

# Connecting vibrant communities

Annual Report 2019/20



*Owned by the  
people of WA*

# Acknowledgment of Country

We acknowledge and pay our respect to Aboriginal and Torres Strait Islander peoples as the First Peoples of Australia. Throughout this document Horizon Power uses the term First Nation peoples.

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

We acknowledge the continuation of cultural, spiritual and educational practices of First Nation Peoples across the nation and the Ancestors of these lands who have walked this country and hold a unique place in our nation's historical, cultural and linguistic history.

**Cover image:**

Contemplation by Mark Norval

Photo: Nic Duncan

Location: Derby

First Nation peoples are advised that this Report may contain images or names of deceased people.





# Statement of Compliance

For the year ended 30 June 2020

**MINISTER FOR ENERGY**  
**HON BILL JOHNSTON MLA**

In accordance with the *Electricity Corporations Act 2005* [the Act], I have pleasure in submitting for your information and presentation to Parliament, the 2019/20 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  
Chair  
9 September 2020



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# About us

Horizon Power is Western Australia's regional and remote energy provider powered by an engaged and local workforce with a shared ambition to deliver energy solutions for regional growth and vibrant communities.

As Australia's only vertically integrated utility we operate across the full energy supply chain – generation, transmission, distribution and retail services. We strive to ensure our customers receive safe and reliable power to their homes, businesses and communities at the lowest possible cost.

We are leading the energy industry as we explore new and innovative ways to develop our renewable energy capability with significant investment and technical trials to provide our customers with more sustainable,

affordable power and tailored solutions for their energy future.

We are responsible for the largest geographical catchment of any Australian power provider – spanning 2.3 million square kilometres – and play a key role in keeping our customers and their communities connected.

Horizon Power operates 38 systems delivering power to 51,117 customer connections servicing more than 46,897 residents, communities and businesses. Our service area includes

the North West Interconnected System [NWIS] in the Pilbara; the connected network covering three interconnected systems in Kununurra, Wyndham and Lake Argyle; and 34 microgrids tailored to meet the unique needs of some of the most isolated and remote communities in the world.

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

We are leading the energy industry as we explore new and innovative ways to develop our renewable energy capability with significant investment and technical trials to provide our customers with more sustainable, affordable power and tailored solutions for their energy future.

# Our capabilities



**46,897**

customer accounts – 38,235 residential and 8,662 business



**51,117**

customer connection points to network



**6**

regional service depots and one corporate services office in Perth



**435**

employees



**8,422**

kilometres of overhead and underground transmission and distribution lines



**8.29 GWh**

of renewable energy credited to customers



**56,345**

distribution poles,



**977**

transmission poles and



**871**

transmission towers in service



**1,026.53 GWh**

electricity delivered a year



**0.54 kg**

CO<sub>2</sub>-e / kWh  
carbon emissions



**3** energy types

gas, diesel and renewable energy [wind, solar, batteries and hydro]



# Horizon Power service areas



## Carnarvon Distributed Energy Resource Trials

**Details:** Research into the management of renewable energy generation and energy storage

**Customer benefits:** Increase rooftop solar capacity



## Carnarvon Energy Storage Trials

**Details:** Expand knowledge of battery storage to increase hosting capacity

**Customer benefits:** More renewables may be connected to the grid without impacting supply



## Electric Vehicle (EV) Pilot

**Details:** Understanding of charging behaviour and impact of EVs on the network

**Customer benefits:** Preparing regions for the transition to EVs



## Esperance Power Project

**Details:** A new integrated power solution for Esperance

**Customer benefits:** More efficient power supply and 50% reduction in carbon emissions



## MyPower Opt in Extend

**Details:** Research into a new way of charging for electricity supported by an app to monitor energy use

**Customer benefits:** Payment plans allowing customers to manage their own energy usage and bills



## Onslow Distributed Energy Resources (DER)

**Details:** Connect traditional energy sources with distributed solar and battery solutions, to maximise the amount of renewable energy

**Customer benefits:** Additional rooftop capacity and more efficient and affordable energy supply



## Distributed Energy Resources Management System (DERMS)

**Details:** Intelligent software system to allow us to manage the assets connected to our networks in a coordinated way

**Customer benefits:** Reliable and safe connection of additional renewable energy resources



## Remote Communities Centralised Solar

**Details:** Solar farm construction project in remote Kimberley First Nation communities

**Customer benefits:** Reduce power bills, more reliable energy supply, reduction in carbon emissions and cost to supply remote towns



## Smart Sun Pilot

**Details:** A package comprising rooftop solar, battery storage and energy management system creating a virtual power plant for home owners

**Customer benefits:** Delivering savings on energy bills and increasing rooftop solar capacity



## Solar Incentives Scheme

**Details:** Subsidised installation of solar panels and inverters on community buildings

**Customer benefits:** Renewable energy solutions that reduce the cost of energy for the community



## Standalone Power Systems (SPS)

**Details:** Next generation solar and battery technology to generate and store electricity without the need to be connected to the overhead electricity network

**Customer benefits:** Safe and reliable power utilising renewable energy solutions



## North West Interconnected System (NWIS) Reform

**Details:** Horizon Power is working with government, market participants and regulation experts to support implementation of the new regulatory framework for NWIS

**Customer benefits:** Potential economic benefits for government and customers



## Dampier to Karratha 132kV Line Upgrade (Red Dog)

**Details:** Upgrade transmission line and secure the future of power supplies to the Pilbara region

**Customer benefits:** Supply electricity for the Pilbara which supports 40% of regional Western Australia's annual GSP



Energy affordability



Renewable energy



Sustainable business



People, safety and wellbeing

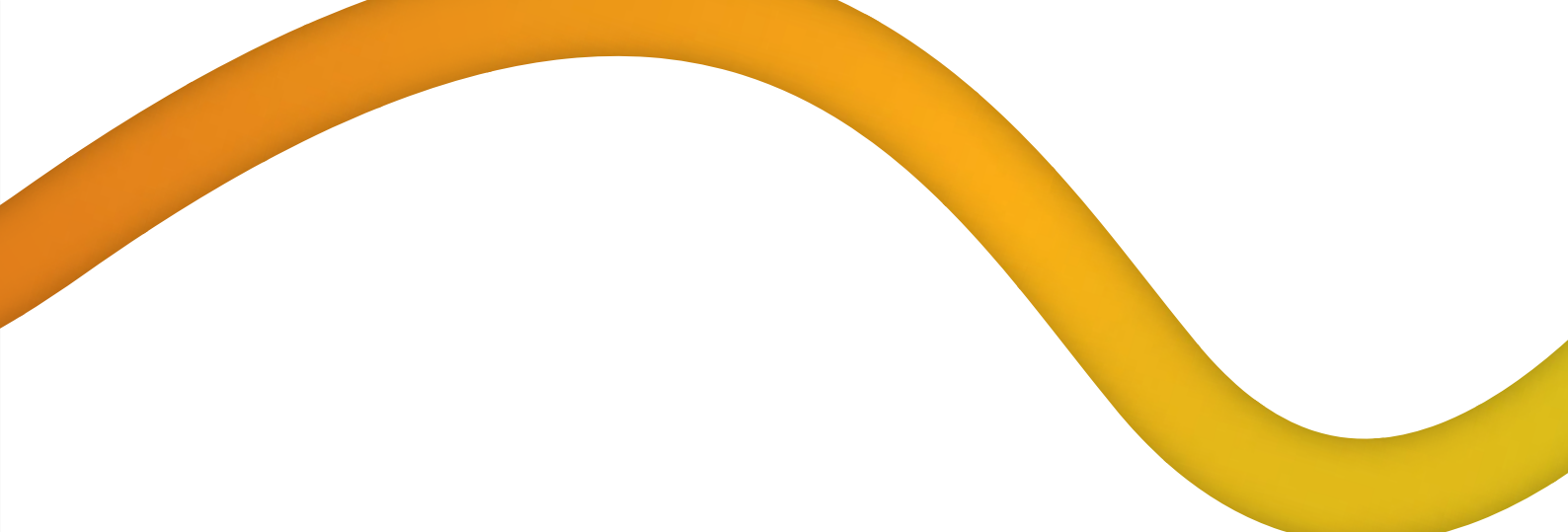




# Our future

Horizon Power's primary objective is to continue to improve the reliability of electricity supplies while ensuring the safety of the public, our customers and employees.





Our 2019-2024 Corporate Strategy provides a roadmap to guide our commitment to support the communities in which we live and work, to grow and thrive in a transformational time for the energy sector. We need to develop solutions for this future, which enables all customers to connect whilst keeping the system secure and reliable. This is a significant technical challenge but one we are making very evident progress in with our orchestration systems, Standalone Power Systems, and Microgrid development.

Our ambition for delivering energy solutions for regional growth and vibrant communities is delivered by achieving set goals in four key areas:

- Energy affordability
- Renewable energy
- People, safety and wellbeing
- Sustainable business

We have developed a series of initiatives that are grouped together under five strategic themes that focus the business on achieving our ambition.

To succeed, we will invest in leading technologies to elevate our people, systems and processes to drive peak

performance and highly motivated employees. We will deliver this with an emphasis on health, safety, environment and security.

The corporate strategy is aligned with the expectations of our customers and the communities we serve and the motivations of the people who make up our workforce. This provides us with a clear vision of how we can work together, incorporating innovative energy solutions that deliver great things for our customers, our people and for Western Australia's renewable and distributed energy future.

WHEN WE'RE

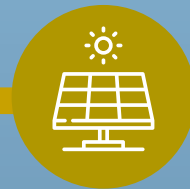
# Connected

OUR REGIONS THRIVE

## GOALS



ENERGY  
AFFORDABILITY



RENEWABLE  
ENERGY

## STRATEGIC THEMES



01  
INNOVATIVE  
CUSTOMER  
SOLUTIONS



02  
LEAD THE  
ENERGY  
TRANSITION



## GUIDING PRINCIPLES

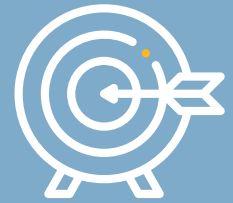


COMMUNITY  
INVOLVEMENT



ABORIGINAL AND TORRES STRAIT  
ISLANDER COMMITMENT

OUR 2019-2024 STRATEGY PLAYBOOK



## AMBITION

# DELIVERING ENERGY SOLUTIONS FOR REGIONAL GROWTH AND VIBRANT COMMUNITIES



PEOPLE, SAFETY AND WELLBEING



SUSTAINABLE BUSINESS

03  
HIGH PERFORMING ORGANISATION



04  
OPTIMISE AND EXTEND THE CORE



05  
REBUILD GENERATION



CLEANER, GREENER



REGIONS FIRST



# 2019/20 highlights

**\$1.8 billion**

in assets

**\$536 million**

in revenue

## Energy Charter

First WA utility to sign up to the national Energy Charter, underpins our commitment to a customer-centric culture in Australian energy businesses

## Reconciliation Action Plan

Launched our Horizon Power Innovate Reconciliation Action Plan 2020-22

## Released additional hosting

capacity allowing for assessment and approval of 1,052 applications for new 15 MW rooftop solar

## Commissioned 17

Standalone Power Systems for customers' properties in Esperance and removal of 64 kilometres of ageing infrastructure

## Distributed over \$13 million

to eligible businesses to assist with energy bills during the COVID-19 crisis

**Saved over \$1.25 million**

with customers on the MyPower pricing plan available in Broome and Port Hedland

**82%**

Annual customer satisfaction rating

**\$2,767,000**

contracts awarded under Aboriginal Procurement Policy

## Installed solar

in the Kimberley Communities reducing power bills. 160 KW of solar for Bidyadanga and 150 KW of solar for Warmun

## Installed 2 MW +

of customer rooftop solar in Onslow through the Onslow Distributed Energy Resources Project

## Installed EVs

to regional Western Australia, with two new charging stations and Horizon Power EVs operating in Esperance and Broome



## Safety performance:

**0.0**

Lost Time Illness/  
Injury Frequency Rate

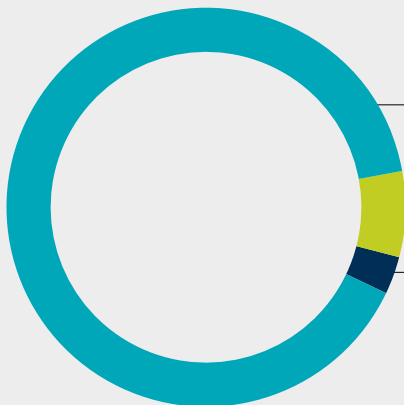
**0.0**

Lost Time Illness/  
Injury Severity Rate

**0.0**

Total Recordable Illness/  
Injury Frequency Rate

## Reconnected 8,500 customers after category three Tropical Cyclone Damien



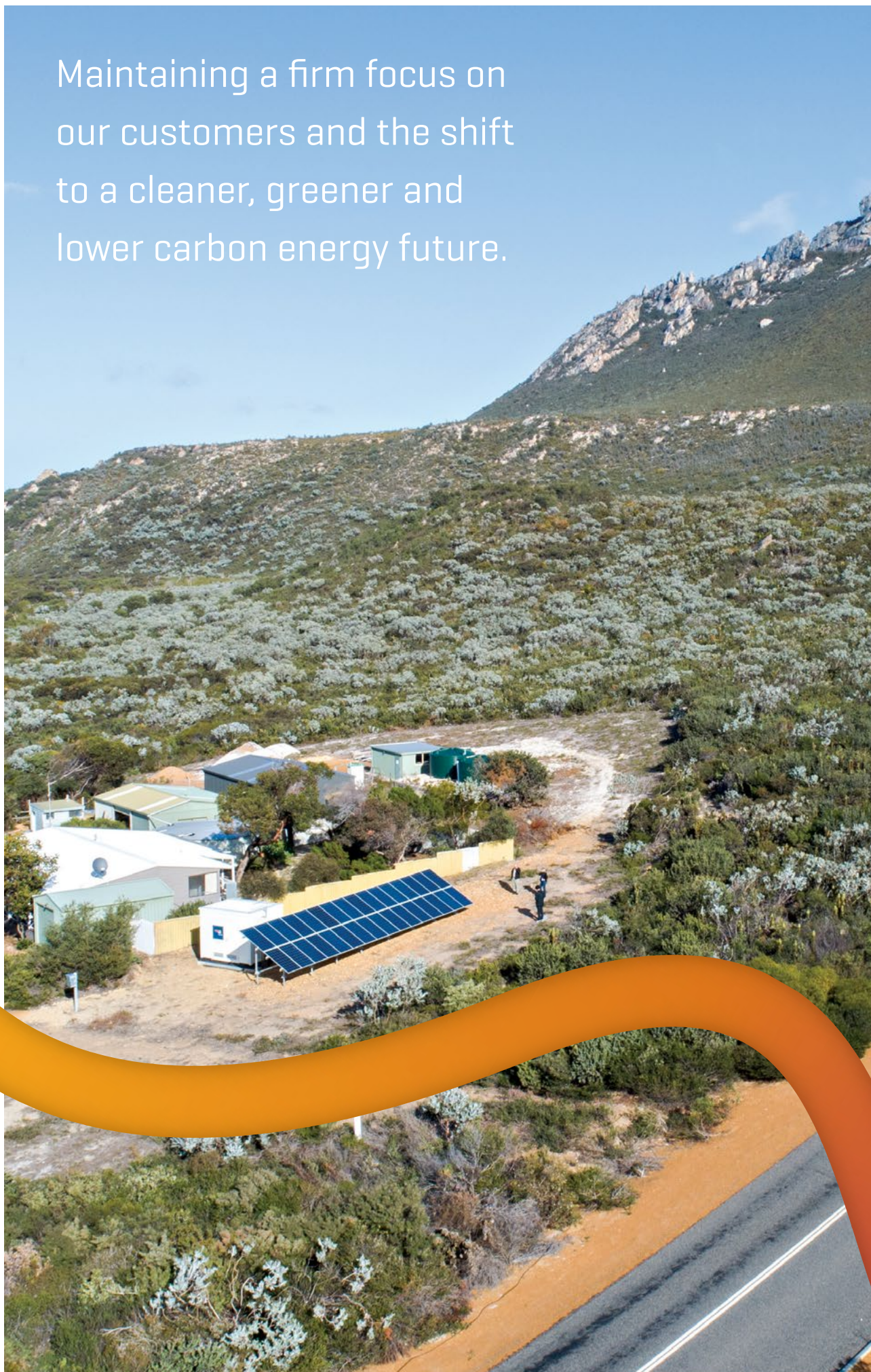
**90%** of customers were restored within 9-10 hours

**7%** of customers were restored within 27 hours [just over a day]

**3%** were all restored up to 15 days later



Maintaining a firm focus on our customers and the shift to a cleaner, greener and lower carbon energy future.





# Message from the Chair

The way electricity is being delivered and consumed is undergoing transformational change driven by the development of new technologies, changes in customer preference and shifts in community expectations.

Horizon Power has laid the foundation to lead the energy transition in the regions of WA while maintaining a firm focus on our customers and the shift to a cleaner, greener and lower carbon energy future.

Over the past year, our transformational journey has faced some extraordinary challenges, including Tropical Cyclone Damien wreaking havoc across our network in the Pilbara and COVID-19 impacting all of our customers and employees.

These challenging times have proven the strength of the business to keep our customers safe and connected and to keep our employees and other stakeholders safe and engaged.

With energy delivery moving away from large centralised power stations to distributed energy resources (DER) located throughout the electricity network, Horizon Power continues to develop diverse products and services giving customers improved choice and cleaner, more affordable energy.

We are well poised to support the State Government's Energy Transformation Strategy, which includes the development and implementation of a DER roadmap to enable the safe and reliable connection of large-scale centralised and decentralised renewable generation and DER to the electricity system.

The vast geography of Horizon Power's customer base, dispersed population and generally high costs to supply are

conducive to energy systems that can deliver power in a variety of conditions to a range of customers, many of whom are isolated and not connected to its larger systems.

We are leading the development of microgrids as the building blocks of low cost, highly distributed electricity systems with a focus on reduction in greenhouse gas emissions. These microgrid solutions are already delivering high levels of renewable penetration in towns such as Onslow and Carnarvon.

The Onslow Renewable Energy Project includes the development and roll-out of a DER management system to enable the high penetration of DER without the constraints of system technical limits, adding value to our customers.

Horizon Power's DER solutions include the installation of centralised utility grade solar and battery and the customisation of Standalone Power Systems (SPS), a new asset class for off-grid customers, providing reliability and capability of reducing cost to supply.

Our Solar Incentives Scheme, customer battery storage and electric vehicle trials are moving us closer towards our green energy targets as outlined in our Statement of Corporate Intent 2019/20. We are trialling hydrogen energy storage as a solution to progress towards a zero hydrocarbon system, replacing diesel generation with renewable energy and storage.

Horizon Power's commitment to our customers goes well beyond energy delivery, it drives our ambition to contribute to building sustainable and vibrant communities in regional Western Australia. We are the first WA energy company to become a signatory to the National Energy Charter and are committed to its five principles which put customers at the heart of everything we do.

This commitment has come to the forefront during this year, with our



support for the delivery of the State Government's energy relief packages to households and small businesses, and to help economic recovery from COVID-19.

The State Government has awarded Horizon Power more than \$55 million as part of the COVID-19 regional recovery plan. This welcome stimulus will assist Horizon Power to deliver up to 18 projects including battery energy storage systems in the west Kimberley, rooftop solar for the Derby Hospital, smart LED streetlights in Derby and Kununurra and the Broome Experience Centre which will see us relocate our call centre to Broome.

None of these achievements could be possible without the united ambition of the Horizon Power team. I know I speak for all Board members in acknowledging Stephanie Unwin and her team for their passion and commitment this year during a time which has delivered so many challenges for our communities. I would also like to thank my fellow Board members for their efforts during the year and embracing the different ways we have been required to meet. I extend a special thank you to Professor Ray Wills who left the board of Horizon Power this year after six years of service, he will be missed.

A handwritten signature in black ink that reads "Samantha Tough". The signature is written in a cursive, flowing style.

**Samantha Tough**  
Chair

# Chief Executive Officer's report



The second half of FY2020 presented unprecedented challenges throughout Australia and the globe.

Every one of us has been impacted by the global pandemic conditions experienced under COVID-19 and I am proud of the way Horizon Power has risen to these challenges while maintaining reliable and safe energy supply to our customers.

Despite COVID-19, our energy sales and costs were steady, resulting in a profit after tax of \$8.9 million, which is mostly in line with the budgeted target. Overall, our financial performance and operating cash flows remained solid.

## COVID-19

Our response to the pandemic was quick and effective. We established working from home arrangements where possible to keep our people safe before turning our support to that of our customers and communities.

We introduced a *Keeping Connected* campaign to help businesses, families and communities navigate their way through the evolving circumstances and to ensure people were aware of the support available to them.

By working with the State Government we were able to ease the financial distress for more than 5,000 of our local business customers through the

\$2,500 Small Business and Charity Tariff Offset to assist them with meeting their electricity costs, to a total of more than \$13 million.

Horizon Power's support for families included the upfront \$305.25 Energy Assistance Payment (EAP) for around 7,000 of our residential customers to the value of more than \$2 million, a moratorium on disconnections and generous payment extensions and arrangements.

For the 2,300 customers who were completely without income during COVID-19, we applied temporary standstills on their accounts so they would not receive any letters or calls that might impact their financial stress.



We consider economic resilience as critical to sustaining vibrant regional communities and a proactive wellbeing call was made to nearly 9,000 of our local business customers to advise them of the economic relief available, and to check in on how they were coping.

### Delivering on our Strategy

An organisational realignment has positioned us to deliver our new 2019-2024 Corporate Strategy to ensure the voices of our customers, stakeholders, communities and employees are represented as we work to achieve our ambition for the regions.

We are delivering digital transformation solutions to provide our customers with a better experience, to improve our operations and help our people connect insights into action.

The growing population, larger energy demands and escalating climate change impacts requires us to respond to our customers' desire for cleaner, convenient and affordable energy.

We are refining our products and services to deliver savings for our customers through initiatives such as our Horizon Power App and the MyPower pricing product, which has saved Broome and Port Hedland MyPower customers a total of more than \$1.25 million on their electricity bills to date.

The communities of Karratha and Dampier were hit by the full force of Cyclone Damien as it crossed the coast in February, with our local team members reporting the conditions as some of the most extreme they had experienced. At the height of the storm around 12,000 people lost power. Thanks to our committed crews and our undergrounding of much of the network, we were able to keep the lights on for the majority of our customers.

The development of cost-effective solutions to provide safe and reliable supply across our extensive and remote networks remains a priority and a challenge. This year our number of performing systems increased to 35 of our 38 systems. This is a key internal measure of our performance, which takes into account both the length and number of interruptions experienced by our customers in each of our service areas.

Renewable energy solutions are front of mind for our industry, and we have very clear goals for our energy future. The release of an additional 10 MW of capacity across our service area made rooftop solar more accessible for our customers, particularly in the towns of Exmouth, Broome and Leonora, and our work in Onslow continues to lead the energy industry in the development of technical solutions to overcome barriers to rooftop solar installation.

Our SmartSun pilot in Broome has reduced demand during peak periods as well as enabled more efficient integration of solar energy into the electricity system. The pilot has achieved 95 per cent customer satisfaction and savings on energy bills of between 40 and 70 per cent.

We are also continuing our work to develop Standalone Power Systems (SPS) with installation to date of 17 SPS units for rural customers in the Goldfields-Esperance region, with disconnection of the properties from overhead lines resulting in 64 kilometres of poles and wires being removed from paddocks.





The ability to service a growing number of electric vehicles (EVs) presents both opportunities and risks to our revenue and cost base as well as grid stability. We are taking a proactive approach to prepare for this energy future with a 12-month pilot to learn about EVs, user-charging behaviours and the impact these vehicles will have on the WA regional energy network.

### **People, safety and wellbeing**

This year the increased potential for social isolation brought mental and physical health and wellbeing into sharp focus. Our response included the establishment of a Kaartdijin team (Noongar word for knowledge), bringing together our combined skills and care to support our communities, as well as our own people.

This dynamic team developed resources to put the wellbeing of our people first, with the establishment of a wellness website, the introduction of flexible working arrangements and increased

counselling support for our employees and their families. We also delivered mental health training to our leaders to assist in having deeper conversations with those who may be vulnerable.

We adopted additional safety measures and activities to ensure good hygiene and social distancing, and took closures to remote Aboriginal communities very seriously, with the establishment of significant additional risk controls.

Safety is a core value for Horizon Power and the nature of our industry requires the highest standards for process, safety and health management.

It is with great pride that I announce that Horizon Power has recorded an historical safety performance for the year with zero recordable lost time illness or injury. This has not come about by chance – it is testament to the commitment of our people and leadership vigilance to ensure we visibly and genuinely care for each other's wellbeing.

### **Sustainable business**

Being sustainable is not only about more renewable or affordable energy solutions, but also looking to create a low cost and profitable business.

We are investigating viable options to decrease our dependence on the State Government Tariff Equalisation Contribution (TEC) subsidy by either reducing our costs or increasing profitable revenue streams. Many of these options are realised in the medium to long-term as we incorporate distributed generation into the systems and progressively right size capital deployment to meet this new generation opportunity.

Our ongoing continuity of supply for gas is sustained by an agreement with Shell Energy Australia, announced in May, securing supply for our energy generation. This resulted in a further sustained reduction in the TEC, as did our gas lateral deal. The State's support for the high cost of supplying

power to our regions, where customer members are low, is always front of mind and we continue to search for sustainable ways to reduce this cost.

Reducing our environmental footprint when undertaking activities is one of our guiding principles and underpins our aspiration to introduce no new diesel beyond 2025, and for all of our systems to include centralised renewables by 2030.

### **Towards reconciliation**

One of our key highlights for me this year has been the launch of our Innovate Reconciliation Action Plan 2020-22 (RAP) which was held in Warmun in the Kimberley. As champion for our RAP within our business and our communities, I advocate for our reconciliation themes of relationships, respect and opportunities that align to one of our business's guiding principles – to improve the lives of First Nation peoples through proactive and sustainable business decisions.

We have made inroads into our RAP deliverables already with our focus on reconciliation week and NAIDOC activities; our new cultural awareness training; our targets for employment and supply arrangements; and land use agreements that embrace our desire for genuine relationships built on understanding and truth telling.

### **Our team**

I would like to acknowledge the great team that powers our business, including our employees, executive, Board and our Minister and support agencies, particularly Treasury and Energy Policy WA. Although we are spread over a diverse and vast landscape, we are all connected in our ambition to deliver energy solutions for regional growth and vibrant communities.

### **Western Australia's future starts with our regions**

Looking ahead, Horizon Power will play a lead role in the regional economic


recovery from COVID-19 and the \$55 million funding from the State Government for the regional stimulus projects – we will deliver a range of battery energy storage projects, solar installation, hydrogen demonstration and support the remote communities embedded networks. We have also committed to bringing forward a number of our asset management program projects to help boost jobs and supplier opportunities in our local regions.

The funding is fully aligned to delivering our 2019-2024 strategic ambition of delivering energy solutions for regional growth and vibrant communities.



**Stephanie Unwin**  
**Chief Executive Officer**





We are delivering digital transformation solutions to provide our customers with a better experience.







# Operational performance report

**Table 1: Performance overview: critical business outcomes 2018/19 and 2019/20**

Critical business outcomes	Target performance result for 2019/20	Actual performance result for 2019/20	Target achieved	Actual performance result for 2018/19	Notes to the table	For more information see page
<b>Safety – minimise the risk of harm</b>						
<b>Employee safety</b> Lost-time injury frequency rating	0.0	0.0		1.8	①	N/A
<b>Public safety</b> Total number of notifiable public safety incidents	N/A	13	N/A	10	②	N/A
<b>Unassisted pole failure rate</b> Number of unassisted pole failures divided by 10,000 over a 36-month rolling average	1.00	0.65	✓	0.82	③	Page 28
<b>Value – maximising long-term value</b>						
<b>Net profit after tax (\$M)</b> Profit for the year after income tax  [Target represents latest budget as approved by State Treasury]	9.2	8.9	✗	35.9	④	Page 78
<b>Cost management</b> Unit cost to supply – unit cost [cents/kWh]  [Target based on latest approved budget by State Treasury]	35.3	34.2	✓	34.3	⑤	N/A
<b>Return on assets (%)</b>  [Target based on latest approved budget by State Treasury]	4.2	4.1	✗	6.4	⑥	N/A
<b>Community – be a high-performing business</b>						
<b>Customer satisfaction</b> Survey rating [%]	>70	82%	✓	87	⑦	Page 33
<b>Reliability</b> Number of systems that meet reliability performance standards	33	35	✓	29	⑧	Page 26
<b>System reliability and electricity delivery</b> System Average Interruption Duration Index [SAIDI] – average total length of outages in minutes over 12 months	290	134	✓	178	⑨	Page 26
System Average Interruption Frequency Index [SAIFI] – average number of interruptions over 12 months	6.6	2.0	✓	1.7		

### Notes to the performance overview table

- 1 Safety:** Horizon Power's Lost Injury Frequency Rate KPI has a target of zero. The year-to-date outcome of 0.0 represents the number of lost time injuries sustained per one million hours of work.
- 2 Notifiable incidents:** 13 notifiable network safety incidents were reported to EnergySafety throughout the year. These incidents related to the electrical network, and were reported in compliance with the Electricity [Network Safety] Regulations 2015 (WA):
  - five faulty neutrals on the electrical network and one error in network connection
  - one network related shock
  - a paddock fire in Esperance
  - an incorrectly energised cable
  - equipment failure causing an explosion
  - a failure to correctly terminate a tariff meter
- 3 Unassisted pole failure rate:** The unassisted pole failure rate has reduced as a result of our continual pole management strategy [additional information is provided on page 28].
- 4 Net profit after tax:** Target has been adjusted to exclude \$3.5 million of after-tax impact of customer and developer contributions recognised in 2018/2019 financial year.
- 5 Cost to supply:** Operating costs were apportioned over higher sales volume resulting in the unit cost to supply to be below target.
- 6 Return on assets:** Return on assets is just marginally below the target due to slightly lower profits.
- 7 Customer satisfaction rating:** A different survey methodology was implemented for the 2019/20 survey, with insights collated via an online research channel rather than a phone based [CATI] methodology. Traditionally, phone based survey methodologies elicit a higher satisfaction result.
- 8 Reliability:** The number of performing systems has increased to 35 after continual focus on system reliability.
- 9 SAIDI-SAIFI:** SAIDI has decreased, but SAIFI has increased slightly. This indicates a slight increase in the number of outages, but of shorter overall duration.



**Providing a safe and reliable supply of electricity**

Our performance (figure 1) 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.

Performance against key indicators of system reliability and safety continues to improve. Across our service area, our customers on average experienced 2.0 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 reduced to 134 minutes, against a target of 290 minutes [System Average Interruption Duration Index – SAIDI]. These improvements are the result of continued focus on reliability and prudent investment in our assets in previous years that is now showing benefits.

Although we have improved on our targets, 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 should failures occur.

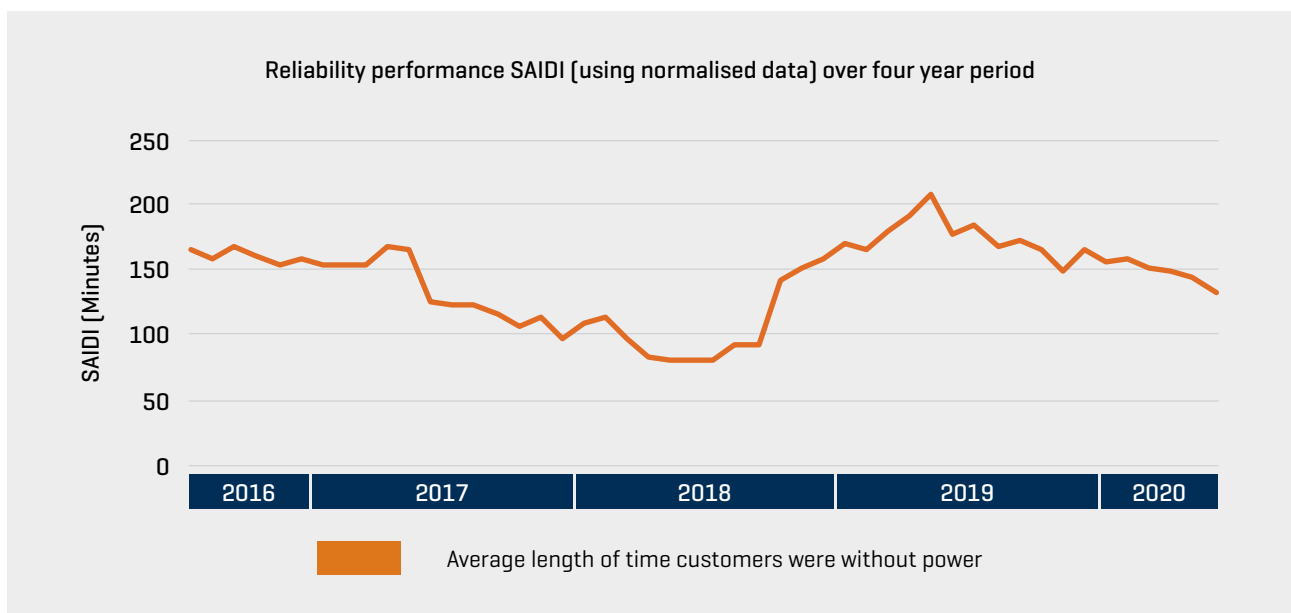
During the year, the number of performing systems increased from 29 to 35 of our 38 systems. This is a key internal measure of our performance which takes into account both the length and number of interruptions experienced by our customers in each of our service areas. Generation outages and weather events affected reliability in our Esperance rural, Leonora and Norseman systems.

With a focus on safety across the business, Horizon Power’s Lost Injury Frequency Rate KPI has a target of zero. The year-to-date outcome of 0.0

represents the number of lost time injuries sustained per one million hours of work. We are very proud of this safety performance and remain vigilant and committed to the highest standards and processes to ensure the wellbeing of all our people and our customers.

The development of cost-effective solutions to provide safe and reliable supply across our extensive rural networks still remains a challenge. We continued our journey to develop and deploy innovative SPS that all but eliminate many safety and reliability concerns at the extremities of our rural networks. This year we deployed 17 SPS in the Esperance rural network which removed 64 kilometres of ageing overhead infrastructure.

**Figure 1: System Average Interruption Duration Index (SAIDI) 2016/17 to 2019/20**



Our ability to respond quickly and cost effectively to remote system faults due to the distance between resource centres remained a challenge. Where appropriate we have adopted alternative resourcing strategies and have continued to investigate remote sensing and improved predictive failure mode analysis to mitigate this issue.

There were two significant weather events that impacted Horizon Power's systems.

- In December 2019 there was a significant lightning storm in Derby in which generation protection systems were damaged resulting in an outage of over five hours to the township of Derby. A combination of a damaged

pole from a vehicle accident and continuing storms over the following days resulted in further intermittent outages to surrounding communities and rural subdivisions, including more than two and a half days for the Mowanjum community.

- In February 2020, Tropical Cyclone Damien crossed the coast of Karratha. The overall impact on our distribution network was minimal, primarily due to the significant investment made by the State and local governments in undergrounding our Pilbara distribution networks. There was, however, significant damage caused to the transmission line between Karratha and Dampier which resulted in a power outage to Karratha.

We continued to see strong compliance with our Electricity Network Safety Management System [ENSMS] which provides a structured mechanism to ensure the safety of our assets and their impact on our workers and the community.

#### Network assets

There was a 0.1 per cent reduction in the Carrier Length from the previous financial year.

The transformer capacity was reduced by 1 MVA. There were 53 fewer transformers.

The number of distribution poles decreased by 8 per cent.

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

Network type	Carrier	Length [Kilometres]
<b>Transmission</b>	220 kV	203.1
	132 kV overhead	112.3
	132 kV underground	1.8
	66 kV overhead	155.6
	66 kV underground	3.1
<b>Distribution</b>	High voltage 3-phase overhead	2059.8
	High voltage 3-phase underground	908.2
	High voltage single phase overhead	2829.3
	High voltage single phase Underground	13.1
	Low voltage overhead	554.0
	Low voltage underground	1581.8
<b>TOTAL</b>		<b>8422.2</b>

**Table 3: Other transmission and distribution assets**

Asset	Amount
Total transformer capacity	801 MVA
Number of transformers	4,280
Number of distribution poles	56,345
Number of transmission wood poles	235
Number of transmission steel poles	742
Number of transmission towers	871

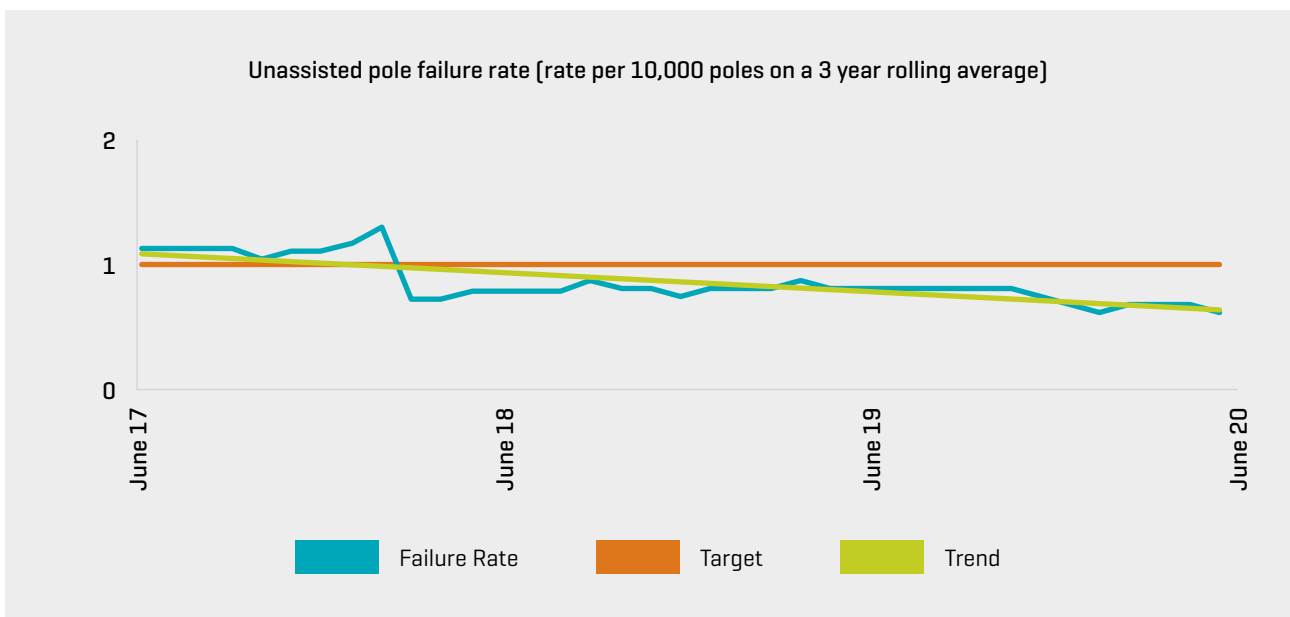
### Pole management strategy

We continue to enforce and refine our pole management strategy through a disciplined approach to our pole inspection, reinforcement and replacement programs. Over 11,360

poles (approximately 20 per cent of our pole asset base) were inspected this year. Pole condemnation rates have decreased significantly since the introduction of our pole management

strategy, and are now stabilised at around one per cent of poles inspected. There was one unassisted pole failure for the year in Norseman.

Figure 2: Unassisted pole failure rate 2017/18 to 2019/20



There is a continued improving trend in our unassisted pole failure rate. This rate declined below the target of 1.0 in 10,000 poles per annum during the last quarter of 2017/18, and maintained a steady value down to 0.65 in June 2020. This performance is attributed to the application and continuous improvement of our pole management strategy which is proudly delivered across our full service area by our dedicated Esperance pole inspector workforce.



### Conductor management

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

Acknowledging this risk, we have undertaken the following:

- Tracking of unassisted conductor failures on the Horizon Power system. Over the last year there have been seven unassisted conductor failures below the target of 10 – three failures in the Mid West Region, three in Esperance and one in the Kimberley.
- Continued execution of our 10-year

risk-based replacement program, scheduled for completion in 2021, which involves the replacement of small copper conductors.

- Conductor assessments in conjunction with industry experts to manage the risk of our conductors across the network, implementing replacements in areas that were considered at high risk of failure.

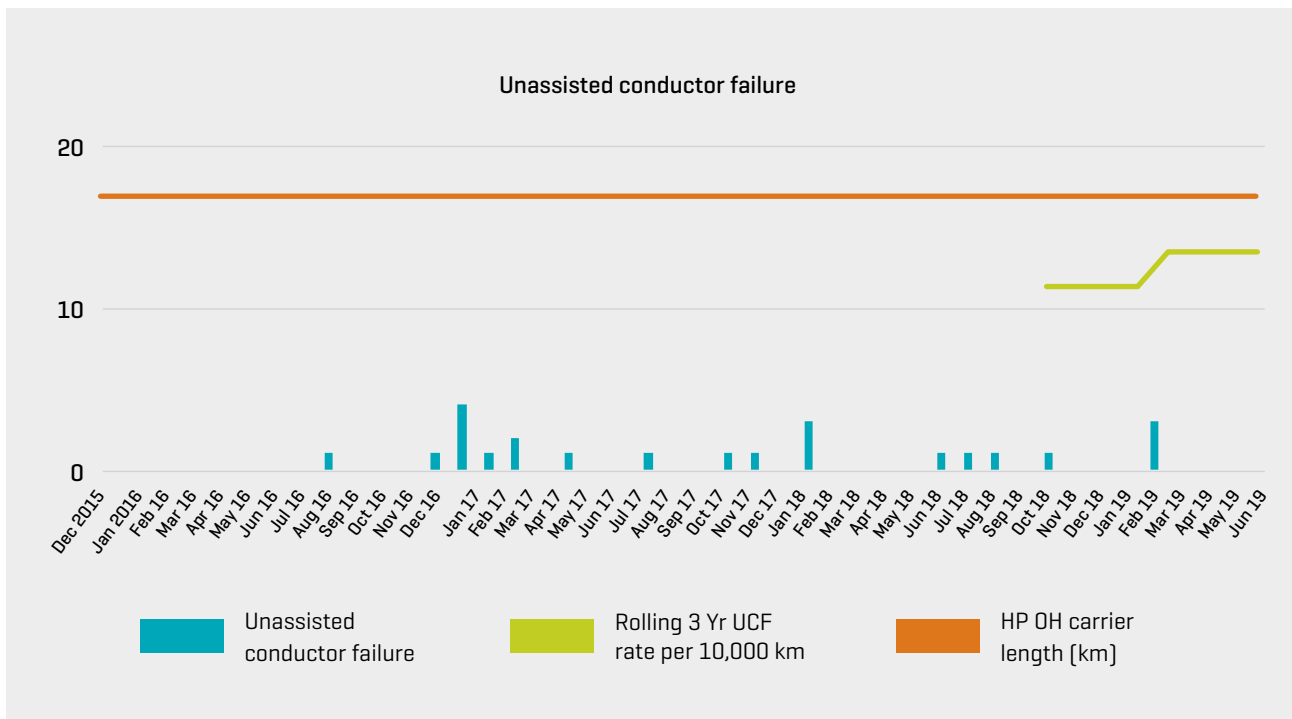
Work included:

- completed detailed audits of our Mid West conductors in Denham, Carnarvon and Exmouth
- continued our work to undergrounding HV and replacing

at-risk conductors in Denham

- commenced management of at risk conductors in Carnarvon and Exmouth
- allocating budget to replace and manage conductors in Esperance, Carnarvon and Exmouth
- program of managing at-risk conductors on the Esperance network
- analysing the correlation between conductor conditions to local environmental factors [e.g. wind direction and speed, proximity to corrosion sources, conductor age and material types].

Figure 3: Unassisted conductor failure 2015 to 2019





# Leading our State's energy transition

We play a key role in keeping  
our customers and their  
communities connected.







# Our customers

## Signing the Energy Charter

In 2019 we were the first Western Australian organisation to join the national Energy Charter, which demonstrates our commitment to improving customer outcomes and delivering energy in line with community expectations. This customer focus is embedded in our corporate strategy, and aligns with our own corporate

principles to put our communities first, with our customers at the centre of all the decisions we make.

Our first Energy Charter disclosure report will be submitted later this year and will highlight our capabilities and opportunities for improvement against the core customer principles.

## Energy Charter Principles



“I was just messaging to say thank you for taking such good care of me the other week. I was in a really bad place, I was so stressed and you really looked after me so thank you.”

– Web chat residential customer



### Keeping connected during COVID-19

The COVID-19 global pandemic impacted a large number of Horizon Power’s customers and continues to have a negative financial impact on regional businesses. We identified early that a comprehensive range of support was required to triage our customers’ distress as the crisis unfolded.

In collaboration with the State Government, Horizon Power was able to ease the financial distress for over 5,000 business customers by providing the \$2,500 Small Business and Charity Tariff Offset, and around 7,000 residential customers with concession cards received the one-off \$305.25 Energy Assistance Payment. We also established a moratorium on disconnections, generous payment extensions and arrangements, and an increase in emergency credit for pre-payment meter customers.

This support was communicated through our *Keeping Connected* integrated campaign, to ensure customers were aware of the support available to them, delivered through TV, radio, newspaper, digital promotion and a proactive outbound calling campaign to our business customers.

Wellbeing calls to each of our business customers enabled us to deliver rapid support and led to innovations in customer service such as a dedicated *Keeping Connected* webpage and

the launch of our Livechat feature delivering a 95 per cent customer satisfaction rating when using this service channel.

Customer feedback and sentiment as a result of these initiatives has been overwhelmingly positive and has delivered our highest ever Net Promoter Score (NPS – a measure of how likely a customer is to recommend you to a friend) of 51 per cent, while our annual Customer Satisfaction Survey achieved 82 per cent.

We acknowledge that regional economic recovery post COVID-19 may be a long journey. Our obligation is to ensure we provide supportive debt management processes, manage customer expectations and meet our fiduciary obligations.

### Improvements in the delivery of customer service

Improving our customers’ experience has continued to be a key focus this year, with a series of initiatives designed to address customer pain points.

We have developed a suite of customer personas to better understand our customers and to identify different behaviours and pain points throughout their journey with us. These customer insights were developed using research based on customer data, and informed our efforts to align processes and

system enhancements to improve each customer’s experience. Our work in this area has already delivered more efficient customer interactions and solutions.

Energy affordability is a continuing concern for our customers particularly in the north of the state where the climate often dictates the demand for increased energy. We have made improvements in the provision of energy usage data and energy education information and we are proactively encouraging customers to register their concession cards to ensure they receive benefits they are entitled to.

Our mobile app has been enhanced to help customers understand their energy use and manage their bills. Customers can now set alerts when their bill reaches a set amount, track their renewable energy buyback credits and enjoy improved navigation and usability. Significant new features are planned in 2020/21, including information on energy outages and faults.

Many service improvements have been delivered including how we assist grieving families to finalise deceased accounts and improvements in the management of life support applications, critical load applications and renewals.

Our customer focused service improvements have led to a 60 per cent drop in Ombudsman complaints.

### Using data to improve customer safety

The deployment of advanced meters to all of our customers enables us to leverage data collected to proactively identify hazardous conditions in customer homes, businesses and our network. Through neutral integrity analysis we identified and rectified over 70 hidden issues that could have resulted in an electric shock to a customer, generally without the customer being aware that such a risk existed.

### Access to renewables

Many of our customers are actively seeking lower energy bills by installing rooftop solar. This year we enabled more customers to install renewables with the development of a series of

technical solutions to overcome the challenge of maintaining a reliable supply in remote and regional towns.

Demand from our customers for access to rooftop solar continues to rise, and we are working on a series of trials and pilots to ensure higher levels of DER resources can be managed on our systems, while maintaining a secure supply of electricity for all customers.

### A leader in advanced microgrid design and operation

The energy industry is in a period of transition, moving away from large centralised power stations to Distributed Energy Resources (DER) located throughout the electricity network and most often owned by our customers.

Horizon Power has been at the forefront of this change globally, providing energy solutions which enable the integration of DER into the energy system without compromising quality and reliability requirements. We are leading the sector in our evaluation and application of new technologies and technical standards, and our industry and research partnerships are focused on enabling a high DER future.

During the past 12 months our trials in Carnarvon, Broome and Onslow have contributed towards our knowledge and expertise in orchestrating DER and provide opportunities to support the implementation of the Government's DER Roadmap by sharing our learnings beyond our own service area.





**Building resilience for our customers in the Pilbara**

Horizon Power received significant funding from the State Government to undertake upgrade of vital regional infrastructure to meet the future energy needs of the Pilbara for the Karratha to Dampier 132 kV transmission line. Known as the *Red Dog Line*, it is strategically positioned to support secure and efficient operation of the North West Interconnected

System (NWIS), as well as provide access to prospective growth opportunities in the Burrup Strategic Industrial Area. The NWIS is central to the supply of electricity in Karratha and Port Hedland and underpins Horizon Power’s most significant revenue portfolio, the Pilbara.

The Red Dog Line upgrade includes the replacement of 235 poles operating beyond their planned 40 year asset life. The sections serviced by these poles

had an elevated and increasing risk of asset failure, that became evident during Tropical Cyclone Damien where the line sustained extensive damage. Plans and approvals were already in place to progress the upgrade as a priority, and by the end of 2019/20 design was completed, procurement of long lead items was well advanced, and construction teams had been mobilised to site to commence civil works. The Project is scheduled to be completed in December 2020



## Case Study

# MyPower

**Location:** Broome and Port Hedland



MyPower is a key part of our strategy to provide customers with fair and equitable access to electricity, create customer choice and increase the sustainable uptake of renewables.

### Project overview

During the financial year, we continued to explore our innovative and more equitable pricing tool, MyPower.

MyPower smooths bills over the year and encourages customers to manage their electricity use during the peak period [1pm to 8pm].

Our customers receive a much

lower cost per unit and a fixed daily charge that better reflects the real cost of electricity.

### How it supports our customers

Nearly 1,800 customers on MyPower plans have collectively shared in the great product features and the savings on their bill of approximately \$1.25 million.

### How this project aligns to the strategic goal

MyPower is a key part of our strategy to provide customers with fair and equitable access to electricity, create customer choice and increase the sustainable uptake of renewables.











# Our community

We are committed to ensuring we take an active and tailored approach in how we engage with our communities.

### Community investment

Being local allows us to be proactive in creating and supporting opportunities which will assist in the development of our communities, by providing employment opportunities and sponsorships of community initiatives and events.

Through our community partnerships and sponsorships, we have continued to develop and support community organisations which hold common purposes and ambitions that help our communities grow and thrive.

This year we partnered with and assisted more than 70 community organisations, providing more funding to a range of groups, including Shooting Stars, Kidsafe WA, Spare Parts Puppet Theatre Company, Fair Game, Kyle Andrews Foundation, Port Hedland Mother's Day Classic and Esperance Sports Star of the Year.

The 2020 COVID-19 pandemic had an enormous impact not only on health but also on the economy. As part of our COVID-19 response and support for our communities, we provided six regional Chambers of Commerce and Industry with \$30,000 funding to deliver professional business support to their members and assist in economic recovery post COVID-19.

### Community engagement

During the first six months we engaged in a range of activities to enable us to understand our communities better, such as:

- Joining the Mt Magnet Yamatji Reference Group and the Meekatharra Aboriginal Reference Group to ensure we understand what it going on in these communities and being there to answer any questions they may have on power
- Supporting the Derby Boab Festival, now in its 58th year

- Partnering with Kimberley Girl supporting First Nation women across the region
- Funding the Miriwoong Language Nest Program for children in Kununurra to increase both the knowledge and use of Miriwoong in the community, with a focus on early childhood.

The second half of the year's COVID-19 focus made it difficult for face-to-face engagement, but our communities and staff have adjusted well to new ways of working and connecting. Many community events, such as business after hours functions and fun runs were hosted online, allowing people to virtually engage and participate in activities while continuing to support these not-for-profit organisations that do critical work for the community, such as buy local campaigns and digital grants to allow customers to adapt in the midst of COVID-19.

### Safety awareness

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

This year we developed new electrical safety awareness campaigns on Residential Electrical Pillar Awareness and Shock and Tingles. These new campaigns were designed to reduce the risk of damage to our electrical infrastructure and educate customers on how to respond to incidents of electrical shocks or tingles.

During the cyclone and storm seasons, we continued to promote vegetation management campaigns and the Stay 10 Metres Away campaign, which demonstrates the dangers associated with fallen powerlines. Additionally, we maintained our focus on the agricultural sector with an information program for Safety on the Farm, designed to reduce the risk of damage to electrical infrastructure by third parties, particularly during the harvesting and seeding seasons.

### Designing and delivering energy solutions in partnership with remote communities

Horizon Power is strengthening its community engagement and design processes to better understand community needs and create innovative energy solutions for the future.

Our new community co-design framework places the community at the core of designing and delivering energy solutions; it is an engagement and design process that considers community needs to create solutions that are considered desirable, feasible and viable.

Community leaders and members from the West Kimberley region will be the first to participate in the new co-design approach.

The first phase will involve collecting community data through a survey and face-to-face interviews. The data gathered will help us to better understand our First Nation customers and their communities to inform the way that we engage and work together for the future.

### Feasibility study – Modernising microgrids for First Nation Western Australians

Horizon Power was successful in a bid for feasibility funding to establish a detailed plan to transition 13 remote First Nation communities to utility-grade electricity services consisting of:

- Modern, clean, lower cost solar-diesel hybrid generation
- Upgraded, safe utility owned and operated distribution networks
- User pays retail, including pre-payment billing and smart phone application
- Local First Nation procurement and employment outcomes.

The 13 remote First Nation communities in the Ngaanyatjarra Lands include Blackstone, Jameson, Patjarr, Tjirrkarli, Tjukurla, Warakurna, Warburton, Wannarn, Wingellina, Cosmo Newberry, Mount Margaret, Mulga Queen and Tjuntjunjara.

On completion of the project we will negotiate with State and Federal Governments to secure project funding and cabinet approval to undertake the necessary capital works and ensure extensive community engagement occurs to extend into these additional service areas with the support of local businesses.

**“We are now completely self-sufficient, but with the advantage of having Horizon Power on hand to maintain and service our system.”**

– Customer, Esperance / Goldfields.



## Remote Communities Centralised Solar

Under COVID-19, biosecurity measures and travel restrictions for remote communities delayed the delivery of a 700 kW solar farm and 1,784 kWh Battery Energy Storage System for Kalumburu. The project was placed on hold whilst the bio-security measures were in place and then re-commenced after the measures were extension for the project to be delivered in 2021.

The installation of an additional five solar farms in Bidyadanga, Djarindjin, Ardyaloon, Beagle Bay (West Kimberley) and Warmun (East Kimberley) are currently under consideration.

Prior to the installation and delivery of the solar farms, we will work with First Nation community councils to develop a comprehensive community engagement plan that reflects the local community's aspirations, needs, experiences, cultural considerations and appropriate ways of working.

## Solar Incentive Scheme

Our remote communities of Bidyadanga in the West Kimberley and Warmun in the East Kimberley now receive lower power bills with the successful installation on community buildings of 160 KW of solar in Bidyadanga and 150 KW of solar in Warmun.

Horizon Power contributed to the upfront cost of the solar systems as part of our Solar Incentives Scheme by co-funding up to 30 per cent or \$100,000 of the installation.

Bidyadanga and Warmun are both 100 per cent diesel fuelled so the installation of the solar also reduces our costs, meaning that the taxpayer subsidy for regional electricity is also reduced.

The installation of solar panels on community buildings is in line with our commitment to providing cleaner, greener, more affordable electricity to regional customers.

## Supporting local First Nation businesses

In our second year of delivery under the State Government's Aboriginal Procurement Policy, we have again exceeded our targets for awarding 2.9 per cent contracts to registered First Nation businesses.

Our target for 2020 is to award more than two per cent of our contracts valued \$50,000 or above to registered First Nation businesses. In 2019/20 we secured contracts with First Nation businesses valued at \$2,767,000, which is a more than threefold increase on the \$787,000 in contracts awarded during 2018/19.

Contracts for \$3,554,000 have been awarded since the implementation of the policy, including smaller contracts valued below the threshold required.

By February we had awarded three reportable contracts under the policy to Supply Nation certified First Nation businesses for stationery and office supplies, labour hire services and recruitment services. Our commitment to working with new strategic First Nation suppliers has led to additional community outcomes, including contributions from profits being directed to targeted First Nation communities.

This year's recruitment of an Aboriginal Procurement Officer (APO) to the Procurement team further drives our commitment to this initiative. Based in Broome, our APO leads centralised procurement activities and continues to build new and existing relationships with First Nation suppliers.

**Contracts awarded (FY19/20) – \$2,767,000**

**Total contracts awarded since Aboriginal Procurement Policy implementation – \$3,554,000**

**Actual spend (FY19/20) – \$527,751**

**Actual spend since Aboriginal Procurement Policy implementation – \$987,728**

### Notes:

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. The actual spend is based on the amount invoiced against each contract.

**Table 4: Contracts awarded by regions (FY19/20)**

Regions	Value of PO's [\$]	Value of HP contracts [\$]	Total [\$]	%
Goldfields/Esperance	3,148	-	3,148	0.11%
Kimberley	29,449	-	29,449	1.06%
Mid West	17,000	-	17,000	0.61%
Perth Metro	184,394	2,316,035	2,500,429	90.37%
Pilbara	216,710	-	216,710	7.83%
<b>Total</b>	<b>450,702</b>	<b>2,316,035</b>	<b>2,766,737</b>	

#### 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.

Progress we have made this year includes:

- Updates to some of our offices such as wheelchair accessible light switches in Bentley and clearly visible, elevated signs for those with ACROD permits in Broome
- A refresh of induction training for customer service staff, specifically addressing the assistance and services we provide that are aligned with our DAIP commitments
- The establishment of a feedback process for the Horizon Power app, a further avenue for user feedback to be registered
- The promotion of the Creating Accessible Events Checklist for all events hosted by our team.

We encourage all our employees to consider what we can do to improve disability access and inclusion in our workplace.

## Case Study

# Onslow DER Project

**Location:** Onslow

**Goals:**



Onslow will be the home of Australia's largest distributed energy resource [DER] microgrid, connecting traditional energy sources with solar and battery solutions to maximise the renewable energy used to power the town.

### Project overview

After commissioning a new power station in 2018 and a new solar farm and centralised battery in 2019, the focus in Onslow this year was to deliver renewable solutions for our Onslow customers along with orchestrating all the components of the advanced microgrid through our emerging Distributed Energy Resource Management System [DERMS].

This microgrid demonstration is informing how we plan for other systems which have constraints on how much solar can be installed, as well as how best to plan for the future, where customer renewables form an integral part of the overall system.

Together with our customers and the DERMS, we are delivering critical industry learnings for the effective management of electricity networks with high levels of customer renewables.

These learnings are helping to mature an emerging industry which may well shape the evolution of power systems into the future.

### How it supports our customers

DERMS is allowing us to install much greater amounts of customer solar than previously allowed by coordinating them with our facilities – power station, solar farm and centralised battery – to ensure the continued safe and reliable energy supply for all customers.

### How this project aligns to the strategic goal

Horizon Power continues to lead the energy industry in

the development of technical solutions to overcome the challenges restricting customers from installing rooftop solar.

Our residential and business customers in Onslow have purchased a combined total of 273 renewable systems under this project, resulting in an additional 2,406 kW of customer solar and 761 kWh of distributed batteries being connected to the network. These customers are set to have significantly lower power bills which offers a sustainable long-term benefit to the local community.

This project is delivering cleaner, greener energy for Onslow with fossil fuel savings of about 820 tonnes of CO<sub>2</sub> emissions a year.





## Case Study

# Karratha to Dampier 132 kV Line Upgrade

**Location:** Pilbara



We are securing the future of power supplies to the Pilbara region with an upgrade to the Karratha to Dampier transmission line.

### Project overview

We have progressed work to deliver an upgraded 132 kilovolt transmission line which connects the Karratha Terminal sub-station to the Dampier sub-station. The line was damaged by Tropical Cyclone Damien in February 2020, resulting in the line being totally unserviceable.

The scope of the project extends to replacement of 13 kilometres of aged equipment and conductor of the existing 19 kilometres transmission line. One kilometre of the new line crossing under the Karratha Airport terminal flight path will be underground.

Horizon Power has worked closely with the Traditional Owners of the area and associated representative corporations, the Ngarluma and Murujuga Aboriginal Corporations to ensure the project does not impact any First Nation or heritage values along the line corridor.

The State Government has invested \$23.8 million in the project.

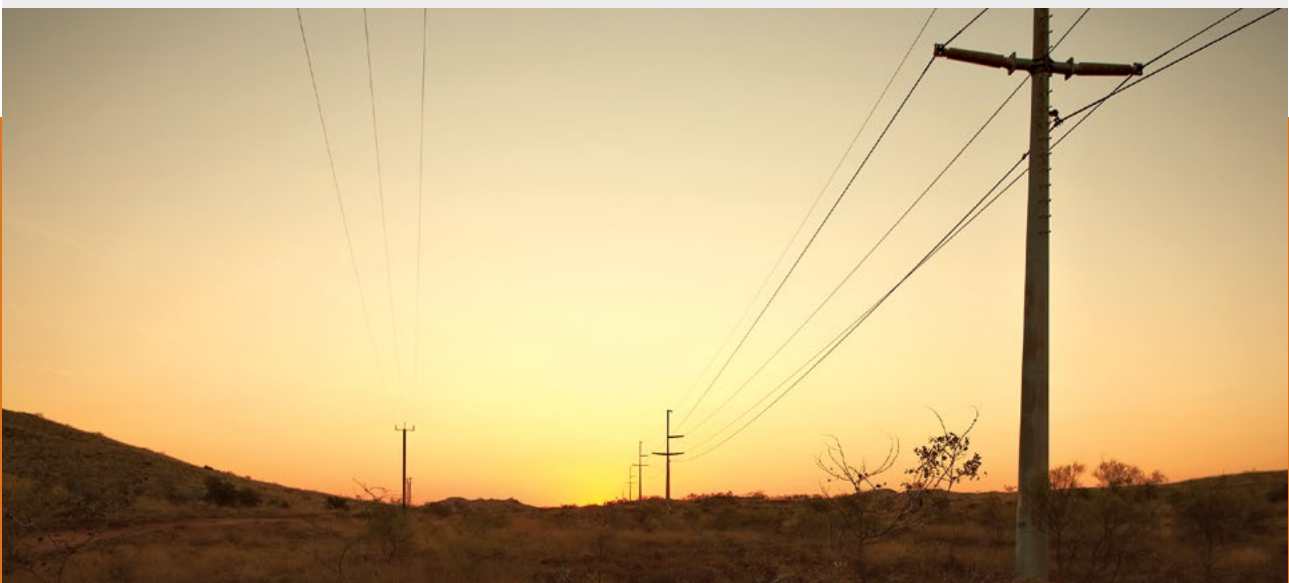
### How it supports our customers

The North West Interconnected System (NWIS) is central to the supply of electricity across the Pilbara region which underpins 40% of Australia's annual GDP.

The location of this particular line is strategically positioned to ensure that the efficient operation of the NWIS is maintained, underpinning the economic future of the region.

### How this project aligns to the strategic goal

The upgraded transmission line will be capable of establishing initial foundation infrastructure for future developments on the Dampier peninsula and Burrup Strategic Industrial Area [Burrup SIA].



## Case Study

# Becoming a Utility of the Future

**Location:** State-wide



Our strategic initiative to build a Utility of the Future was launched in December 2019 and in that time we have delivered a three year integrated roadmap of digital and foundational initiatives to map our journey to transform our business for the future.

### Project overview

This project has involved the assessment of 76 opportunities to leverage digital solutions across our business which will be delivered utilising new ways of working to derive incremental value in short intervals.

Our first prototypes have already been delivered, including an outage app to inform customers of outages in their areas; a revised Works Delivery system for the management of our assets; and a new asset risk model to help optimise investment in different asset types.

A risk mitigation plan has been developed leveraging from the experience of similar enterprises in digital transformations globally, fully cognisant of the risk inherent in such a complex program.

Finally, we have designed a simple and efficient performance infrastructure with the required governance and to provide assurance that we are delivering our strategic initiatives.

### How it supports our customers

Embracing digital transformation capabilities and technologies will evolve Horizon Power into a high

performing organisation and assist us to realise our ambition to deliver energy solutions for regional growth and vibrant communities.

### How this project aligns to the strategic goal

Becoming a Utility of the Future will support the delivery of our strategy and ensure Horizon Power remains relevant, sustainable and competitive enabling us to provide lower cost, greener and innovative energy solutions for our customers.

We have designed a simple and efficient performance infrastructure with the required governance and to provide assurance that we are delivering our strategic initiatives.

## Case Study

# Renewable Energy Project

**Location:** Entire service area

**Goals:**



Horizon Power is continuing to lead the way with the development of technical solutions to overcome the challenges of high levels of renewable energy penetration, which have restricted the ability of our customers in some towns to install solar on their roofs.

### Project overview

From 1 July 2019 more of our customers have been able to install rooftop solar due to the release of an additional 10 MW of capacity for renewable energy systems.

This increase stems from a review of our technical requirements along with a number of in-depth renewable energy trials in towns such as Carnarvon and Onslow.

In conjunction with these changes, Horizon Power has released the new version of Technical Requirements for Renewable Energy System Connections. It specifies the minimum technical requirements for connecting renewable energy to our network to ensure no adverse impact on

the reliability of power supply in our towns.

Since 1 July 2019, Horizon Power has experienced a fivefold increase in the number of renewable connection requests as compared to previous years.

A series of technical changes were implemented by the Connections Planning team to manage the significant increase in the volume of renewable connections. This enabled delivery of a high volume of renewable connections with minimal increase to our internal resources and within the agreed delivery timeframe.

### How it supports our customers

Approximately 15 MW of renewable connections were assessed and approved in 2019/20.

### How this project aligns to the strategic goal

Horizon Power is committed to significantly reducing its carbon footprint and will increasingly choose non-diesel generation options in future decision making in order to deliver cleaner, greener electricity to our regional customers.

Horizon Power is continuing to lead the way with the development of technical solutions to overcome the challenges of high levels of renewable energy penetration, which have restricted the ability of our customers in some of towns to install solar on their roofs.

We are committed to the goal of integrating renewable energy solutions into each of our systems.





## Case Study

# Standalone Power Systems Project

**Location:** Esperance

**Goals:**



Horizon Power is the first Australian utility to remove parts of its overhead network and replace it with an alternative, renewable energy power solution that is fully off the grid.

### Project overview

The Standalone Power System [SPS] project has moved a selection of fringe-of-grid rural customer connections off the distribution system entirely, providing a self-sufficient permanent source of power consisting of solar panels, batteries, inverters and back-up diesel generator.

The systems eliminate common power generation issues experienced in rural and regional areas such as outages caused by weather, wildlife, farm machinery accidents and bushfires. Customers receive the benefit

of an off-grid electricity solution which is increasingly safer, cleaner and more reliable.

The new PPA will use a modern high efficiency gas-fuelled power station, coupled with large amounts of wind and solar energy and supported by battery energy storage.

This new energy solution will reduce the cost of supplying power to Esperance by \$10 million per year.

### How it supports our customers

At the end of 2019, 17 SPS units were installed, enabling

the removal of 64 kilometres of overhead power poles and wires from customers' properties in the Neridup and Beaumont farming areas.

### How this project aligns to the strategic goal

Horizon Power is committed to significantly reducing its carbon footprint and will choose non-diesel generation options in future decision making in order to deliver cleaner, greener electricity to our regional customers.





# Our people

Horizon Power's people are at the heart of everything we do. We actively encourage our employees to live and work in the regions where we operate and to create stronger connections with our communities.

In December 2019 a new division called Employee Experience was created to focus on our people, safety and wellbeing and to build the culture required to uplift, unite and inspire. By growing outstanding leaders, building diverse capability and driving an inclusive, high-performing culture we will deliver on our ambition of delivering energy solutions for regional growth and vibrant communities.

## Safety

Safety is a core value. With a service area spanning more than 2.3 million square kilometres, our people work in extreme weather conditions and in remote locations. A safety culture that keeps ourselves and each other safe while creating interdependence, is non-negotiable.

Zero lost time illnesses/injuries were recorded in 2019/20, which is a result of our teams' safety behaviours, our commitment to safety leadership and our safety management system. Our performance is further reinforced through zero recordable illnesses / injuries reported for the same period.

Safety interactions are leader-led proactive behavioural based

observations that form part of our key performance indicators. These enable our leaders to have constructive and engaging safety conversations linked to our critical risks, presenting an ideal opportunity for real-time feedback and coaching which reinforces positive behaviours to prevent workplace illnesses and injuries.

The Horizon Power Safety Non-Negotiables are important rules that must never be broken. Breaking one of these rules could result in a serious illness, injury or fatality. We recognise that demonstrating our continued leadership towards safety will result in the cultural maturity that we desire. At the very centre of our organisational

values is the drive that everyone goes home safely. We continue to roll out our leadership training program with our new leaders, the Supervisor Safety Set. In 2019/20, 20 new leaders in total have been trained in the program, on courses delivered in both August 2019 and June 2020.

In 2019, Horizon Power achieved our third consecutive Gold Award after our participation in the Industry Foundation for Accident Prevention and CGU Safeway Awards. The award presented to Horizon Power was as a result of the evaluation performed on our established and maturing Safety and Health Management System. Horizon Power has now achieved this award in 2017, 2018 and 2019.



## COVID-19

The rapid advancement of the global pandemic highlighted Horizon Power's preparedness and agility to respond to a crisis event.

We activated our four-stage pandemic response plan in late February 2020. There is escalating action for Horizon Power relative to elevating stages. The four stages are represented by:

**Preparedness** – No novel strain detected (or emerging strain under initial investigation)

**Standby** – Sustained community person to person transmission

**Action** – Cases detected in Australia

**Stand-down** – The public health threat can be managed within normal arrangements and monitoring for change is in place.

We elevated to stage two (Standby) in early March 2020. We reached stage three (Action) in late March 2020. As of the end of June 2020 we remain in stage three (Action).

Inspired by our guiding principle of First Nation commitment, we named our emergency response Kaartdijin.


The Kaartdijin Room was formed on 9 March 2020 to oversee all decisions required to ensure a safe and reliable energy supply for our customers and a safe work environment for our people. Led by the CEO and General Manager of Employee Experience, the process ensured innovative solutions and a rapid-decision making culture. Small cross functional Tiger Teams were set up to quickly tackle issues and deliver recommendations for fast

implementation on working from home, wellbeing, closure of intra and inter-state borders, remote working and IT capability and support.

To keep our people connected, they were encouraged to unite and share stories and photos of working from home on Yammer, which saw a measurable increase in engagement and provided a unique opportunity to get to know our colleagues on a more personal level.

Throughout the COVID-19 pandemic the safety of our people and our customers required additional focus. In mid-February we implemented quarantine guidelines for anyone returning from overseas, which escalated in accordance with both State and Commonwealth guidelines.





For our field-based crews, we significantly increased requirements for personal protective equipment (PPE), including face masks, gloves and alcohol-based hand sanitiser.

Securing the correct standard of PPE capable of the right level of protection proved challenging, but it did not have a high impact. As soon as the State Government announced the implementation of the state pandemic response plan, our teams moved to purchase a quantity of equipment such as P2/N95 masks, gloves and hand sanitiser to sustain Horizon Power for a small period of time. We transitioned to procuring these products through the Department of Finance as per the direction from the State Government.

Adhering to physical and social distancing guidelines meant we adapted how we conducted our field work. The guidance included using two elevated work platforms for one job and reinforcing the use of PPE and additional protocols such as avoiding physical greetings, delineating our

work areas and maintaining safe distances when visiting the houses of our customers.

For our office-based staff, we were able to efficiently and effectively implement a working-from-home regime from 16 March 2020. We were focused on ensuring our people remained safe and were kept updated by CEO-led communications activities.

As the seriousness of the pandemic escalated, the wellbeing of our people became paramount. We created a website called Working Well, which enabled our people to stay connected, informed and healthy during the transition to a new way of working. This website will continue to provide a focus on wellbeing as we move beyond the pandemic.

To support our leaders during these unprecedented times, we developed and rolled out foundational Mental Health Training for Leaders, to equip them with tools to look after themselves and their team members. The training was followed by a wellness

survey for all staff that assesses five pillars of wellbeing (positive emotion, engagement, relationships, meaning, accomplishment and health) and provides a confidential and personalised report, from which improvement plans can be developed.

Following State Government advice, we cautiously returned our people to the office on 18 May 2020 in alternating teams of 50 per cent at home and 50 per cent in the office. We were committed throughout this period to empower our people to re-enter the workplace when they were comfortable to do so.

In support of the continued health and wellbeing of our people and with the onset of winter, we rolled out our influenza vaccination program earlier than normal and adapted our delivery of the program to adhere to physical and social distancing requirements. In 2020, we recorded the highest demand for the vaccination from our workplace and all vaccinations were safely performed and controlled.



### **Employee engagement survey**

An employee engagement survey was conducted in November 2019. The year-on-year overall engagement score remained steady. The engagement drivers improved significantly within a six-month period as a result of a clear refocus of the strategic direction and ongoing improvements to processes and systems.

Due to COVID-19, the employee engagement survey, scheduled for May 2020, was postponed until November 2020. An organisation-wide wellbeing survey was instead conducted in June 2020. The survey gave feedback directly to the participant and provided a wellbeing improvement plan targeted to the individual.

The rolled up organisational data will now be used to develop an overarching wellbeing strategy.

### **Developing our people**

With a firm focus on the future, we continued to partner with the Chamber of Commerce and Industry Western Australia to deliver the Power Engineering Graduate Program, with six graduates participating in this highly-regarded program.

A new technical competency framework was developed and adopted in 2018 which has resulted in the creation of a number of technical career and leadership pathways for our employees.

In the last 12 months we have undertaken the following technical training with our operational employees.

### **Certificate III Electricity Supply Industry (ESI) – Distribution Cable Jointing trade qualification**

This qualification is a requirement for the areas that have moved to underground distribution networks and significant underground works programs.

Five employees have completed the course in Karratha, with a further four employees enrolled in a second intake/program.

Four employees have completed this course in Port Hedland, with a further four enrolled in a second intake/program.

Six employees have been enrolled in a second program and have commenced the training in Carnarvon.



**Certificate III Electricity Supply Industry (ESI) – Distribution Overhead trade qualification**

Three employees have successfully completed the latest Distribution “Linie” trade qualification [Broome, Carnarvon and Esperance] to bring them into line with our minimum qualification requirements to work on the network.

**Certificate III Electrical Fitter trade qualification**

Two Pilbara employees and three Esperance have been enrolled in a joint Horizon Power / Western Power / TAFE pilot program to upskill existing Distribution Linies and Cable Jointers to become Electrical Fitters - [Maintenance Electricians].

This will assist the Pilbara with expanding its capability in the Transmission systems maintenance areas and assist Esperance with its capability to operate and maintain the significant number of SPS that have been installed in the region.

A further three Pilbara employees will be registered in a second intake / program in October 2020.

**Standalone Power Systems / Renewable Energy Program**

A Standalone Power Systems / Renewable Energy Program is being developed to provide our people with the opportunity to expand their skill sets in this emerging area.

**Reconciliation Action Plan (RAP)**

The RAP Manager, Works Delivery Managers and Technical Training team have identified and investigated a number of technical training options for our existing Remote Community Utility Workers to upskill in areas such as Distribution Cable Jointing, Leadership and Management, and Mechanical Fitting.

There are also a number of other training initiatives that are being considered under the RAP to support our commitment to improve education and employment opportunities identified by this strategic initiative, including Pre-Apprenticeships, Try-A-Trade and various Career Expos.



## Diversity and inclusion

We directly employ 23 First Nation peoples which represents 5.3 per cent of our workforce. We have a clear goal to achieve seven per cent representation by 2022 as part of our business strategy and Innovate RAP.

We remain focused on indirect opportunities through supporting First Nation businesses, contractors and suppliers, and by providing work experience opportunities through targeted sponsorships such as Shooting Stars and Kimberley Girl.

Both the executive team and the Board are gender balanced. Strategies to increase gender balanced representation include:

- Promoting shortlists of diverse candidates for key roles
- Providing acting and secondment opportunities in leadership and operational roles to build talent pipelines
- Promoting networking opportunities and celebrating events such as International Women’s Day across our business.

We also have a focus on gender diversity in non-traditional roles, such as engineering graduates and undergraduates.

**Table 5: Female representation 2019 / 2020**

Female representation	End June 2019		End June 2020	
Board	3/7	43%	4/7	57%
Executive	1/6	17%	4/8	50%
Senior Management	11/30	37%	10/29	34%
Horizon Power	127/403	32%	137/435	31%

Twenty per cent of our people have culturally and linguistically diverse backgrounds.

Mature workers make up 51 per cent of our workforce, and we continue to build the representation of youth through the expansion of our graduate and undergraduate programs.

Our commitments to building a diverse workforce are outlined in our Equal Employment Opportunity Management Plan, Innovate RAP and Disability Access and Inclusion Plan.

### About our people

435 Employees [425.4 Full time equivalent]

31% Female

5.3% ATSI

20% culturally and linguistically diverse backgrounds

0.7% with a disability

36% Regionally based [156 number]

Broome	27
Carnarvon	25
Esperance	36
Karratha	30
Kununurra	16
Onslow	3
Port Hedland	19







# Our environment

Our environmental performance is measured using a number of performance indicators.

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

## Approach to climate change

One of our key guiding principles is to improve our shared environment for the future, by finding cleaner, greener energy solutions and to reduce our carbon intensity.

We acknowledge the risks and opportunities associated with climate change. We have already undertaken significant works to support the transition to a lower carbon future including the deployment of off-grid renewable energy in the form of SPS at various locations in the Esperance

region; the Onslow Distributed Energy Resources (DER) project; centralised solar projects including Marble Bar, Nullagine and Yungngora; and reducing barriers for customer connections to rooftop solar. We will deliver a corporate Carbon Reduction Strategy and continue our commitment to low carbon projects for a cleaner and greener future.

In February we hosted an industry workshop on climate change with presenters from the CSIRO / Bureau of Meteorology Earth Systems and Climate Change Hub, who presented their Climate Change 101 Program established under the National Environmental Science Program. The workshop included representatives from Horizon Power, Synergy, Western Power, Water Corporation, Department of Water & Environmental Regulation and GHD, and provided attendees with the latest climate scenarios and

information as well as the opportunity to engage with industry colleagues.

Another focus area is increasing the resilience of our network by understanding the physical risks posed to our assets from a changing climate, and ensuring we respond through systems enhancement, technology and engineering improvements. Projects have included surge protection upgrades at 60 targeted sites in the East Kimberley in response to increased lightning intensity; undergrounding networks across several coastal Pilbara towns to protect against cyclone damage and assist our ability to recover energy supplies quickly; and the deployment of SPS allowing the removal of network infrastructure. We continue to work together with our communities to identify opportunities to further strengthen and build resilience into our network operations.



We are committed to delivering a quality, reliable electricity supply in an environmentally sustainable and responsible manner consistent with our 'cleaner greener' guiding principle.

We recognise that our innovative programs and ongoing management procedures must protect the rights of future generations to a sustainable and diverse natural environment.

We look for every opportunity to enhance environmental performance and to contribute to sustainable practices.

We are committed to measuring our environmental actions as a way of improving our performance, allocating resources efficiently and identifying areas of development.



### Greenhouse gas and carbon intensity

We report total annual greenhouse gas emissions as carbon dioxide-equivalent [CO<sub>2</sub>-e] (shown in Table 6), in accordance with the *National Greenhouse and Energy Reporting Act 2007* (NGER).

CO<sub>2</sub>-e emissions attributed to Horizon Power were stable in 2019/20. This follows an increase in emissions in 2018/19 due to the newly constructed Onslow power station moving to our operational control from an independent power producer (IPP) in July 2018.

The Clean Energy Regulator will make our 2019/20 NGER publicly available in the first quarter of 2021. An estimate is made for Scope 1 emissions (direct)<sup>1</sup> based on available information as at 8 July 2020. Because Scope 2 (indirect)<sup>2</sup> emissions are more complicated to establish in accordance with the NGER Act, they cannot be accurately estimated at the time of publishing.

#### Notes

1 Direct emissions of greenhouse gas into the atmosphere from sources that are owned or controlled by the company, such as emissions from combustion in owned or controlled engines or equipment.

2 Indirect emissions of greenhouse gas from the generation of purchased electricity consumed by the company. This includes purchased electricity consumed in depots/offices, as well as line losses in networks operated by Horizon Power.

Carbon intensity of our total operations, measured as kilograms of CO<sub>2</sub>-e per kWh of electricity sent out, is a key measure of the overall greenhouse gas emissions related to energy production, inclusive of IPPs. Reducing carbon intensity demonstrates improved greenhouse emission efficiency and therefore is an important indicator with respect to climate change.

Carbon intensity is primarily influenced by IPPs, with relatively low influence from Horizon Power operated power stations. The carbon intensity was slightly lower at a value of 0.54 kg CO<sub>2</sub>-e/kWh between 2018/19 and 2019/20 and within the internal target of 0.65 kg CO<sub>2</sub>-e /kWh sent-out, as shown in Table 7.

#### Air emissions

We reported annual air emissions for the 2019/20 period to the National Pollutant Inventory (NPI) for sites exceeding the NPI reporting thresholds. These reports and information on reporting requirements are publicly available on the NPI

website ([www.npi.gov.au](http://www.npi.gov.au)). An estimate of combined air emission data from all of our generation facilities is provided in Table 8.

Total sulphur dioxide (SO<sub>2</sub>) and normalised SO<sub>2</sub> emissions, shown as kg/MWh (generated), were slightly lower than previous years, primarily due to an increase in natural gas consumption for electricity generation as opposed to diesel.

The increase in total emissions of oxides of nitrogen (NO<sub>x</sub>) can be attributed to a slight increase in our total electricity generated. Normalised NO<sub>x</sub> emissions slightly decreased in comparison to the previous year. This can be attributed to an increase in natural gas consumption for electricity generation as opposed to diesel. Normalised NO<sub>x</sub> emissions are shown as kg/MWh (generated) in Table 8.

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

## Noise

No noise complaints were received during the year.

## Management of contaminated sites

The management and remediation of historical and predominantly inherited impacts arising from operational activities at former power station sites continues to be a success story for us. This reporting year has seen the completion of several remediation projects and contaminated site investigations as follows:

Successful remediation / reclassification of sites in Sandstone, Carnarvon, Derby, Kununurra, Exmouth, Meekatharra, Cue and Mt Magnet.

Completion of the final works under the program to fully decommission and demolish obsolete infrastructure from former power station sites.

Our contaminated sites portfolio includes 11 sites still under open investigations and 19 sites now considered as completed with no further contamination investigations required. The sites are typically former power stations where historical spills

or leaks of hydrocarbons have affected soil or groundwater. The portfolio is managed in accordance with a risk-based strategy, where key objectives are to achieve remediation targets and end-point classifications under the *Contaminated Sites Act 2003*.

Accredited contaminated sites auditors continue to support the program through independently overseeing investigations on sites where groundwater contamination has migrated offsite.

## Environmentally Sensitive Areas Program

The Environmentally Sensitive Areas Program continued this year, with all ground-disturbing activities subjected to a desktop assessment before undertaking the works. This program provides employees and contractors with processes and procedures for working within these areas and ensures licences or permits are obtained as applicable.

## Regulatory instruments

We have maintained our environmental licence for the Karratha Temporary Generation Project<sup>3</sup>, meeting all

reporting obligations required under the licence. Mungullah power station remains a registered premises<sup>4</sup> with no associated reporting requirements. No other operating sites within our portfolio exceed the threshold for an environmental licence or registration.

We hold nine native vegetation clearing permits issued by the Department of Water and Environmental Regulation. In 2019/20 we also held three permits to take Declared Rare Flora species in Esperance, granted by the Department of Biodiversity, Conservation and Attractions. Compliance reports have been submitted to the respective departments in accordance with the applicable permit reporting conditions.

## Environmental incidents

One reportable environmental incident occurred this year relating to a diesel fuel leak at the Wyndham [stand-by] power station. All impacted soils were successfully excavated as far as practicable. The incident was reported to the Department of Water and Environmental Regulation under both the *Environmental Protection Act 1986* and *Contaminated Sites Act 2003*.

## Notes

<sup>3</sup> Licence L8745/2013/1 granted under Part 5 of the *Environmental Protection Act 1986* [EP Act] for a category 52 prescribed premises as defined by Schedule 1 Part 1 of the *Environmental Protection Regulations 1987*.

<sup>4</sup> Registration R2385/2014/1 granted under Part 5 of the EP Act for a category 84 prescribed premises as defined by Schedule 1 Part 2 of the *Environmental Protection Regulations 1987*.



**Table 6: Greenhouse gas emissions [tonnes CO<sub>2</sub>-e]**

Reporting year	Direct emissions [Scope 1]	Indirect emissions [Scope 2]	Total energy consumption [GJ]
2019/20	45,100 <sup>1</sup>	Final figures are reported to CER by 31 October 2020 and published Q1 2021	
2018/19	45,516 <sup>2</sup>	28,587	1,027,585
2017/18	38,799	32,504	911,047
2016/17	79,623	31,939	1,305,159
2015/16	99,200	38,357	2,182,657

**Table 7: Carbon intensity of sent-out electricity, actuals and targets 2015/16 to 2019/20**

Reporting year	Carbon intensity, kg CO <sub>2</sub> -e / kWh sent out	Target intensity, kg CO <sub>2</sub> -e / kWh sent out
2019/20	0.54	0.65
2018/19	0.55	0.65
2017/18	0.55	0.65
2016/17	0.56	0.65
2015/16	0.57	0.65

**Table 8: Summary of air emissions 2016/17 to 2019/20**

Air emissions summary		2019/20	2018/19	2017/18	2016/17
Sulphur dioxide [SO <sub>2</sub> ]	Total [tonnes]	0.2	0.4	0.2	0.4
	kg/MWh [generated]	0.003	0.006	0.004	0.004
Oxides of nitrogen [NO <sub>x</sub> ]	Total [tonnes]	451	439	441	461
	kg/MWh [generated]	5.80	6.09	6.77	3.91

**Notes**

1 Estimated as at 8 July 2020.

2 A publishing error reported estimated emissions in an order of magnitude higher in the 2018/19 Annual Report.

## Case Study

# Reconciliation Action Plan [RAP]

**Location:** State-wide

**Goals:**



First Nation culture, history and participation should be seen, heard and valued as an integral part of our business.

### Project overview

Our vision for First Nation peoples to realise true social and economic equality is one step closer with the launch of our Innovate Reconciliation Action Plan 2020-22 [RAP], and we encourage everyone in our business to get behind this comprehensive and deeply engaged reconciliation process.

Our RAP covers the reconciliation themes of relationships, respect and opportunities and aligns to our guiding principle – to improve the lives of First Nation through proactive and sustainable business decisions that will deliver a positive impact on First Nation customers, suppliers, employees and communities.

### How it supports our customers

Our RAP will underpin our efforts to deliver better outcomes for our business and our stakeholders, particularly the 15 per cent of our customer base who identify as First Nation. It contains a series of practical actions that will guide outcomes, actions, decision making and accountabilities, which will help us to build on previous reconciliation activities, and include:

- A cultural education program for all employees
- Additional training and procurement opportunities for First Nation peoples and businesses
- An increase in Horizon Power First Nation employment from

five per cent to seven per cent in two years from now

- Better communications with a new engagement strategy
- Executive performance measures aligned with reconciliation deliverables.

### How this project aligns to the strategic goal

Endorsed by Reconciliation Australia, our RAP is an important mechanism to help us further strengthen our relationship with First Nation peoples, enable improved engagement and continue to help support and sustain vibrant regional communities.











# Heritage and native title

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



Building strong, respectful partnerships with people and communities is fundamental to achieving our goals for reconciliation, serving our customers effectively, and reflecting the community we live and operate in.

#### **Native title and heritage compliance**

First Nation peoples form an integral part of our customer base and many communities can be positively impacted by power supply projects.

We will build on our existing relationships with the First Nation communities we service through Service Area Heritage Agreements. These agreements will endeavour to enhance the level of collaboration, promote mutual understanding of heritage values – including greater awareness for the cultural heritage values specific to a particular area

– and ensure regular meetings with Traditional Owners and community groups.

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

First Nation heritage monitors were engaged to assist in protecting First

Nation cultural values during ground-disturbing works for operational and project-related activities, including with the Balanggarra people in Wyndham, Nyungar people in Esperance, Ngarluma in Karratha and Murujuga on the Burrup Peninsula. Cultural heritage surveys were completed with representatives of the Yurriyangem Taam people for the proposed centralised solar farm at Warmun, and the Ngarluma and Murujuga people for the proposed upgrade of the Karratha to Dampier transmission line.



# Directors' report

## Corporate governance

Corporate governance is the system by which we are directed and managed.

It influences how:

- Business objectives are set and achieved
- Risk is assessed and managed
- Corporate fairness, transparency and accountability are promoted
- Performance of the business is optimised.

To best reflect the expectations of our people, stakeholders and customers, we have sought to adopt recognised best practice for corporate governance by implementing a Corporate Governance Framework. In practical terms, the Framework:

- Provides structure and consistency to the way we do business with our customers and stakeholders
- Allows employees to respond to situations as they arise with confidence understanding the requirements of the business
- Promotes our performance drivers and corporate governance principles, systems and practices, including the roles, responsibilities and authorities of the Board and executive
- Is aligned with our strategic and business plans
- Provides accountability and control systems commensurate with the risks involved
- Is an essential component to 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 to realise the benefits that accrue from a conscious, structured and dynamic approach to the management of risk. This means our employees can perform their activities in a responsible, thoughtful, knowledgeable and consistently professional manner, contributing to our overall direction and success.

Our Corporate Risk Management Framework is aligned to the ISO 31000:2009 standard and includes processes to identify, assess, monitor, report and escalate risk exposures to management.

The Framework:

- Applies to everyone including the Board of directors, the executive team and all other employees and contractors
- Is applied at all levels of the business [including, but not limited to, corporate, divisional and group functions as well as programs and projects]
- Is applied to all operational risk management processes and practices
- 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.

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







### Board of directors

In accordance with the *Electricity Corporations Act 2005 (WA)*, Horizon Power must be governed by a Board of between four and eight directors appointed by the Governor on the nomination of the Minister for Energy. The Board is responsible to the Minister for Energy for the performance of the business.

The primary role of the Board is to set our strategic direction, approve major expenditure and provide advice to the Minister for Energy on regional power issues.

The Board formally delegates the day-to-day management of Horizon Power to the Chief Executive Officer and executive management team.

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

- **Ms Samantha Tough, Chair** [term commenced 26 November 2019 and appointed Chair 26 November 2019]
- **Mr Peter Oates, Deputy Chair**
- **Professor Ray Wills, Director**
- **Ms Kylie Chamberlain, Director**
- **Ms Gail Reynolds-Adamson, Director**
- **Ms Sandra Di Bartolomeo, Director**
- **Mr Michael Court, Director** [term commenced 9 July 2019]

### Ms Samantha Tough (Chair)

Appointed November 2019.

Samantha has a distinguished career and extensive experience across the energy and resources sectors, including the Clean Energy Finance Corporation, Synergy and Woodside. She is also the Pro Vice-Chancellor of Engagement at the University of Western Australia.

She has detailed knowledge of regional Western Australia and has served on the boards of several businesses and non-government organisations.

Ms Tough completed a Bachelor of Laws and Bachelor of Jurisprudence at the University of Western Australia and worked as a barrister and solicitor before progressing to the commercial sector. She is a Fellow of the Australian Institute of Company Directors.

### Mr Peter Oates (Deputy Chair)

Appointed November 2014. Appointed Deputy Chair 20 November 2018.

Peter has over 40 years' experience in the Western Australian electricity industry. His experience is mainly in the financial area, including periods where he was the General Manager Finance and Administration followed by a period where he was the General Manager Emerging Business, which included the development of renewable projects for Western Power prior to its disaggregation in 2006.

He was a Director of Eneabba Gas Ltd from 2006 to 2010. Peter has been involved in a number of reviews into the structure of the electricity industry in Western Australia, commencing with his appointment as Executive Officer to the Energy Board of Review in 1992, which resulted in the disaggregation of SECWA. Peter was Chairman of the Merger Implementation Group which provided the oversight into the merger of Verve and Synergy in 2013.

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

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



**Professor Ray Wills (Director)**

Appointed November 2014. Retired from the Board in August 2020.

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

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

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

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



**Kylie Chamberlain (Director)**

Appointed 30 April 2018.

Kylie is an accomplished and experienced banking and finance executive with over 20 years' experience within the industry. Across various senior roles with prominent Australian banking and financial institutions, she has garnered broad market exposure to a variety of industries and brings acumen in the key areas of finance, strategy, culture, governance and risk.

Kylie holds a Bachelor of Commerce from the University of Western Australia and post graduate qualifications from both the Securities Institute of Australia and the Governance Institute of Australia. Kylie is also a Graduate of the Australian Institute of Company Directors.

Kylie is currently a Non-executive Director of West Coast Fever Netball Club Limited.



**Sandra Di Bartolomeo (Director)**

Appointed November 2018

Sandra has over 25 years' experience as a banking and finance lawyer, specialising in corporate, construction, resources, energy and property financing. She was formerly a partner of a top tier national law firm, leading the finance division in Perth. Sandra has held various senior leadership positions with National Australia Bank Limited, most recently heading up the Corporate and Institutional Bank Legal team in Western Australia and Queensland.

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

Sandra is also a Graduate of the Australian Institute of Company Directors.



**Gail Reynolds-Adamson (Director)**

Appointed November 2018

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

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



**Mr Michael Court (Non-Executive Director)**

Appointed July 2019

Michael joined WA Treasury in 1997, after working in the Department of Foreign Affairs and Trade and the Commonwealth Treasury.

Michael was permanently appointed Deputy Under Treasurer in September 2016 after having acted in the role since February 2014. This followed more than five years as the Executive Director of Treasury's Economic Business Unit.

In his role, Michael assists the Under Treasurer in the management of Treasury, with a primary focus on whole-of-government budget management and fiscal strategy and other priority strategic issues. He is also responsible for Treasury's corporate service functions and providing advice and strategic direction on public sector reform issues.

Michael is also Deputy Chair of the Western Australian Treasury Corporation Board.

Michael holds a Bachelor of Economics [Honours] from Murdoch University.



### Attendance at Board meetings

The Board meets bi-monthly with an additional meeting in September to approve the annual directors' report.

**Table 9: Board of directors' scheduled meetings and attendance 2019/20**

Director	Number of meetings attended	Number of meetings eligible to attend during the time the director held office during the year
Samantha Tough	4	4
Peter Oates	7	7
Professor Ray Wills	7	7
Kylie Chamberlain	7	7
Gail Reynolds-Adamson	6	7
Sandra Di Bartolomeo	7	7
Michael Court	6	7

**Table 10: Board of directors' terms of appointment**

Director	Appointed	Expires
Samantha Tough	26 November 2019	25 November 2022
Peter Oates	11 November 2014	10 November 2017
Second term	26 October 2016	25 October 2019
Third term	26 November 2019	26 November 2021
Professor Ray Wills	11 November 2014	10 November 2016
Second term	26 October 2016	25 October 2019
Kylie Chamberlain	30 April 2018	29 April 2020
Gail Reynolds-Adamson	20 November 2018	20 November 2020
Sandra Di Bartolomeo	20 November 2018	20 November 2020
Michael Court	9 July 2019	20 November 2021

### Audit and Risk Management Committee

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

business. The ARMC is accountable, and reports, to the Board.

A key role of the ARMC is to provide assurance to the Board that our core business goals and objectives

are being achieved in an efficient and cost-effective manner within an appropriate framework of internal control and risk management.

### Financial reporting

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

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

### Internal control and risk management

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

### Compliance with laws and regulations

The ARMC seeks assurance from management that a framework has been established for compliance with laws, regulations and standards.

### Relations with external auditors

The ARMC meets with the external auditors to discuss the scope and results of their audits and resolve any disagreements about matters raised with management.

### Composition of the ARMC

The ARMC comprises:

- Peter Oates, Chair
- Kylie Chamberlain, Director
- Sandra Di Bartolomeo, Director
- Michael Court, Director [term commenced 13 March 2020]

**Table 11: ARMC meetings and attendance 2019/20**

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

### Corporate Responsibility Committee

The Corporate Responsibility Committee (CRC) is a sub-committee of our Board of directors. It was established in September 2019 to help the Board maintain Horizon Power's social licence to operate by ensuring it operates its business ethically, responsibly and sustainably. The CRC is accountable, and reports, to the Board.

The CRC's role is to:

- Review and oversee on behalf of the Board, development and implementation of policies and procedures which enable Horizon Power to operate its business:
  - ethically, responsibly and sustainably
  - in accordance with its commitments to First Nation peoples
- Assist the Board in monitoring the decisions and actions of management in achieving Horizon Power's objectives to be an ethical, responsible and sustainable organisation.

The CRC 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:

- Sustainability
- Corporate Responsibility
- First Nation Commitment
- Environment.

### Composition of the CRC

The CRC comprises:

- Prof Ray Wills, Chair
- Ms Kylie Chamberlain, Director [term commenced 13 March 2020]
- Mr Michael Court, Director [term concluded 13 March 2020]
- Ms Gail Reynolds-Adamson, Director

**Table 12: CRC meetings and attendance 2019/20**

Director	Number of meetings attended	Number of meetings eligible to attend during the time the director held office during the year
Ray Wills	4	4
Kylie Chamberlain	2	2
Michael Court	2	2
Gail Reynolds-Adamson	3	4

### People and Performance Committee

The People and Performance Committee (PPC) is a sub-committee of our Board of directors. It was established in September 2019 to help the Board discharge its responsibility to provide oversight of matters in relation to Horizon Power's people and performance, including the performance and composition of the Board. The PPC is accountable, and reports, to the Board.

The PPC's role is to review and oversee on behalf of the Board:

- Matters in relation to people and performance including:
  - The remuneration framework for senior management
  - Horizon Power's remuneration and employment policies, procedures and programs in order to:
    - Meet long-term people needs through effective talent management and succession planning
    - Promote excellent performance by implementing appropriate processes to align, track, evaluate and reward high performance
    - Support a positive and engaging culture that supports Horizon Power's values
    - Comply with relevant legislation and corporate governance principles on remuneration practices and employment policies
    - Provide fair remuneration and other benefits to all employees
    - Meet Horizon Power's commitment to be a diverse and inclusive workplace and ensure there is no gender bias in remuneration
    - Meet Horizon Power's people needs through commitment to effective health and wellness programs
    - Promote Horizon Power as an employer of choice



- Matters in relation to Board composition including:
  - Director independence
  - 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 having regard to the execution of Horizon Power’s strategic objectives, legal requirements and to the highest standards of corporate governance
  - The processes in place to review the performance of the Board and the Chief Executive Officer
  - Recommendations to the Board in relation to the appointment and retirement of Directors.

### Composition of the PPC

The PPC comprises:

- Prof Ray Wills, Chairperson
- Michael Court, Director [term concluded 13 March 2020]
- Sandra Di Bartolomeo, Director [term commenced 13 March 2020]
- Gail Reynolds-Adamson, Director

**Table 13: PPC meetings and attendance 2019/20**

Director	Number of meetings attended	Number of meetings eligible to attend during the time the director held office during the year
Ray Wills	3	3
Michael Court	2	2
Sandra Di Bartolomeo	1	1
Gail Reynolds-Adamson	2	3

### Governance and corporate compliance disclosures

In compliance with the accountability provisions of the *Electricity Corporations Act 2005* [WA] [the Act], we provided the Minister for Energy with a quarterly report for the first three quarters of the 2019/20 financial year and this annual report for the entire financial year.

Each of the quarterly performance reports were submitted to the Minister for Energy one month after the end of the quarter. Each report included an overview of performance and highlights of important achievements. This annual report will be provided to the Minister for Energy within the time specified by the Act and includes:

- Consolidated financial statements and other statutory information required under the Act
- A comparison of performance with Statement of Corporate Intent targets
- Other information required by the Act to be included.

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

- A five-year Strategic Development Plan and a one-year Statement of Corporate Intent.
- A separate report on employee compliance with any issued codes of conduct.
- 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.

### Significant issues impacting Horizon Power

The external environment is framed by a worldwide focus on the impact of our changing climate and the responses needed from key sectors to address this. Globally, decarbonisation is front of mind to reduce the harmful emissions which are produced from many industries. At the same time, technology will see electric vehicles emerge as the dominant vehicle in production.

Our traditional utility business model is clearly at risk with increasing retail electricity prices, widespread adoption of DER and declining asset utilisation rates. Horizon Power faces increasing financial risk due to the high cost of delivering secure and reliable electricity to Western Australians in many of its regional areas, as new generation competes with legacy systems and demand decreases.

The threats to Horizon Power's financial viability are compounded by high fixed costs and lower revenue due to utilisation rates and increased self-generation from rooftop solar photovoltaic (PV) systems. These changes make it increasingly difficult for our business to recover electricity supply costs through a simple volumetric charge in the tariffs.

Customer preferences are driving change in the energy industry, with a community expectation for a reduction in carbon emissions and a shift to more affordable and cleaner energy. Our Customer Experience division is dedicated to developing products and services which will provide improved choice and lead to more affordable energy for consumers.

### Changes in written law

Besides the passing of the *Electricity Industry Amendment Act 2019* (WA), there have been no significant changes to any primary legislation governing Horizon Power during the 2019/20 financial year.

Relevantly for Horizon Power, the *Electricity Industry Amendment Act 2019* (WA) (which commenced on 6 April 2020) introduces a light handed regulatory regime in regard to third party access to Horizon Power's North West interconnected System.

### Likely developments in operations in future years

#### Market reform

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

On 2 February 2018, the Minister for Energy released his final coverage decision to cover Horizon Power under the Electricity Networks Access Code 2004 (ENAC), effective from 1 January 2020 (subsequently deferred to 1 July 2021). On 9 February 2018, Energy Policy WA (EPWA, formerly the Public Utilities Office) issued a Design Consultation Paper detailing its proposed reforms for the electricity industry in the Pilbara. These reforms have two key components:

1. Introduction of network open access to the Horizon Power and Alinta networks through the implementation of a light-handed regulatory regime (LHR). This regime is to be formed under a new code (Pilbara Networks Access Code 2020 (PNAC)), with the aim of less regulatory burden than the ENAC and binding arbitration to resolve disputes.
2. The establishment of an Independent System Operator (ISO) to ensure the security of operation of the interconnected system in the Pilbara. The ISO framework will be established within the Pilbara Network Rules (PNR) which itself will contain the Pilbara Harmonised Technical Rules (PHTR).

On 6 April 2020 Parliament passed the *Electricity Industry Amendment Bill 2019*. The purpose of this bill is to allow for the amendment of the *Electricity Industry Act 2004*, consequentially to make reforms to the regulation of electricity networks in the Pilbara. Its passing marked a significant milestone for the reform.

In the first half of 2020, COVID-19 impacted EPWA's ability to adequately engage with stakeholders on policy development and as such, the Minister for Energy has deferred the coverage commencement date to 1 July 2021.

Horizon Power continues to work with government, market participants, regulation experts and teams across Horizon Power to support implementation of the new regulatory framework and prepare the business for this change.

### **Future power supplies**

We have made a strategic commitment to widen community access to renewable energy and storage for customers and are currently undertaking a program of work to enable greater access and the potential to reduce energy bills.

We are working to secure future power supplies in the towns of Esperance and Denham to deliver the best service to our customers and value for money for the State Government. Both power solutions will include renewable energy technologies such as solar and battery storage and hydrogen.

Customers are increasingly seeking to be engaged in planning for energy future through self-generation, data analytics or advocacy. In acknowledgement of

this, Horizon Power has established an integrated resource planning approach which will seek to embed community aspirations, and community engagement into the planning process for major energy projects.

#### *Esperance Power Project*

The new 20 year Power Purchase Agreement (PPA) has been secured to supply Esperance from 2022. This new, more efficient power station will be constructed utilising wind turbines, solar farm and battery energy storage to improve efficiency and reduce the likelihood of power fluctuations. The new PPA will also reduce the cost of supplying power to Esperance by \$10 million per year. We are meeting the demand for the future with a large enterprise customer in Esperance for energy supply which would equate to 25 per cent of the power station's load.

This energy solution has been developed with recognition of the Esperance community's strong support for renewable energy, and is expected to deliver approximately 46 per cent more renewable energy and reduce carbon emissions by almost 50 per cent compared to the existing power supply arrangements.

#### *Standalone Power Systems*

Our Standalone Power System (SPS) continue to provide selected rural customers with more reliable electricity without the need to be connected to the overhead electricity network. This new asset class is capable of reducing our cost to supply, and we have plans to install an additional 20 SPS across the wider Esperance region.

### **Shares in statutory authorities**

N/A

### **Shares in subsidiary bodies**

N/A

### **Declarations of interest**

Our Code of Conduct and Conflicts of Interest Policy are endorsed by the Board and Executive and provide all employees with information on what constitutes a conflict of interest and how such should be managed. A conflict of interest may arise in a number of situations involving the interests of Horizon Power and the interests of the relevant individual.

Members of the Board are required to declare any interests at all Board meetings.

### **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 directors in respect of certain liabilities incurred while acting as a director of Horizon Power. The indemnity includes liabilities of a civil nature owed to persons (other than Horizon Power) incurred by the director unless the liability arises out of conduct involving a lack of good faith.



Horizon Power has entered into deeds of indemnity, insurance and access with Peter Oates, Ray Wills, Kylie Chamberlain, Gail Reynolds-Adamson, Sandra Di Bartolomeo, Michael Court and Samantha Tough.

### **Emoluments paid to Board of directors and senior executives**

Board members are appointed by the State Government under the *Electricity Corporations Act 2005 (WA)* following State Government approval processes that also outline the compensation payable for their services.

The Chief Executive Officer's remuneration is determined by the Salaries and Allowances Tribunal, and performance is assessed by the Board annually against Key Performance Indicators listed in our Strategic Development Plan.

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

Remuneration settings have been changed to align with State Government policy, specifically by implementing a remuneration freeze for all comparable positions to those covered by the Salaries and Allowances Tribunal, which includes our senior executives.

### **Principles used to determine the nature and amount of compensation**

Compensation approval protocols are as follows:

- Provide market-competitive remuneration to employees, having regard to both the level of work assigned and the effectiveness of performance
- Allocate remuneration to employees on the basis of merit and performance
- 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-benefit tax.

### **Total fixed remuneration**

The compensation framework is market-competitive and performance-based, with flexibility for the package to be structured at the Executive's discretion upon a combination of cash, a selection of prescribed non-financial benefits, superannuation and cost of fringe-benefits tax. External remuneration consultants provide analysis and advice to ensure remuneration is set to reflect the market for a comparable role. Remuneration for executives is reviewed annually to ensure the level is market-competitive. There are no guaranteed remuneration increases included in any executive contracts.

### **Non-financial benefits**

Selection available: cost of novation of selected motor vehicle and the cost of fringe-benefits tax.

### **Superannuation**

Paid in accordance with the amount required under the *Superannuation Guarantee (Administration) Act 1992 (Cth)* on the executive's behalf to a superannuation fund that is a complying superannuation fund within the meaning of that Act.

**Table 14: Board of directors and executive remuneration for 2019/20**

Remuneration 2019/20	Cash salary and fees \$	Super annuation \$	Other remuneration \$	Total \$
<b>Non-executive directors</b>				
S Tough (Chair) <sup>1</sup>	54,442	5,172	-	59,614
R Wills (Director)	45,000	4,275	-	49,275
P Oates (Deputy Chair)	60,000	5,700	-	65,700
K Chamberlain (Director)	45,000	4,275	-	49,275
G Reynolds-Adamson (Director)	45,000	4,275	-	49,275
S Di Bartolomeo (Director)	45,000	4,275	-	49,275
Michael Court (Non-Executive Director) <sup>2</sup>	-	-	-	-
<b>Disclosure for the five executives with the highest emoluments</b>				
D Tovey (General Manager Corporate Services & Company Secretary) <sup>3</sup>	165,400	23,021	751,283	939,704
S Unwin (Chief Executive Officer)	514,315	48,860	-	563,175
B Bourke <sup>4</sup>	38,707	5,407	442,325	486,439
M Houlahan (Chief Financial Officer)	383,562	36,438	-	420,000
D Hill (General Manager Commercial and Business Development)	328,767	31,233	-	360,000

**Notes to Table 14**

1 Commenced as Chairperson on 26 November 2019.

2 M Court is a government representative and not remunerated by Horizon Power.

3 Ceased as General Manager on 19 December 2019. Other remuneration includes redundancy pay (\$461,580), payment in lieu of notice (\$76,930), leave payout (\$207,773) and separation payment (\$5,000).

4 B Bourke was not part of the Executive. Other remuneration includes leave payout (\$357,761), travel allowance (\$5,560), payment in lieu of notice (\$12,648) and ex-gratia payment (\$66,356).

## 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 and sets out the powers and duties of the corporation.

## Electricity licences

The *Electricity Industry Act 2004* [WA] requires participants who generate, transmit, distribute or retail electricity in Western Australia to obtain a licence to operate. Licences are issued by the Economic Regulation Authority [ERA or the Authority]. We were issued with an Integrated Regional Licence on 30 March 2006.

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

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

## Compliance with other legislation

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

## Restriction on the area within which we may operate

Within Western Australia, the performance of our functions is limited to those parts of the State that are not serviced by the South West Interconnected System.

## Observance of the Code of Conduct

Section 33 of the *Electricity Corporations Act 2005* [WA] [Act] requires the Board of Horizon Power to provide to the Minister for Energy, at the same time as delivering its annual report, a separate report on the observance of its Code of Conduct by staff.

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 six minor misconduct matters that have been reported to the Public Sector Commission. In addition, there were two serious misconduct matters that have been reported to the Corruption and Crime Commission. One of the serious misconduct matters reported to the Corruption and Crime Commission is being assessed by the Corruption and Crime Commission.

## Shared responsibility with other agencies

We did not share any responsibilities with other agencies during the 2019/20 financial year.

## State Records Act 2000

We maintain and support high-quality record-keeping practices in our day-to-day business activities. The function of managing records resides within individual business divisions.

All records are managed according to the requirements of the *State Records Act 2000* and our approved record-keeping plan. Our record-keeping plan is reviewed annually to ensure currency, and updates are submitted to the Minister for Energy and State Records for approval.

Regular reviews of record-keeping systems and practices are conducted as required to ensure efficiency and effectiveness. Training programs for core systems, supplemented by the provision of relevant information on the business' intranet, are provided and reviewed to ensure they reflect new business requirements.

Our online employee induction includes the business's Code of Conduct, which explains an employee's responsibilities with respect to information and knowledge management. We regularly review our induction process to ensure it includes all relevant information for employees and will continue to refine this process. Additional information about this is easily accessible to all employees on our intranet.



### Western Australian Electoral Act 1907

In accordance with the requirements of Section 175ZE of the *Western Australian Electoral Act 1907*, the following information is presented in respect of expenditures (excluding GST) incurred during 2019/20. This expenditure includes costs associated with promoting customer support and services during COVID-19, electrical public safety advertising campaigns, community partnership programs, research and recruitment.

**Table 15: West Australian Electoral Act 1907 expenditure 2019/2020**

	Agency/organisation	Amount
<b>Marketing and advertising agencies</b>	Step Change Strategy, Rare, Impact Media, Capture Branding	\$131,779.88
<b>Marketing research organisations</b>	Meerkats, Faster Horses	\$141,710.00
<b>Polling organisation</b>	NA	NA
<b>Direct mail organisations</b>	Campaign Monitor	\$575.00
<b>Media advertising organisations</b>	Carat, Hearts and Science	\$267,092.16
		<b>\$541,157.04</b>

### Environmental regulations

The primary environmental legislation in WA is the *Environmental Protection Act 1986*, which gives rise to many regulations. The main regulations relevant to us include, but are not limited to:

- *Environmental Protection Regulations 1987* provide generally for the prevention and control of pollution and ensure that appropriate processes are established to manage pollution, noise and other environmental impacts generated by construction and operations
- *Environmental Protection [Controlled Waste] Regulations 2004* provide for the licensing of carriers, drivers and vehicles involved in the transportation of controlled waste on public roads
- *Environmental Protection [Native Vegetation Clearing] Regulations 2004* protect all native vegetation in Western Australia. Clearing native vegetation is prohibited, unless a clearing permit is granted by the Department of Water and Environmental Regulation or the clearing is for an exempt purpose
- *Environmental Protection [Unauthorised Discharges] Regulations 2004* provide for the prevention of unauthorised discharge of potentially environmentally harmful materials
- *Environmental Protection [Noise] Regulations 1997* provide for noise emitted on a premises or public place and received on another premises.

We operate in accordance with other relevant environmental obligations, which include, but are not limited to:

- *Environmental Protection and Biodiversity Conservation Act 1999 [Commonwealth]*
- *Contaminated Sites Act 2003*
- *Dangerous Goods Safety Act 2004*
- *National Greenhouse and Energy Reporting Act 2007*
- *National Environment Protection [National Pollutant Inventory] Measure 1998*
- *Biodiversity Conservation Act 2016*
- *Wildlife Conservation Act 1950.*

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

### **Operations during the 2019/20 financial year**

The *Electricity Corporations Act 2005* stipulates the specific and general information that is to be reported within the Directors' report for the current financial year.

To avoid duplication of content, please refer to the Operational Performance Report section for a review of our operations during the financial year and the results of those operations.

### **Financial performance**

We ended the year with a net profit after tax of \$8.9 million [2018/19: \$35.9 million].

Total income for the year recorded an overall decrease of 4 per cent compared to last year [\$536.0 million v \$560.0 million]. This reduction was mainly attributable to the previous year's one-off capital revenues. This year energy sales were higher by 4.6 per cent mainly due to higher temperatures in summer. COVID-19 did not impact overall sales as higher residential consumption offset impacted business demand. Government subsidies were down due to lower Tariff Equalisation Contributions [-\$27 million], offset by higher contributions from Community Service Obligations [+\$5.7 million].

Electricity and fuel purchases were higher than last year by ~2.6 per cent [\$238.3 million v \$232.2 million] but within expected levels. Operating expenses were also slightly higher than in 2018/19 mainly due to costs associated with Cyclone Damien and COVID-19 related costs. Depreciation and amortisation costs were higher due to application of new accounting standard AASB 16 - Lease, resulting in the capitalisation of assets previously classified operating leases; Finance costs were slightly below than previous year due to lower interest rates.

### **Balance sheet**

Our net assets amounted to \$595.9 million recording an increase of \$23.5 million compared to last year

Total asset base amounts to \$1,802 million, mainly made up of property, plant and equipment of \$1,576 million. Major projects undertaken during the year are listed in the capital expenditure program below.

As at 30 June 2020, cash at bank was \$89.9 million.

### **Capital expenditure**

We delivered a \$71.7 million capital expenditure program in 2019/20. Expenditures for the year were \$42.3 million on the Asset Management Plan; \$10.7 million on the Onslow Distributed Energy Resources project, \$6.9 million on the Karratha - Dampier Transmission Line Upgrade; \$3.6 million on Stand-alone Power Systems [SPS] project and \$8.2 million on other capital assets, including \$3.0 million on customer funded works.

### **Dividends**

During the year we paid dividends of \$2.4 million to the State Government, representing a final dividend on profits for 2018/19 of \$1.3 million and a special dividend of \$1.1 million.

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