

We're connecting purpose with action

QUARTERLY PERFORMANCE REPORT

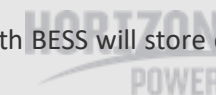
For the period January – March 2023

Performance Overview



Business Highlights

- Horizon Power successfully completed the Esperance Electrification Project, a landmark achievement and the first electrification of its kind in Australia. Horizon Power has been supporting customers in Esperance since September 2021, when the privately operated Esperance Gas Distribution Company announced it intended to stop supplying reticulated gas to customers. Horizon Power has now successfully transitioned about 400 Esperance customers from reticulated gas to an alternative energy source, setting a benchmark for Australia and paving the way for a renewable energy future in the town.
- Horizon Power, is partnering with an established local renewable energy company to support the State's acceleration to decarbonisation. The joint venture between Horizon Power and West Australian Alternative Energy (WAAE) brings together significant renewable energy system expertise. Horizon Power has acquired a 50 per cent interest in the company, which will support the McGowan Government's commitment to achieving an 80 per cent reduction in Government emissions by 2030. The investment will in part address supply chain issues, which are impacting the delivery of equipment and projects, as well as a constrained local workforce fuelled by unprecedented demand for renewable energy installations. The partnership is expected to further support Horizon Power in meeting its carbon reduction emissions target across its service area of 34 microgrids and 117 remote communities, with solar and low emissions projects.
- In March 2023, Horizon Power issued its first Aboriginal Cultural Heritage Management Policy (ACHMP), strengthening our Guiding Principle of Aboriginal and Torres Strait Islander Commitment. The new policy formalises our commitment towards Aboriginal cultural heritage. The ACHMP is the first step in a wider program our Sustainability team will deliver as part of our Aboriginal Cultural Heritage Management Framework.
- During the quarter Horizon Power and its Independent Power Producer in Kimberley had significant impacts from the floods. With road closures preventing LNG from entering the region, additional diesel generators were sent to the region to maintain the power supply in flood-affected areas. The Horizon Power team in Broome worked alongside other agencies on tactical and operational recovery efforts. We proactively reached out to impacted customers to ensure they had the information they needed and we will continue to support them over the next few months. In addition, a flood relief package was implemented to help eligible customers with their bills, which included waiving daily supply charges and debts, as well as waiving the costs of reconnection and new meters.
- Our new Geospatial Intelligence Program, developed under the *Utility of the Future* program, has been successfully deployed in the field and is making a significant impact through visualisation of asset data, resulting in the identification of defects that need immediate rectification and reduction in travelling for ground based visual inspection. The project will result in improved reliability to our customers as defects are identified and remediated prior to failure. The program was shortlisted in the Information Services Group (ISG) 2023 Paragon Awards, which recognise innovative approaches that help organisations leverage technology to make significant and lasting impacts in their businesses.
- Our four Broome Community Batteries have now demonstrated sufficient reliability to enable customers to energise their solar systems, with final handover activities due to be completed in the coming months. The grid-forming, network connected batteries enable the release of hosting capacity and solar smoothing services and will hopefully form the basis for further rollouts of these assets, to help more of our customers reduce their energy bills and decarbonise.
- The completion of our Battery Energy Storage System (BESS) in Exmouth will provide residents and business owners with more access to more rooftop solar. The Exmouth BESS will store excess solar energy and free up more than 2,000 kilowatts (kW) of solar hosting capacity, which is expected to be made available to customers in May 2023.



Performance Overview



Risk Highlights

- The heated economic environment is leading to cost pressures resulting in significant challenges to budgets in the building and contracting space.
- Horizon Power continues to see high rates of staff turnover (17%) driven, in almost all cases, by the significantly higher salaries being offered in the market. Horizon Power is also struggling to fill vacancies at the same rate as the resignations.
- The high rates of turnover and labour shortages are resulting in delayed commissioning of battery systems and manufacture and deployment of Standalone Power Systems
- Horizon Power and its contractors, such as Vision Power and TransAlta, are experiencing a rise in crime and anti-social behaviours in a number of regions – necessitating a review of our protocols in certain communities.
- Horizon Power continuously monitors the above situation closely and adopts, where appropriate, mitigating actions, such as prioritisation of projects and delaying of non critical spend. However, there is no compromise on safety and reliable delivery of electricity and services to our customers and the wellbeing of our employees.



Financial Performance

- Horizon Power reported a year-to-date net profit after tax of \$2.0M, resulting in a net unfavourable variance of -\$1.2M against MYR budget of \$3.2M. Favourable variances in sales (+\$9.6M), contract works and miscellaneous revenue (+\$3.5M) and Community Service Obligations (+\$1.5M) were offset by higher cost of sales (-\$5.6M), operating expenditure (-\$8.6M), interest (-\$0.8M) and lower customer funded works (-\$1.0M).
- Year to date cash capital expenditure amounted to \$88.2M compared to the MYR budget of \$97.5M, an overall net variance of -\$9.3M.
- The end of financial year profit forecast is at risk due to increased operating costs, exacerbated by the challenges we face in integrating renewables and battery technologies into our systems.



Stakeholder Service

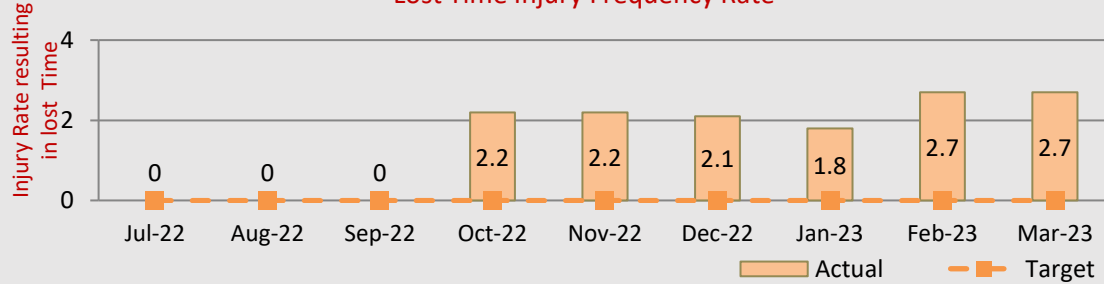
- During the quarter, Horizon Power provided responses to 25 Ministerial and 1 Parliamentary Question.

Safety, Health & Environment

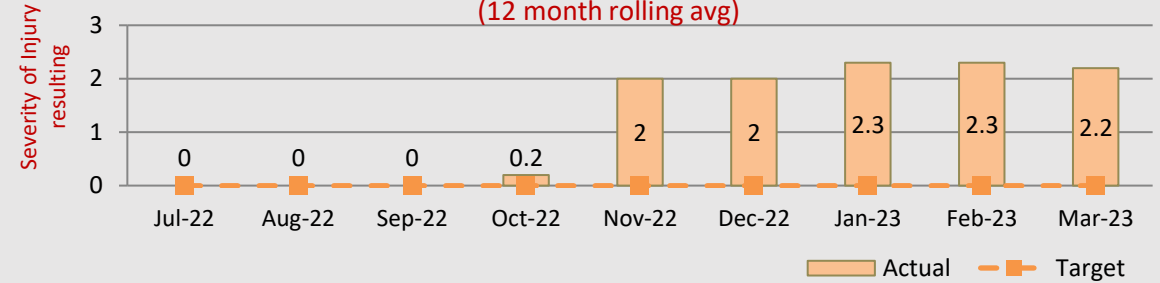


PEOPLE, SAFETY AND WELLBEING

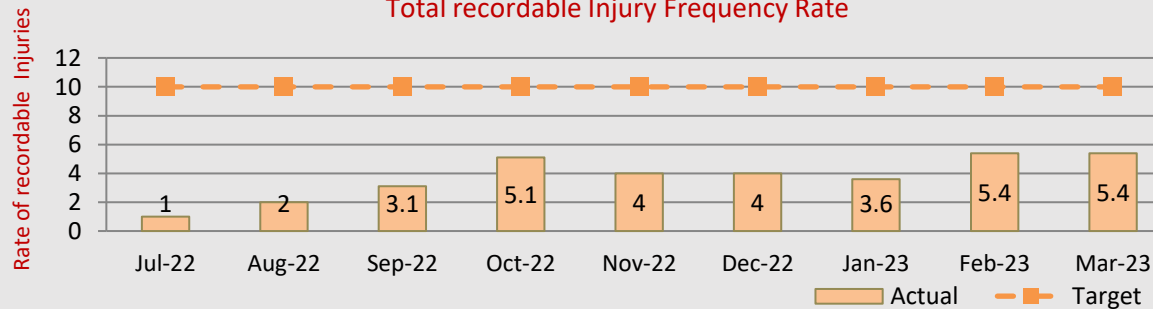
Lost Time Injury Frequency Rate



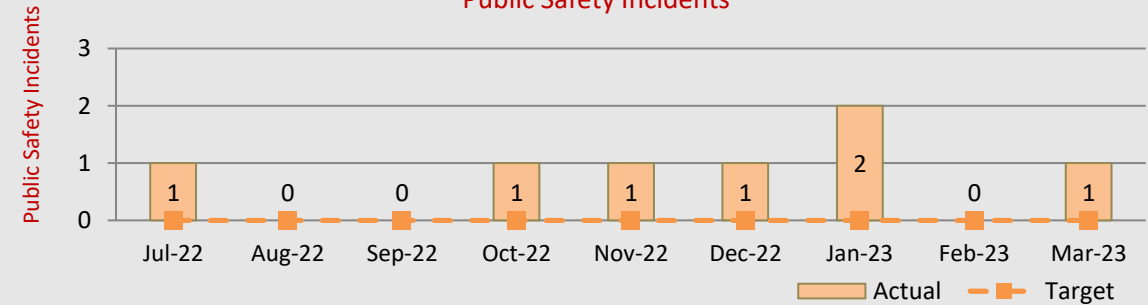
Lost Time Injury Severity Rate (12 month rolling avg)



Total recordable Injury Frequency Rate



Public Safety Incidents



COMMENTARY:

- Lost Time Injury Frequency Rate increased to 2.7 from February due to lost time injury sustained by a worker who slipped on concrete.
- Safety meeting occurrence for the quarter ended March 2023 averaged 100%.
- The rate of 'high' and 'extreme' risk rated incident actions closed out on time for the March quarter was 100%.
- The month of February saw a Medical Treatment Injury from a cut to an individual's left thumb and a Lost Time Injury sustained by the worker who slipped on concrete.
- The Unassisted Pole Failure rate* was 0.59 by the end of the quarter and within the target of 1.00. There was one new unassisted pole failure removed from the 3-year rolling data in March 2023 at Esperance

*3 Year rolling average per 10,000 poles.

COMMENTARY:

- The percentage of hazards / near hits of all reported incidents has averaged 66% which favourably exceeds our target of 50%.
- For the quarter there were 3 Notifiable Incidents to Building and Energy:
 - Carnarvon –22kV PTS flashed over to the overhead LV and then into a consumer's switchboard at 22 Butcher St. starting a fire.
 - Kununurra - Network LV cable damaged by fencing contractor, cable incorrectly installed along consumer's boundary fence.
 - Esperance - Corroded / failed overhead LV IPC connector affecting two consumer supplies.

Customer Service & Electricity Delivery



ENERGY AFFORDABILITY

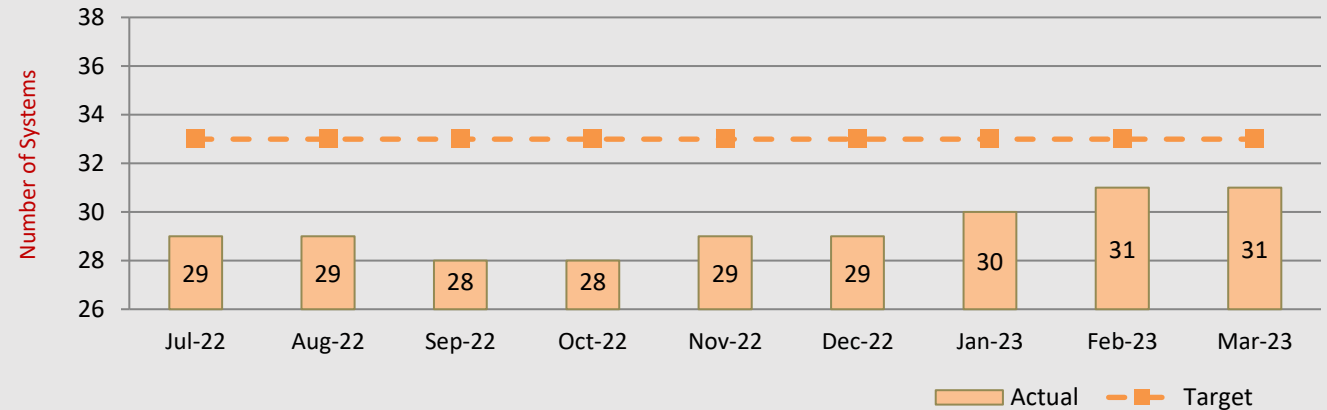
KPI	Actual	Target
Customer Satisfaction (survey rating %)	75%	≥70%
Net Promoter Score	39%	≥20%
System Average Interruption Frequency Index (SAIFI)*	2.7	6.6
System Average Interruption Duration Index (SAIDI)*	202.7	290

COMMENTARY:

- All above KPIs show positive variance to targets.

* The calculations of SAIDI and SAIFI and the number of performing systems have exclusions for adverse weather conditions which are treated as Force Majeure and 'pass through' as beyond the control of Horizon Power.

Performing Systems *



COMMENTARY:

- There were seven non-performing systems at the end of March 23 in the following towns: Broome, Fitzroy Crossing, Halls Creek, Onslow, Carnarvon, Mount Magnet and Esperance Rural. Overall, non-performance was mainly due to adverse weather events and to technical difficulties and incidents as we are integrating new technologies and renewables into our generation systems. We expect to reach our target of 33 performing systems by June 2023.

Income Statement



SUSTAINABLE BUSINESS

Profit and Loss Summary (\$M)	YTD Actual	YTD MYR	Variance
Total Income	429.4	415.8	13.6
Less: Cost of Sales	184.6	179.0	(5.6)
Less: Operating Expenditure	114.9	106.3	(8.6)
EBITDA	129.9	130.5	(0.6)
Depreciation & Amortisation	82.7	82.5	(0.2)
EBIT	47.2	48.0	(0.8)
Interest Expenses	44.3	43.5	(0.8)
Net Profit Before Tax	2.9	4.5	(1.6)
Tax	0.9	1.3	0.4
Net profit After Tax	2.0	3.2	(1.2)

KPI	YTD Actual	Target MYR	YTD Var	Performance
Unit Cost to Supply (c/kWh)	38.06	35.84		Actual unit cost to supply higher than budget due to higher operating costs.
Return on Asset (%)	3.3%	3.1%		Actual at par with budget

COMMENTARY

Horizon Power reported a YTD Net profit After Tax of \$1.2M compared to a budget (MYR) profit of \$3.2M. The unfavourable variance of \$1.2M is mainly driven by higher operating expenditure (- \$8.6M), cost of sales (-\$5.6M) and interest expenses (-\$0.8M) offset by higher total income of \$13.6M.

Income

Overall energy sales were 3.9% higher than budget by \$9.6M (\$255.1M v \$245.5M). Higher Sales recorded in NWIS amounted to +\$6.3M, primarily driven by higher than forecast sales to contestable customer of \$9.1M as customers expected to churn in FY23 have been retained so far; offset by reductions of \$2.8 M sales to non-contestable customers. NIS also recorded higher sales amount of \$3.4 M primarily in Esperance, Broome, Kununurra and Carnarvon in the residential and business sectors. Miscellaneous Revenue was also higher than budget by \$3.5M, mainly from external/contract works.

Cost of Sales

Unfavourable variance of \$5.6M, mainly attributed to higher gas cost \$6.7M(price and volume) and unrealised diesel hedging (\$3.5M), offset by lower electricity purchases (\$5.2M).

Operating Expenditure

Unfavourable variance mainly attributable to lower labour recovery and higher operating projects.

HORIZON
POWER

Thank you

