

# Quarterly Performance Report

For the period July – September 2018

## Performance overview

This performance report covers the three month period commencing 1 July 2018 and ending 30 September 2018. For statistics prepared on a rolling 12-month basis, data from to 1 October 2017 is used.

### Business highlights

- The new Onslow gas-fired power station was completed in July 2018 and is now servicing the electricity needs of the Onslow community.
- The upgrade to our billing system has been completed. The new platform will enable customers to perform a wide range of self-service functions via the website and mobile applications. The upgrade provides Horizon Power with an enhanced billing tool, capable of supporting a wide variety of products and pricing structures, and increased functionality, to enable implementation of new features in the future to meet our customers' evolving needs and expectations including the ability to respond to customer enquiries raised through My Account.
- Horizon Power, in conjunction with the Public Utilities Office and Treasury is preparing a submission to Government providing an overview of the findings from Horizon Power's successful *Power Ahead* and *MyPower* Demonstration projects that will include:
  - Customers understood the product - 72% say it's fairer.
  - Customers liked it - 84% will stay on the product.
  - Customers were motivated to change behaviour patterns - 88% changed.
- Horizon Power has established a framework to implement the Government's Aboriginal Procurement Policy. The project is being rolled out across Horizon Power to achieve an effective and sustainable implementation of the Policy and for successful engagements with Aboriginal businesses.
- Horizon Power has been named an ABA100 Winner for Business Innovation in the Australian Business Awards 2018, for our digitisation of the customer experience. In the same week, our unique pricing plans secured us a place in the Australian Financial Review's 2018 Most Innovative Companies List.
- Horizon Power reached in principle agreement with the CEPU and delegates for the Horizon Power and CEPU Enterprise Agreement 2018.

### Financial performance

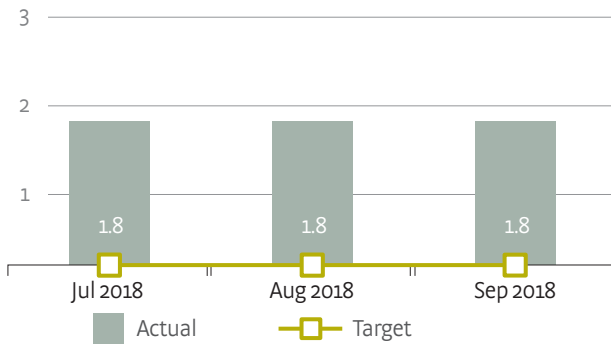
- Horizon Power reported a year to date net Profit After Tax (NPAT) of \$2.9M compared to a budgeted (State Budget Forecast) of \$3.6M. The unfavourable variance of -\$0.7M is mainly driven by one-off expenses of -\$1.8M and higher depreciation (-\$1.0M) offset by higher electricity sales (+\$1.7M), mainly from contract customers in the Pilbara and savings from interest and tax.
- Year to date capital expenditure amounted to \$25.8M against a budget of \$27.0M. The variance of \$1.2M is due to timing differences on the Assets Investment Program.

### Stakeholder service

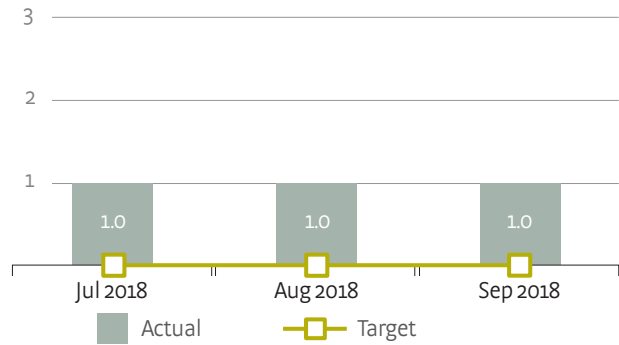
- During the quarter, Horizon Power provided responses to seven Ministerials and a number of requests for further information from the Minister.
- 2018/19 Statement of Corporate Intent and Strategic Development Plan, 2017/18 Annual Report & Financial Report and Annual Network Quality & Reliability of Supply Performance Report were submitted to the Minister.

## Safety, Health & Environment

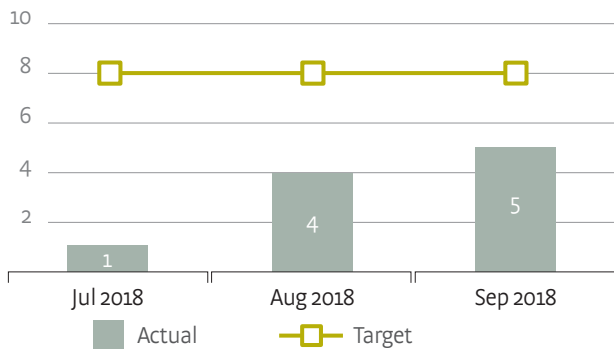
**Lost Time Injuries Frequency Rate** 12 month rolling average



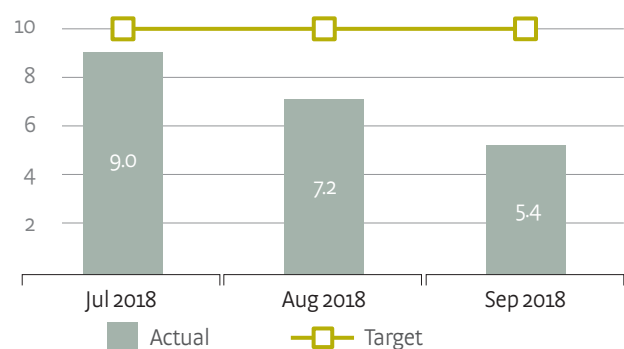
**Lost Time Injury Severity Rate** 12 month rolling average



**Public Safety Incidents** 2018/19 Financial year to date



**Total Recordable Injury Frequency Rate** 12 mth rolling average

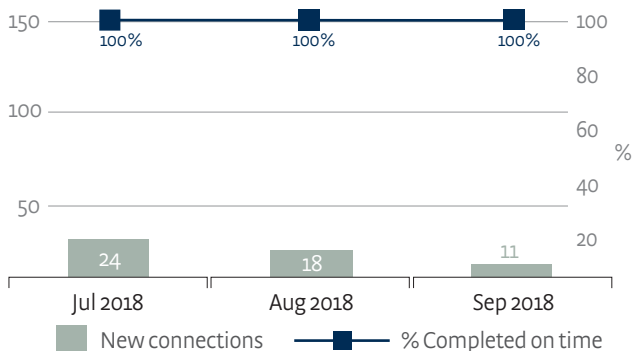


- The Lost Time Injuries Frequencies Rate is 1.8.
- 8 months employee lost time injury free.
- The lost time severity rate for the quarter was 1.0; the same rate as the previous quarter.
- There were five Public Safety Incidents for the quarter. The incidents were:
  - One faulty neutral;
  - One uni pillar fire;

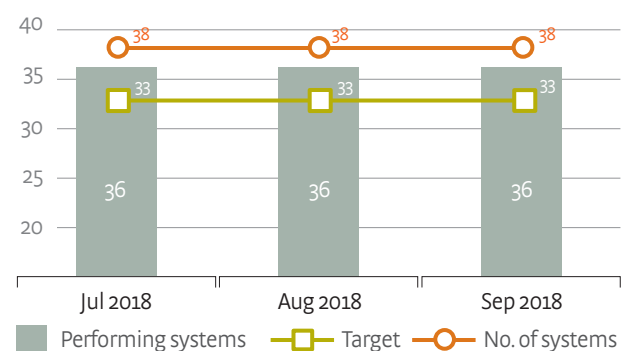
- One cable failure;
  - One corroded transformer neutral bolt; and
  - One cable hit by an excavator.
  - There were no reportable fuel spills during the quarter.
  - The Unassisted Pole Failure rate\* was 0.87 for the quarter and within the target of 1.00
- \* 3 Year rolling average per 10,000 poles

## Customer Service & Electricity Delivery

**Customer Connections**



**Performing Systems** out of 38 systems



- 100% of new customer connections were completed on time.
- There were 53 new connections during the quarter.

## Financial Performance – Actual v/s SBF

Net Profit After Tax for year to date September 2018 was lower than the State Budget Forecast, with variances broken down as follows:

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

	Period Ended September 2018		
	ACTUAL	SBF	VAR
Income	126.5	124.6	1.9
Cost of Goods Sold	54.4	54.0	-0.4
Operating Labour, Overheads & Materials	29.2	27.5	-1.8
<b>EBITDA</b>	<b>42.8</b>	<b>43.2</b>	<b>-0.3</b>
Depreciation and Amortisation	22.5	21.5	-1.0
<b>EBIT</b>	<b>20.4</b>	<b>21.6</b>	<b>-1.3</b>
Interest	16.2	16.6	0.4
Income Tax	1.2	1.5	0.3
<b>Net Profit After Tax</b>	<b>2.9</b>	<b>3.6</b>	<b>-0.7</b>

#### 1. Income

A favourable variance of +\$1.9M in income primarily due to the following:

- (I) Higher electricity sales in Pilbara of +\$1.7M driven by higher contract customer sales.
- (II) Miscellaneous revenue recorded a positive variance of +\$3.2M mainly due to the recognition of Onslow Salt contribution of \$2.7M and higher gas revenue of \$0.4M.
- (III) Customer and developer contribution was lower by -\$3.2M. At this early stage of the year, the variance is mainly attributable to timing difference resulting from the budgeted profiling of this revenue across the year.

#### 2. Cost of Goods Sold

An unfavourable variance of -\$0.4M mainly driven by higher electricity and gas purchased for higher sales volume.

#### 3. Operating Labour, Overheads and Materials

An unfavourable variance of -\$1.8M includes higher operating labour costs from redundancy payments which will result in savings in the longer term and labour under recovery to capital projects.

#### 4. Depreciation

The Negative variance of -\$1.0M in Depreciation is mainly due to higher level of capitalisation and accelerated depreciation on assets.

#### 5. Interest and Income Tax

The favourable variance of \$0.4M in interest is due to funding received in advance for the Onslow DER project resulting in less debts and lower interests. The favourable variance in tax of \$0.3M is due to the low profit compared to budget.

## Other Performance Measures

KPIs	Actual	Target	Commentary
<b>Business Value</b>			
Unit Cost to Supply (cents/kWh)*	39.1	35.1	Whilst the actual YTD cents/kWh is higher than the annual target, it aligns to expectations due to seasonal impact and lower throughput in the colder months.
Return on Assets (%)**	7.0%	6.6%	Return on Assets based on an annualised forecast EBIT, which is forecast to be slightly higher than budgeted.
<b>Community</b>			
Customer Satisfaction (Annual) (Survey rating %)	80%	≥70%	Customer satisfaction based on the Annual Survey of June 2018. An increase of 3% from 2017.

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

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