

# We're connecting purpose with action

QUARTERLY

PERFORMANCE REPORT

For the period October – December 2022

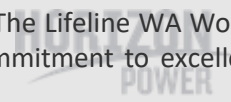


# Performance Overview



## Business Highlights

- In November 22, Horizon Power formally launched its refreshed business strategy- *'We're connecting purpose with action'* for 2022-2025. The refreshed strategy realigns our business goals to the State Government commitment of reducing carbon emission by 80% by 2030 in line with a global decarbonisation agenda and the changing expectations of our customers, employees and general community sentiment. The refreshed strategy also accelerates our plans for the next ten years to help our customers stay on top of their energy consumption. A key element of the refreshed strategy is a shift away from carbon offsets to a genuine focus on carbon reduction and abatement activities to deliver real change toward a greener future by 2030.
- Horizon Power adopted a new organisational structure in December 22 to ensure that the organisation is future ready, better set up to deliver the refreshed strategy and provide clarity around each divisions' purpose. Among the key changes are the establishment of a new division – *Engineering and Project Delivery* – focusing on renewables integration and delivery.
- The Australian Services Union Salaried Enterprise Agreement was successfully voted yes in November 22. An extensive Engagement process was undertaken with relevant staff and the Union to achieve this outcome.
- In November 22, Horizon Power celebrated the first production of hydrogen at the Denham Hydrogen Demonstration Plant. The renewable energy generation is expected to offset 140,000 litres of diesel annually and provide a decarbonisation pathway for future energy systems in regional WA, supporting Horizon Power's goal of reducing our carbon emissions by 80% by 2030. The project is leading the demonstration of hydrogen as a base load fuel source in Australia and provides valuable learnings to support its commercialisation. Our employees have been upskilled to operate and manage the plant.
- As part of the COVID Recovery effort, Horizon Power funded the construction of a depot in Kununurra with a significant portion of the investment being locally sourced (over 90%), the depot is now operational. The new depot provides a more modern customer centred environment. The old building was constructed in 1984.
- The Esperance Electrification Project is progressing well. For residential customers, all applications are received and 60% of works are complete, with a further 20% partially complete. Business customers have had their transition pathways approved, except for the two grain dryers in town who are at risk of transitioning post gas cessation on 31 March due to unusual weather events extending the harvest. WA Country Health are due to complete their transition by the end of February and Department of Communities is on schedule for completion in March. Department of Education is still engaging the market for part of their transition scope, with significantly higher than estimated costs being forecast.
- As part of its digital Utility of the Future program, Horizon Power completed the latest upgrades of its Structural Lines Application (SLA) leading to improved efficiency of pole inspection. The upgraded SLA captures a larger data set and improved functionality, including automated pole serviceability calculation processing, As a result, the average number of poles inspected has increased to 81.7 poles/day compared to 51.2 poles daily. Other measurable benefits are reduced travel time and accommodation costs for our Inspection team.
- Horizon Power's health and wellbeing program won the Lifeline Workplace Wellbeing Excellence Award at the 2022 Australian Institute of Management Pinnacle Awards. The Lifeline WA Workplace Wellbeing Excellence Award provides recognition for an organisation that has achieved outstanding results through key initiatives that demonstrate leadership and commitment to excellence in workplace wellbeing management.



# Performance Overview



## Emerging Risk Highlights

- The heated economic environment is leading to cost pressures resulting in significant challenge to budgets in the building and contracting space.
- Horizon Power continues to see high rates of staff turnover driven (in almost all cases) by the significantly higher salaries being offered in the market, furthermore, Horizon Power is struggling to fill vacancies at the same rate as the resignations.
- Horizon Power is experiencing a rise in crime and anti-social behaviours in a number of regions – necessitating a review of our protocols in certain communities.



## Financial Performance

- Horizon Power reported a year-to-date net profit after tax of \$0.3M, slightly ahead of MYR budget of \$0.1M. Main favourable variances in sales (+\$1.1M), cost of sales (+\$1.3M) and depreciation (+\$0.5M) were offset by higher operating expenses (-\$3.0M). Overall, individual line variances were not significant.
- Year to date capital expenditure amounted to \$61.2M compared to the MYR budget of \$61.4M, an overall net variance of only \$0.2M.



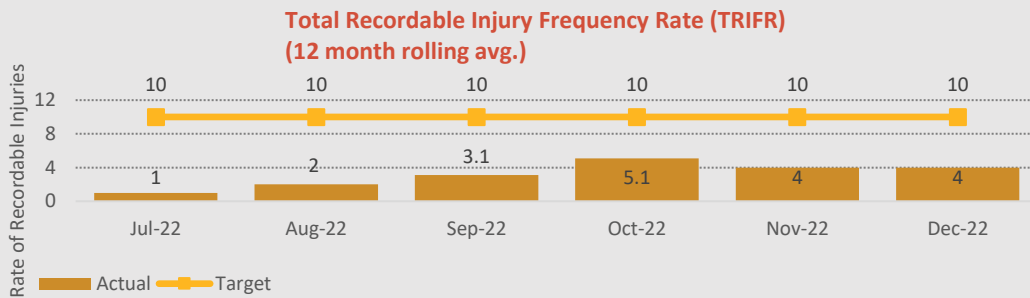
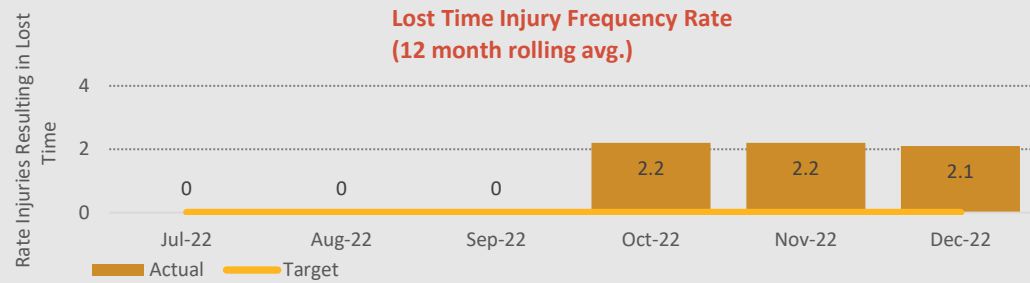
## Stakeholder Service

- During the quarter, Horizon Power provided responses to 19 Ministerial and 3 Parliamentary Questions.

# Safety, Health & Environment

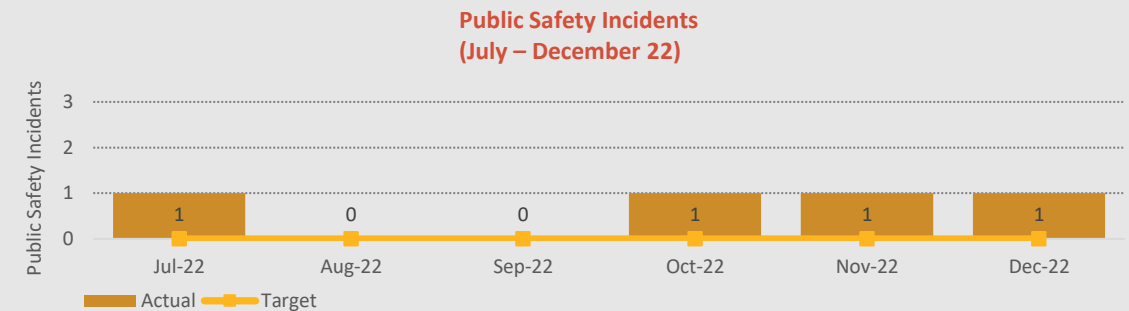
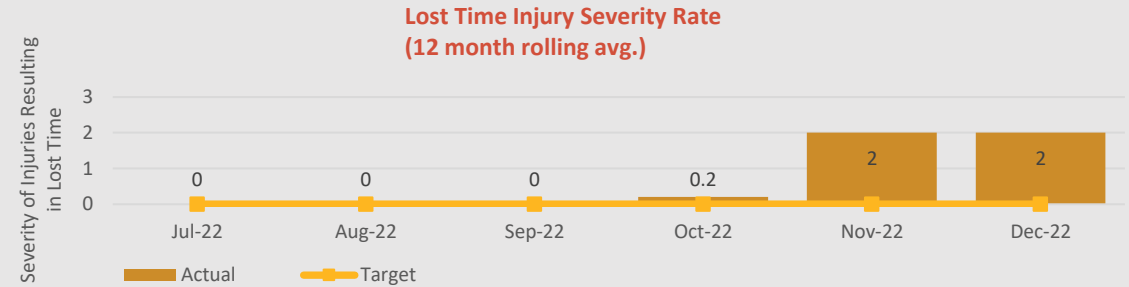


PEOPLE, SAFETY AND WELLBEING



#### COMMENTARY:

- Lost Time Injury Frequency Rate increased to 2.2 as a previous Restricted Work Injury from quarter 1 (July 22) was converted to a Lost Time Injury as surgery was required for the injury.
- Safety meeting occurrence for the first quarter 2023 averaged 100%.
- The rate of 'high' and 'extreme' risk rated incident actions closed out on time for the December quarter was 0% as the number of relevant actions were 1 for July, 1 for August and 0 for December.
- There were no further recordable injuries for the period.



#### COMMENTARY:

- The percentage of hazards / near hits of all reported incidents has averaged 61% which favourably exceeds our target of 50%.
- For the quarter there were 3 Notifiable Incidents to Building and Energy:
  - **Grass Patch** –Stubble fire appears to have been caused by a sparking insulator pin onto the cross arm, investigations are underway.
  - **Port Hedland** - Fencing contractor Vs LV cable, cable found to be not in correct alignment.
  - **Port Hedland** - Road contractor has excavated LV cable during roadworks to the Eltins depot entry. Cable not buried to the correct depth.

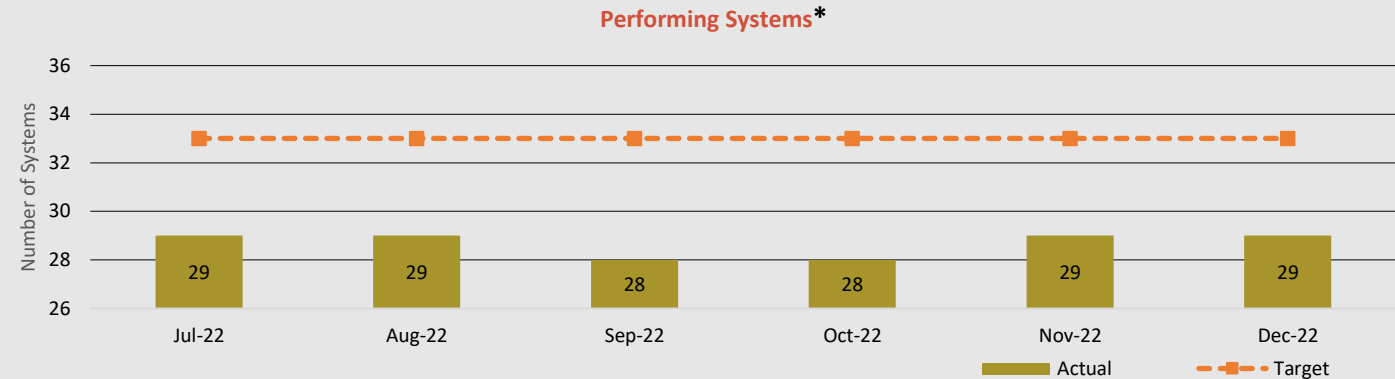


# Customer Service & Electricity Delivery



ENERGY AFFORDABILITY

KPI	Actual	Target
Customer Satisfaction (survey rating %)	75%	≥70%
Net Promoter Score	55%	≥20%
System Average Interruption Frequency Index (SAIFI)*	3.0	6.6
System Average Interruption Duration Index (SAIDI)*	198	290



#### COMMENTARY:

- There were nine non-performing systems at the end of December 22 in the following towns: Fitzroy Crossing, Gascoyne Junction, Esperance, Esperance Rural, Hopetoun, Mount Magnet, Halls Creek, Onslow and Carnarvon. Overall, non-performance was mainly due to adverse weather events and to technical difficulties and incidents as we are integrating new technologies and renewables into our generation systems. We expect to reach our target of 33 performing systems by February 23.

#### COMMENTARY:

- All above KPIs show positive variance to targets.

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

# Income Statement



SUSTAINABLE BUSINESS

Profit and Loss Summary (\$M)	YTD Actual	YTD MYR	Variance
Total Income	279.2	277.9	1.3
Less: Cost of Sales	116.2	117.5	1.3
Less: Operating Expenditure	78.3	75.4	-3.0
<b>EBITDA</b>	<b>84.7</b>	<b>85.0</b>	<b>-0.3</b>
Depreciation & Amortisation	54.7	55.2	0.5
<b>EBIT</b>	<b>30.0</b>	<b>29.8</b>	<b>0.2</b>
Interest Expenses	29.6	29.7	0.1
<b>Net Profit Before Tax</b>	<b>0.4</b>	<b>0.1</b>	<b>0.3</b>
Tax	0.1	0.0	-0.1
<b>Net profit After Tax</b>	<b>0.3</b>	<b>0.1</b>	<b>0.2</b>

KPI	YTD Actual	Target MYR	YTD Var	Performance
Unit Cost to Supply (c/kWh)	42.1	41.9		Actual unit cost to supply slightly higher than budget (<0.5%) due to higher operating costs.
Return on Asset (%)	3.1%	3.1%		Actual at par with budget

## COMMENTARY

Horizon Power reported a YTD Net profit After Tax of \$0.3M, slightly above the budgeted profit of \$0.1M. Overall individual line item variances were not significant and offset each other.

### Income

Overall energy sales were 0.7% higher than budget by \$1.1M (\$158.2M v \$157.1M). Higher Sales recorded in NIS, (+\$3.5M) primarily in Esperance, Kununurra and Broome, were offset by lower contract segment sales in NWIS due to mainly to delays in FMG Iron Bridge connection.

### Cost of Sales

Favourable variance mainly attributed to lower generation maintenance.

### Operating Expenditure

Unfavourable variance mainly attributable to commodity hedging unrealised losses.





PROTECTED

Thank you



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