



Statement of Corporate Intent

2017/18

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1. Purpose of the Document

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

The document reflects the business intentions of Regional Power Corporation, trading as Horizon Power, for the 2017/18 financial year.

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

The SCI is consistent with the Corporation's Strategic Development Plan (SDP) 2017/18 – 2021/22. The SDP sets out Horizon Power's economic and financial objectives and operational targets over the medium term, and the commercial strategies and initiatives it will pursue.

2. Executive Summary

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

Strategic review – the foundation for growth

Horizon Power recently achieved its Strategic Review target of reducing its operating subsidy by \$100 million per annum by 2017/18. Since 2013, the Strategic Review has served as a platform for Horizon Power to maintain and extend its core business, while responding to the dynamic disruption in the energy market and continuing to deliver safe, reliable and affordable services.

Recognising that efficiency alone will not ensure long-term sustainability in the rapidly changing energy market, Horizon Power has been exploring new business opportunities and developing viable options that will help it remain relevant to its customers over the long term.

The challenge of remote operations

Horizon Power is challenged by a vast service area with the fewest customers per square kilometre in the world – a service area of approximately 2.3 million square kilometres and an average of one customer for every 56.5 square kilometres of terrain. These customers range from inhabitants of remote, isolated communities with fewer than 100 people to residents and small businesses in busy regional towns throughout the state. Our interconnected systems and our islanded systems (known collectively as microgrids) are exposed to intense heat and cyclonic conditions in the north and severe storms in the south.

Remote operations add significant cost to the business that is not returned through tariffs. The electricity industry is also undergoing unprecedented change that places the traditional utility business model at risk. Faced with this disruption, Horizon Power recognises it must go beyond efficiency to ensure it remains sustainable in an energy landscape increasingly powered by renewable sources. Through our comprehensive review of our isolated systems (microgrids), we have developed blueprints that forecast different business futures for our microgrids. We are predicting our operations will comprise a mix of highly centralised, highly distributed, remote community, and stand-alone systems in the future, and as such we are

investing in our assets and capabilities to maximise the value we deliver to our customers and to our shareholder.

Price reform critical to enable customer choice and reduce subsidy

In addition, Horizon Power is working with Government on options for pricing reform that will give pricing signals to our customers that are more reflective of their impact on the cost of supply, along with tools for managing their consumption. If implemented, this initiative will also reduce subsidies and benefit State finances.

At the same time, Horizon Power is embracing the role customers play in energy delivery and service design. Through its retail strategy, it is exploring new products, services, and technologies that will provide customers more choice of energy products and services, enable them to make more informed decisions about their energy use and expenditure, and give them more ways to interact with Horizon Power as their energy provider.

Power for the Pilbara

Horizon Power has ensured sufficient capacity for the Pilbara in the long term while minimising the impact on net state debt through the Pilbara Power TransAlta generation solution, and it is ensuring its Pilbara Grid business can drive the most economically beneficial outcomes for Government and its customers through a program of reform. Through the combined-cycle gas technology of the new TransAlta power station, Horizon Power will be able to deliver electricity at lower cost and compete for new loads in the Pilbara. As a measure of this success, in 2016 Horizon Power was awarded the Roy Hill Port contract, which delivers a 20MW power purchase agreement over 15 years.

Horizon Power continues to address safety and reliability concerns by delivering underground power in cyclone-prone areas like the Pilbara, and by developing a new power supply for Onslow. Installation of advanced meters has enabled automatic meter-reading and improved meter accuracy, lowering our cost to serve by over \$7 million per annum.

Horizon Power is working with parties to implement contestability in the Pilbara on terms that effectively deliver competition and manage the resulting risks, consistent with the way they are managed in the South West Interconnected System (SWIS).

Microgrids

Horizon Power's System Blueprints shows that a distributed energy resource (DER) supply model will be the predominant model in the future. A DER supply model is one in which over 50% of the energy demand is supplied by the customer. Modelling has indicated that by 2050, single systems may reach up to 80-90% of the energy supplied by the customer. This development represents a paradigm shift for the way we view our business. Developing a microgrid operating platform and managing and controlling multiple generation sources as a single entity will be critical to realising this future. Furthermore, our Consumer Energy division will deliver products and services that will help customers manage choice and costs through PV panels, batteries, smart inverter and energy efficiency.

Developing the microgrid operating platform will create tangible and intangible value for our shareholder by lowering the cost of supply and creating new business opportunities. Horizon Power has a unique opportunity to develop, deploy and enhance new technologies that leverage our remote microgrids and customer base. Horizon Power has a systematic plan of initiatives to realise this highly distributed future.

Multi-utility

Building on its microgrid operating platform, Horizon Power is exploring a multi-utility service, which could represent a substantial opportunity for the organisation to increase its enterprise value and realise operational cost-efficiencies by increasing scale and scope.

Horizon Power is working with Government to improve services in remote aboriginal communities as part of the remote area essential service program (RAESP), and exploring how a multi-utility service can deliver:

- Proven operational efficiencies – Deploy an efficient multi-utility operating model that manages both power and water services via a single accountable entity, improving coordination and service delivery.
- Regionally relevant solutions – Horizon Power is a regional utility with a business model centred on delivering efficient and effective services to regional and remote Western Australia. Horizon Power is driven to find solutions to the challenges of distance in providing remote services cost-effectively.

Horizon Power is considering two multi-utility projects – Rottneest Island and RAESP – which will lay the foundations and build internal capability for delivering an innovative, multi-utility solution that provides cost benefits and customer benefits through our customer-centric microgrid operating platform.

Horizon Power has implemented major internal structural and strategic reforms over the last five years, enabling it to deal with:

- escalating costs of supply that increase operational subsidies beyond levels considered sustainable;
- negotiating a commercially viable gas supply to service growing forecast demand;
- discrete reliability and capacity requirements across Horizon Power's service area;
- the increasing viability of disruptive technologies, such as distributed energy resources (DER) and off-grid supplies;
- increasing competition in the North West Interconnected System (NWIS), general market contestability and Government-led market reforms; and
- softening demand driven by broader economic conditions.

Horizon Power will continue to focus on the total value of its business and on maximising shareholder value by reducing its dependence on operating subsidies while not detrimentally affecting the State's financial measures, namely net state debt and net operating balance.

Ian Mickel
Chairman

31 July 2017

Frank Tudor
Managing Director

3. Current State

Horizon Power is responsible for generating, procuring, distributing and retailing electricity supplies to more than 100,000 residents and 10,000 businesses in Western Australia outside the SWIS across approximately 2.3 million square kilometres. Horizon Power has one customer for every 56.5 square kilometres in its service area, less than 10 per cent of the number of customers in the SWIS spread over an area 10 times greater.

Horizon Power has three regional divisions, one that manages the NWIS network (Pilbara Grid), one that manages retail in the Pilbara and business development (Business Development), and one that manages the non-interconnected systems (Microgrids). A support centre in Bentley assists the three regional divisions. In keeping with the organisation's new vision, two divisions last year were renamed Pilbara Grid and Microgrids, respectively.

Activity in the NWIS accounts for 53 per cent of Horizon Power's total sent-out energy sales and covers the resource-rich towns of Port Hedland, South Hedland, Point Samson, Roebourne and Karratha.

Within the Microgrids division, there are three regional centres in the Kimberley, Gascoyne/Mid-West, and Esperance. These regional centres cover the towns of Kununurra, Broome, Carnarvon and Esperance, as well as a number of small, remote systems.

Horizon Power recognises that although Pilbara Grid and Microgrids share a common objective of delivering safe and reliable power, the divisions have significantly different economic drivers. As such, Horizon Power manages the two regional divisions as distinct markets with their own risks and opportunities. Where relevant across its systems, Horizon Power is working collaboratively with Western Power and Synergy to take advantage of scale.

Horizon Power supports an increase in competition for electricity services in the Pilbara. The availability of competitively priced and secure electricity is essential for the development of the region and continues to be Horizon Power's focus. Horizon Power has been in negotiations with multiple parties to introduce competition in the Pilbara. Horizon Power is progressing these negotiations to deliver:

- a system pricing regime largely consistent with regulation outlined in the *Electricity Network Access Code 2004*.

- innovative energy settlement arrangements that allow customers to purchase from multiple suppliers, improve competitive outcomes, and drive more efficient use of generation assets.
- protection for Horizon Power and the WA taxpayer from financial claims that is as close as possible to that which applies to Western Power System Management and the Australian Energy Market Operator in the South West.

Horizon Power completed a restructure in 2016 to position itself for competition in the Pilbara by creating a separate division to manage the networks in the Pilbara.

In our Microgrids, Horizon Power is exploring new technology, such as high-penetration embedded photovoltaic systems and battery storage, to accelerate the transition to a DER business future. The Onslow DER Project represents a significant investment in a DER business future by exploring the options for developing a safe, reliable, high-penetration renewable solution for Onslow while achieving the lowest possible cost to supply. This project will showcase our expertise while fulfilling the obligations outlined in the State's Onslow Power Upgrade Project.

Recognising the importance of consumer- and technology-driven shifts in the energy sector, Horizon Power in 2016/17 formed two new divisions:

- Consumer Energy will aim to help customers navigate a new energy landscape in a way that benefits them and our network business.
- TechCo is focussed on resolving economic, technical and transition barriers to a DER future through the development of new technologies, capabilities and operating practices.

In March 2017, Horizon Power achieved the primary aim of the Strategic Review: to reduce its operating subsidy by \$100 million annually, by 2017/18. This significant achievement comes from many years of hard work and innovation across all of Horizon Power's business units. The organisation is much smarter and more efficient than at its inception in 2006, with well-established business practices and a positive culture in place, helping to prepare it for an uncertain future in a rapidly evolving industry.



Figure 1 - Horizon Power's Service Area

4. Objectives

Horizon Power in October 2016 launched its new vision: “creating customer choice by being the world’s best microgrid company”.

Having served customers in remote microgrids for over ten years, Horizon Power is already a microgrid company with demonstrable experience and expertise.

Recognising the disruption to the traditional utility business model and the increasing involvement of customers in decisions about energy demand and use, Horizon Power has embraced a number of practices designed to make it the best in its field. Chief among these are Horizon Power’s System Blueprints, which enable the organisation to determine when it is economical to deliver energy via a new energy supply model or “business future”.

A microgrid-focussed vision is still aligned with Horizon Power’s strategy to benefit our shareholder directly and indirectly by reducing the state’s net debt and net operating balance.

Horizon Power will continue to focus on maximising long-term value while in the short term improving efficiencies, managing external challenges, and embracing opportunities. In the long term, Horizon Power will adapt to its operating environment to deliver sustainable energy solutions and remain relevant for its customers by removing barriers to renewables and creating greater choice.

Horizon Power is driving down the cost of generation and exploring alternatives to conventional electricity systems through streams of work focussed on reforming pricing structures, reducing operating costs, driving embedded renewable systems, developing intelligent system and network control, and empowering consumer choice. Delivery of these streams of work is expected to reduce the long-run cost to supply, which is central to Horizon Power’s aims of reducing the subsidy it receives from government.

Horizon Power is now also tapping into the power of data from its advanced metering infrastructure (AMI). Information about our customers’ energy use and expenditure is enabling us to explore a range of new products and services that will empower our customers to use energy and energy services the way they want while reducing our costs to serve.

Horizon Power’s primary key performance indicator has been to pursue initiatives that would reduce its operating subsidy by \$100 million by 2017/18. Horizon Power achieved this in March 2017 by completing the remaining initiatives started under its Strategic Review of 2013. As a consequence, the organisation will in the new financial year launch a KPI that supports Horizon Power’s new vision and continues to deliver value to the shareholder.

Horizon Power’s Vision is underpinned by three focus areas, as illustrated below and consistent with Appendix A – Business Values and Vision.



Figure 2: Horizon Power’s vision and focus areas 2017/18

Horizon Power has selected a set of critical business outcomes and key performance indicators (KPIs) to measure its success in achieving its Vision. These are set out in Appendix B – Key Performance Indicators.

5. Initiatives (Inc. Capital And Asset Management)

5.1 Approved Asset Investment Program

Horizon Power's State Government-approved asset investment program for the SDP period is forecast at \$356.8 million, as shown in the table below.

Government Approved Major Projects	2017/18 (\$m)	2018/19 (\$m)	2019/20 (\$m)	2020/21 (\$m)
6.1.1 Asset Management Plan				
- Asset Replacement	14.0	14.5	14.9	15.4
- Capacity	2.8	2.9	3.0	3.1
- Regulatory Compliance	0.3	0.3	0.3	0.4
- Reliability	1.6	1.7	1.7	1.8
- Safety	5.6	5.8	6.0	6.2
- Other*	21.0	13.8	13.1	13.6
6.1.2 Onslow Power Station Network Connection	52.8	48.0	2.8	0.0
6.1.3 Transmission Connection to Roy Hill's Facilities	18.9	0.0	0.0	0.0
6.1.4 Pilbara Underground Power Project	22.9	0.0	0.0	0.0
Other Customer Driven Works	14.3	10.7	11.1	11.4
TOTAL	154.4	97.7	52.9	51.8

* Knowledge and Technology investment, Mobile Plant and Operational Fleet, and Property Management

Note: Due to rounding, some totals may not correspond with the sum of the separate figures.

Table 1: Government-approved major projects

5.1.1 Asset Management Plan (AMP)

Horizon Power's Asset Management Plan (AMP) has seven fit-for-purpose objectives: safety, regulatory compliance, capacity, reliability, quality, economics, and asset service.

The AMP uses Horizon Power's Risk Management Framework, which has been enhanced to manage expenditure by balancing the cost of mitigating risk with the value gained in the reduction of the risk (risk-adjusted value, or RAV). By reducing risk to as low as is reasonably practicable, Horizon Power can reduce expenditure without affecting safety and reliability.

By prioritising investments based on RAV, Horizon Power can maintain or improve its aggregate risk position with a

significantly reduced recurrent capital expenditure when compared to previous AMP forecasts.

Horizon Power will mitigate prioritised risks associated with Horizon Power's energy and non-energy assets. This includes addressing the customer interruption risks in Kununurra, which are being mitigated through the AMP and are substantially complete.

AMP expenditure is having positive impacts on reliability (as measured by SAIDI and SAIFI) in Kununurra and Hopetoun rural areas particularly, and we are expecting further improvements to drive up the reliability of our systems elsewhere.

With the introduction of the Electricity (Network Safety) Regulations 2015, Horizon Power reports on objectives to EnergySafety over a 12-month period. These objectives centre on the safety of our network assets and the impact they have on workers and the public. November 2016 marked the first year we reported against these objectives; for the 2015/16 year, Horizon Power achieved its objectives with respect to network safety, and we exceeded our own published expectations.

The AMP develops plans to reduce the business' risk profile. For 2016/17, the activities it identified were delivered to the allocated funding.

The asset management process will be reviewed in line with the disruptive technologies affecting the sector and Horizon Power. Specifically, we plan to apply the outcomes of initiatives in other parts of the business, such as the examination of standalone power systems, to the AMP. The AMP will thus be better positioned to look at a variety of options for solving network challenges, especially capacity and reliability.

5.1.2 Onslow Power Project

The Onslow Power Project includes the Onslow Power Station Network Connection Project and the Onslow Power Infrastructure Project. Approved funding relates to the temporary generation and the network connection projects.

Demand in Onslow is forecast to increase from 3MW in 2016 to approximately 5MW in 2019. The growing demand is influenced by the Wheatstone LNG project and other developments in the area.

Onslow Power Station Network Connection

This project will facilitate connection of the existing distribution network to the new power infrastructure being installed as a part of the Chevron-funded works.

Onslow Power Infrastructure Project

Through an agreement with the State of Western Australia, Horizon Power is obligated to deliver power infrastructure upgrades in Onslow for a capped funding contribution underpinned by the state's Ashburton North (Wheatstone Project) State Development Agreement with Chevron.

The works are in two stages:

- Stage one, to be delivered in 2017, includes installation of a modular power station connecting 33kV transmission circuits and a zone substation.
- Stage two, to be delivered in 2018, is anticipated to include renewable generation (solar farm) and battery storage components distributed away from the main power station.

5.1.3 Transmission Connection to Roy Hill Facilities

In October 2016, Horizon Power received approval to construct a network connection between Roy Hill Holdings' port facilities and the NWIS.

To meet the scheduled commencement of operation for power supply to Roy Hill Infrastructure, Horizon Power will construct and install the network connection by December 2017.

5.1.4 Pilbara Underground Power Project (PUPP)

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

The scope of the project includes the towns of Karratha, Roebourne, Onslow, South Hedland and Wedgefield. Port Hedland was undergrounded as a part of the State Underground Power Project in 2005/06 by Western Power.

The project is funded by the Royalties for Regions program, contributions from local government authorities, and Horizon Power.

By June 2014, Horizon Power completed the portion of the works in phase 1. This included connection of 3,035 lots to the new underground networks, installation of new streetlights, and removal of the redundant overhead network across South Hedland, Wedgefield and parts of Karratha. Most of the Karratha voltage upgrade works were also completed.

In 2015, Horizon Power executed a new funding agreement with the Department of Regional Development for phase 2 under Royalties for Regions.

Site works re-commenced in Karratha, and the remaining suburbs will be completed in 2018. Roebourne was completed in 2016, and Onslow undergrounding works begun in 2017 will be completed by early 2018. Works in Onslow will also consider developments connected with the Onslow Power Station Network and Infrastructure projects.

Overall project completion is scheduled for June 2018. The project is slightly ahead of schedule and will be delivered under budget.

5.2 Strategic Projects

Horizon Power regularly evaluates options to mitigate risks and realise opportunities across the business. Some of these are strategic projects that may result in recommendations that relate to existing projects or form entirely new projects.

In March 2017, Horizon Power achieved its target of reducing its annual subsidy by \$100 million without compromising safety, reliability and services, or detrimentally affecting the State’s financial position.

Horizon Power’s operating model review more than halved discretionary operating costs, increased accountability for regional offices, and reduced the number of permanent staff.

The successful implementation of the advanced metering infrastructure (AMI) project has led to over \$7 million in savings per annum. Further savings have been realised by streamlining processes and implementing initiatives that optimise our asset management and customer management functions. A customer portal has been developed and “My Account” successfully launched, enabling customers to request services, and check and pay bills online, reducing customer service costs.

A pricing reform project seeks to reduce the operating subsidy and improve the State’s financial position through a pricing and subsidy framework that minimises peak load growth and supports third-party investment in distributed generation.

A capital productivity review improved capital allocation decisions, project delivery and existing asset productivity. Horizon Power has developed a new asset management framework to reduce capital expenditure.

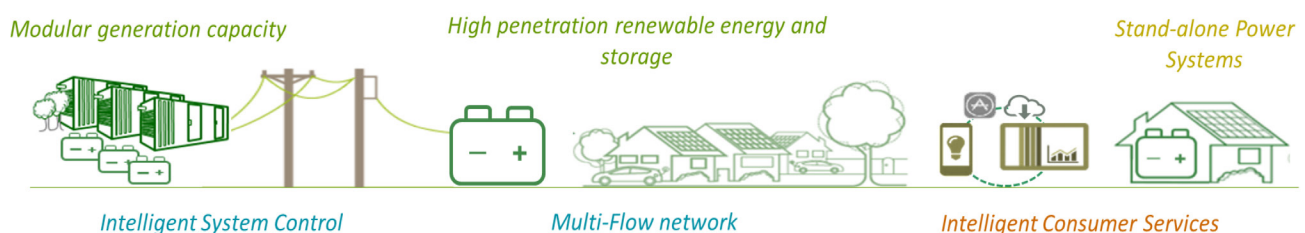
As part of its generation review, which sought to increase generation efficiency and lower the cost of production, Horizon Power successfully negotiated a new PPA for the provision of generation in seven towns in the Mid-West, delivering cost savings compared to the previous supplier.

Horizon Power is continuing its program to comprehensively design a DER model of the future, with the express purpose of further driving down the supply cost of this business future, comprising six elements: modular generation capacity, intelligent system controls, high-penetration renewable energy and storage, multi-flow network, intelligent consumer services, and stand-alone power systems.

In addition to the work completed under its Strategic Review, Horizon Power has made some significant strategic investments in capability, policy development and business readiness to facilitate a highly-DER business future.

In parallel, Horizon Power’s retail strategy – powered by AMI data – is exploring a range of retail futures designed to increase customer choices, enable them to make informed decisions, and facilitate a range of channels through which they can transact with Horizon Power.

Figure 3 – Distributed energy resource (DER) system



6. Financial Statements

Accounting standards/policies

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

Payments to Government

Horizon Power's payments to Government include:

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

Dividend Policy

Horizon Power complies with the Government's dividend policy of paying 75 per cent of Net Profit After Tax. Dividends are declared in consultation with the Minister for Energy; 75 per cent of the projected financial year dividend will be paid in the financial year the dividend is declared, and 25 per cent will be paid in the subsequent year, subject to satisfying a solvency test. Note that the interim dividend for 2016-17 was deferred and instead will be paid as a full dividend in 2017-18.

7. Ministerial Reporting

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

Quarterly Report

Horizon Power will provide to the Minister for Energy and the Western Australian Treasurer a report on performance for each three-month period. These quarterly reports will detail the actual quarterly and year-to-date performance

of the business, provide comparisons to Statement of Corporate Intent targets, and highlight any matters of interest. The business will submit the quarterly reports in accordance with the requirements of Section 106 of the *Electricity Corporations Act (2005) WA*.

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

Annual Report

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

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

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

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

8. Community Service Obligations

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

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

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

Operating Subsidy	2017/18 (\$m)	2018/19 (\$m)	2019/20 (\$m)	2020/21 (\$m)
Aboriginal and Remote Communities Project - Stage 1	6.2	5.0	4.8	4.8
Aboriginal and Remote Communities Project - Stage 2	2.0	2.0	2.0	1.9
Air Conditioning Allowance	0.5	0.6	0.6	0.7
Dependent Child Rebate	0.5	0.6	0.6	0.7
Energy Assistance Payment	1.4	1.4	1.5	1.5
Feed-In Tariff	0.0	0.0	0.0	0.0
Tariff Adjustment Payment	9.4	0.2	0.0	0.0
Tariff Migration - Caravan Park subsidy	0.2	0.2	0.3	0.3
TOTAL	20.2	10.0	9.8	9.9

Table 2: Horizon Power's Community Service Obligations

Appendix A: Business Values And Vision

Horizon Power’s Purpose – our fundamental reason for being – is Energy for Life.

Since 2013, Horizon Power has had a primary KPI of delivering “initiatives which will reduce our annual operating subsidy by \$100 million per annum by 2017/18.”

Now that the target has been met, Horizon Power in the 2017/18 financial year will launch a new KPI that supports its new vision of creating customer choice by being the world’s best microgrid company.

Our objectives continue to be Safety: Minimise the risk of harm; Value: Maximise long-term value; and Community: Be a high-performing business.

Our strategy focuses on business excellence, System Blueprints, capital productivity, customer, Pilbara integrated market, and leadership.

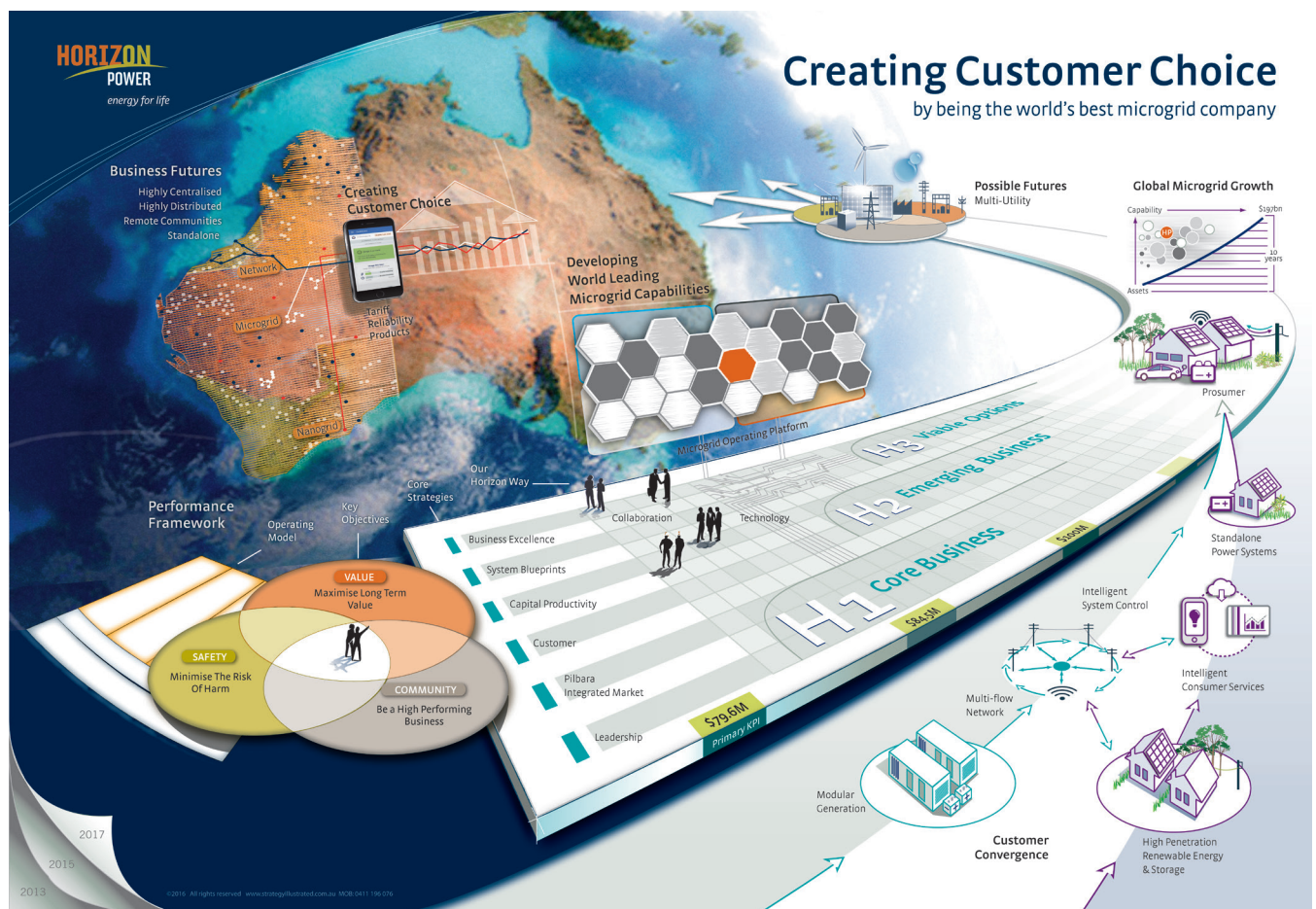


Figure 4: Horizon Power’s strategy map

Appendix B: Key Performance Indicators

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

Critical Business Outcomes	2016/17 YTD Actuals	2017/18	2018/19	2019/20	2020/21
Safety – Minimise the risk of harm					
Lost Time Injury Frequency Rate	3.8	0.0	0.0	0.0	0.0
Total Number of Notifiable Public Safety Incidents	6.0	8.0	8.0	8.0	8.0
Unassisted Pole Failure rate	1.11	1.0	1.0	1.0	1.0
Value – Maximise long-term value					
Cost to Supply Unit Cost (cents / kWh)	30.2	32.7	32.3	32.6	32.9
Return on Assets (%)	6.59%	12.28%	5.31%	5.66%	5.77%
NPAT (\$M)	33.2	114.8	27.6	33.9	36.7
Community – Be a high performing business					
Customer Satisfaction (%)	77.0	70.0	70.0	70.0	70.0
Major Project Completion Within +/- 5% of approved budget (%)	100.0	100.0	100.0	100.0	100.0

Table 3: Horizon Power's key performance indicators and targets

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

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

Table 4: Horizon Power KPI definitions and metrics



www.horizonpower.com.au