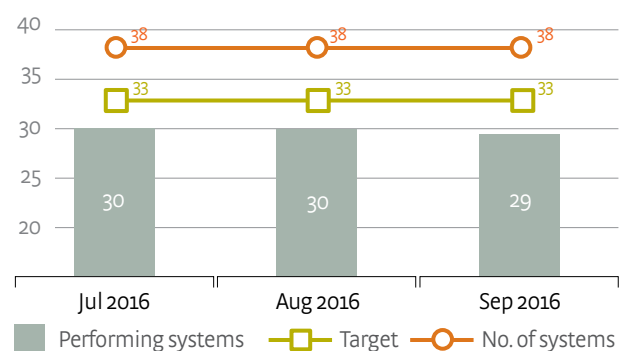
\* based on a 3 year rolling average per 10,000 poles

## Customer service and electricity delivery

**Customer Connections**



**Performing Systems** out of 38 systems



- 100% of new customer connections were completed on time.
- There were 82 new connections during the quarter.

## Financial performance - actual versus SBF

Net Profit After Tax for year to date September 2016 was higher the State Budget Forecast, with variances broken down as follows:

### Profit and Loss Summary (in \$millions)

|   | Period Ended Sep 2016 |              |               |
|---|-----------------------|--------------|---------------|
|   | ACTUAL                | SDP          | VAR           |
| Income                                  | 108.8                 | 111.0        | (2.2)         |
| Fuel and electricity purchases          | (36.4)                | (44.6)       | 8.2           |
| Operating labour, overheads & materials | (28.9)                | (31.4)       | 2.4           |
| <b>EBITDA</b>                           | <b>43.5</b>           | <b>35.1</b>  | <b>8.4</b>    |
| Finance Lease adjustment                |                       |              |               |
| Depreciation and amortisation           | (19.9)                | (21.8)       | (1.9)         |
| <b>EBIT</b>                             | <b>23.6</b>           | <b>13.2</b>  | <b>(10.3)</b> |
| Interest                                | (17.7)                | (18.3)       | 0.7           |
| Income tax                              | (1.8)                 | 1.5          | (3.6)         |
| <b>Net profit after tax</b>             | <b>4.1</b>            | <b>(3.6)</b> | <b>7.7</b>    |

#### 1. Income

A negative variance of -\$2.2M in income primarily due to the following:

- (I) Electricity sales recorded a shortfall of -\$3.8M (actual \$56.4M v budget \$60.2M) mainly due to lower volume and the delay in gazetting the L4 tariff.
- (II) Developer and Customer Contributions reported a positive variance of \$1.4M due to greater development activity

#### 2. Fuel and electricity purchases

A positive variance of +\$8.2M was mainly driven by budgeted prices being forecasted using the new contract rates and the actual purchases being based on the existing contract.

#### 3. Operating labour, overheads and materials

Operating expenditure is tracking under budget primarily driven by lower overheads due to cost management, savings and timing of expenditure.

#### 4. Depreciation

Depreciation is lower than budget mainly due to timing differences regarding methodology used in calculating budget depreciation.

#### 5. Interest and income tax

The positive variance of +\$0.7M in interest is due to lower debt than budgeted. The unfavourable variance in tax (-\$3.6M) is resulting from higher earnings than budgeted.

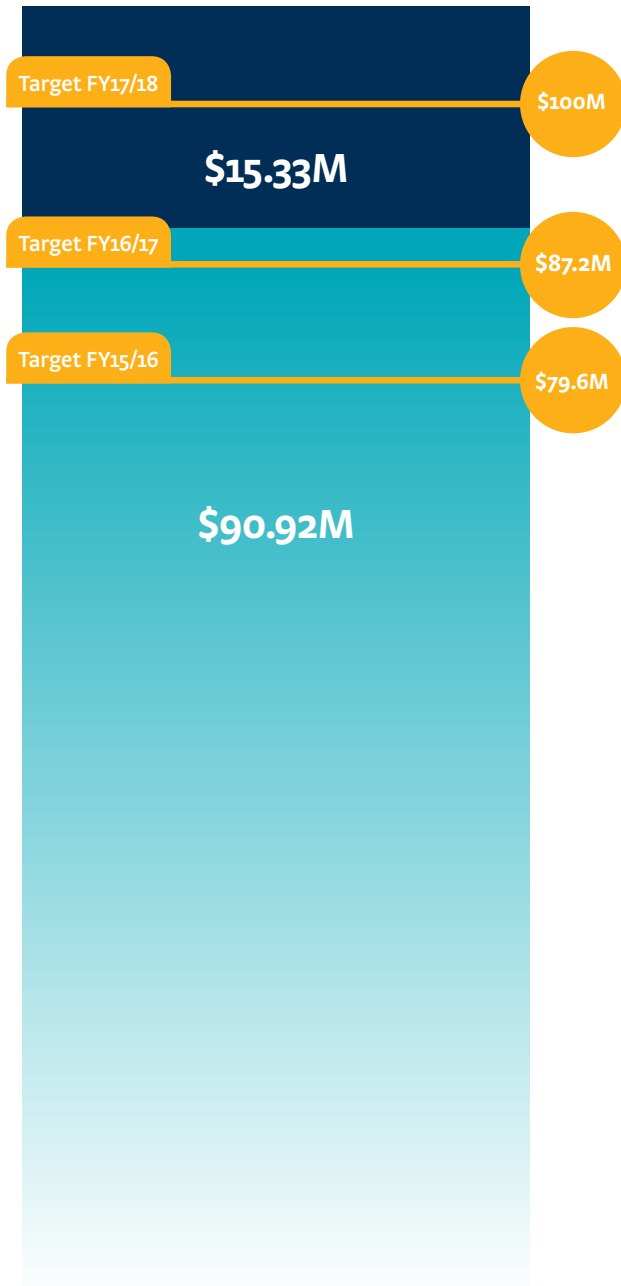
## Other performance measures

| KPIs   | Actual               | Target | Commentary  |
|--|----------------------|--------|---|
| <b>Business Value</b>                                |                      |        |   |
| Unit Cost to Supply (cents/kWh)*                     | 33.2                 | 34.6   | The lower cost to supply reflects a decrease in the COGS due to lower fixed PPA costs, lower than forecast gas unit costs, lower operating expenditure and higher than budget kWh sales.                        |
| Return on Assets (%)**                               | 5.8%<br>(annualised) | 6.6%   | Lower than budget return however Earnings Before Interest and Tax is greater than budget.   |
| Subsidy reduction \$M (cumulative)                   | 90.9                 | 100.0  | Delivered The Advanced Meter Infrastructure project, Revenue Leakage project, the Rationalisation of Properties Facilities Fleet, Remote Towns project and the NWIS Generation Optimisation (spinning reserve). |
| <b>Community</b>                                     |                      |        |   |
| Customer Satisfaction (Annual)<br>(Survey rating %)  | 73%                  | >70%   | YTD Customer satisfaction based on June 2016 Survey.  |
| No. of Customer Bills on Time<br>(Unbilled accounts) | 13                   | <40    | The value is the number of unbilled accounts > 90 days at the end of September.   |

\* Being Costs of goods sold + operating expenditure divided by kWh

\*\* Return on Asset = Annualised EBIT / Average Assets for the period

## Strategic Review Benefits



### Commentary – Strategic Review Benefits:

We are 91% there in meeting our \$100M target. Work continues on the second phase of the project focusing on optimisation and efficiency work.

Our key successes include;

The Advanced Meter Infrastructure project, Revenue Leakage project, the Rationalisation of Properties Facilities Fleet, Remote Towns project and the NWIS Generation Optimisation (spinning reserve) .

Work currently underway includes :

The Price Reform Project, the Automation of Electrical Notices roadmap and regional optimisation.

- In progress
- Realised