

---

STATEMENT OF CORPORATE  
INTENT

2007/08

---



Updated 13 June 2007

---

## Chairman's Introduction

I am pleased to present Western Power's Statement of Corporate Intent (SCI), which sets out the organisation's objectives for the 2007/08 financial year. It meets the requirements of the Electricity Corporations Act 2005 (WA) and represents an understanding of the level of performance expected of Western Power and agreed with our shareholder, the Minister for Energy.

2006/07 was a milestone year in which our first Access Arrangement was submitted and approved by the Economic Regulatory Authority, the Electricity Market was established, and we commenced a significant increase in investment. 2007/08 represents an opportunity to extend this achievement.

Our objectives in 2007/08 are to work with our community to enhance the delivery of value to our customers, the community and broader industry. Having secured appropriate levels of investment, our challenges remain to safely, reliably and efficiently deliver on our commitments.

Our attention will also turn to Western Power's broader responsibility as we navigate our way to providing a sustainable future for Western Power and our community. Recent increased awareness of climate change has highlighted the need to find ways to promote energy efficiency and find energy solutions that minimise our impact on the environment.

Western Power is embarking on an expansive strategy to facilitate and promote sustainable energy solutions for our customers. This is an outward focussed strategy that requires us to engage with our community, and work closely with our customers to meet their needs.

Peter Mansell  
Chairman

---

## Executive Summary

The Statement of Corporate Intent is prepared in accordance with the requirements of the Electricity Corporations Act 2005 and describes how Western Power intends to achieve its objectives in the 2007/08 financial year.

It provides information about Western Power's scale of operations, organisation framework, major activities and performance targets, agreed with Government, for the year.

Western Power is embarking on a new strategic direction that will transform it into an energy solutions business. This new business is about working with our community to deliver sustainable energy solutions. This represents a significant shift for Western Power from being closed and inward looking to being open and outward looking.

The financial performance of Western Power provided within this document represents a forecast of the projected investment and the regulated revenue allowed by the Economic Regulatory Authority as an appropriate return on that investment. Performance targets linked to the investment have been agreed for a three-year period that has retrospectively been approved to begin in July 2006.

For 2007/08, in accordance with the State Budget, Western Power is targeted to invest approximately \$200 million in network operating activities and \$760 million in capital activities to maintain, improve and extend our infrastructure. This will allow the system to meet expected growth and improve reliability and public safety.

This level of investment supports the commitments made by Western Power to deliver on reliability improvements to the electricity network, and reduce capacity constraints currently being experienced.

## Table of Contents

<b>Introduction .....</b>	<b>1</b>
<b>Scope and Nature of our Business.....</b>	<b>1</b>
Our Corporate Requirements.....	1
How we are Regulated .....	3
Organisational Structure .....	3
<b>Our Corporate Objectives.....</b>	<b>4</b>
Our Purpose .....	4
Our Values.....	4
Our Strategic Direction.....	4
Investment Program .....	5
Key Network Projects .....	6
<b>Safety and the Environment.....</b>	<b>7</b>
Safety for Employees, Contractors and the Community .....	7
Environmental Management .....	7
Our Compliance Activities .....	7
<b>Performance Reporting.....</b>	<b>8</b>
Performance Targets.....	8
Quarterly Reporting .....	8
Annual Reporting.....	8
Access to Information.....	8
<b>Financial Management.....</b>	<b>9</b>
Network Pricing and Tariffs.....	9
Community Service Obligations (CSOs) and Payments from Government .....	9
System Management .....	9
Accounting Standards .....	10
Dividend Policy.....	10
<b>Appendix A. Map of South West Interconnected System (SWIS)</b>	<b>11</b>
<b>Appendix B. Key Performance Indicators and Targets .....</b>	<b>12</b>
<b>Glossary .....</b>	<b>13</b>

---

## Introduction

Western Power is responsible for the transmission and distribution infrastructure that provides electricity to the homes and businesses of more than 800,000 Western Australians. Western Power will spend an unprecedented \$3.5 billion over the next four years to upgrade and expand Western Australia's main electricity network. As a Corporation, Western Power makes commercial business decisions, as set out in our governing legislation.

Western Power is a statutory corporation established by the Electricity Corporations Act 2005 (WA) (Act). It is owned by the State Government of Western Australia and is accountable to the Minister for Energy (Minister).

The Corporation's accountability requirements in the Statement of Corporate Intent (SCI) are agreed annually with the Minister. This SCI outlines our objectives, major activities and performance targets for the financial year beginning 1 July 2007. These targets are consistent with the Government's policy and budgetary requirements.

## Scope and Nature of our Business

Western Power's primary functions are to transport and distribute electricity within the South West Interconnected System (SWIS), covering Western Australia's south west extending from Kalbarri in the north to Kalgoorlie in the east and Albany in the south as shown in Appendix A. It may also undertake any associated commercial activity, such as marketing industry-related products and pursuing industry-related opportunities on a commercial basis.

The business performance targets presented in this SCI represent Western Power as a stand-alone entity responsible for the electricity transmission and distribution business. The targets reflect the critical success factors that will enable Western Power to achieve its goals.

## Our Corporate Requirements

The current and future functions and responsibilities of Western Power are defined in the Electricity Corporations Act 2005 (WA), the Electricity Industry Act 2004 (WA) (and referenced instruments). The Acts and various codes also specify the way in which the Corporation's core functions will be undertaken, in terms of the obligations and powers of the Corporation.

The safety of the community, customers and our workforce is paramount to Western Power. Western Power has always placed safety as its overarching value and actively pursues improvements in this area.

Western Power's focus on safety extends to broader community awareness and education on electrical safety, the network and customer installations. The World of Energy (see <http://www.worldofenergy.com.au/>) provides an opportunity to influence attitudes and behaviour towards safety at a young age.

In undertaking its operations, Western Power seeks to respond to a broader set of responsibilities as a good corporate citizen and seeks to achieve an acceptable balance between the following requirements:

- **Reliability requirements:** Western Power is required to supply electricity in a safe and reliable manner. Western Power consistently seeks ways to maximise reliability and security of supply consistent with its other obligations.
- **Commercial requirements:** Western Power is required to act in accordance with prudent commercial principles and endeavour to make a profit consistent with maximising its long-term value.

Consistent with good financial and commercial practices, Western Power aims to contribute to the long-term development of energy infrastructure and services within the state of Western Australia. The regulatory framework provides a solid foundation from which Western Power can define a sustainable service offering for the benefit of the State.

- **Government policy:** As a State-owned Government Trading Enterprise (GTE), Western Power must be mindful of, and support Government policies that impact on the Corporation's business. Consistent with its legal and statutory obligations, the Corporation will act in accordance with relevant policies and in particular will continue to assist Government to develop and implement policies that facilitate the establishment of an effective, efficient and competitive electricity industry in the SWIS.

Western Power recognises the competitive pressures and regulatory obligations in place to govern the market design, and operations of Western Power. As a GTE, Western Power works with government on policy objectives and legislation.

The Board and Management of Western Power will manage this organisation in a way to benefit the people of WA, consistent with the objectives and funding presented in the SCI.

- **Environmental responsibilities:** Western Power is subject to more than 100 pieces of environmental legislation. The business drives and supports a socially responsible approach to the environmental management of the business by working with all stakeholders to develop and implement practices that are equitable, safeguard the environment, and minimise adverse impacts and risks.

Western Power is in a unique position to change attitudes and behaviours towards the environment. As a large organisation in the state of Western Australia and a good corporate citizen within our community, Western Power is supporting a sustainable energy service for future generations.

- **Social responsibilities:** Western Power touches the lives of thousands of people every day in communities throughout the State. Our relationships with the community are fostered through our local representation, business relationships and through the contributions and partnerships that we undertake each year.

Customer relationships are supported by the Western Power customer charter, and an account management model to provide a vehicle to listen, engage and respond to customer requirements.

Western Power actively works with Government to support otherwise non-commercial initiatives to improve the lives of communities. The costs of these initiatives are accepted as Government payments or equity contributions and include:

- State Underground Power Program
- Safety and Reliability Initiatives – Rural Power Improvement Program

In the event that we cannot simultaneously meet these requirements, we will assist the Government to determine priorities.

## How we are Regulated

Western Power's operations are guided by regulations, codes and legislation that have been developed by various regulatory bodies and the State Government. These regulations cover almost all aspects of our operations, from our performance targets and how much money we can make, through to the proper disposal of waste and the safety of employees and the public.

The major regulators for our business include:

- **Economic Regulatory Authority (ERA)** - this independent body, which reports directly to Parliament, reviews Western Power's budget, how it performs as a business, how the network performs, and the technical standards that guide the building and maintenance of the network. It also approves licences for market participants (including Western Power).
- **Office of Energy** - responsible for implementing energy policy and programs and providing advice to the Minister for Energy on all aspects of energy policy. The Minister for Energy has responsibility for the establishment and subsequent amendment of the Electricity Networks Access Code, which sets the guiding rules for the ERA in its role as our regulator.
- **EnergySafety** - part of the Department of Consumer and Employment Protection, this body licences electrical contractors and determines the technical and safety guidelines for the electricity network in relation to employees, contractors and the public. The Minister for Consumer and Employment Protection oversees this department.
- Bodies such as the Environmental Protection Authority and WorkSafe set other guidelines, which determine how we go about our day-to-day work.

The ERA, based on a comprehensive submission by Western Power, has approved an Access Arrangement (AA) that covers the network tariffs and resultant revenue projections, service standards and levels of capital and operating investment. The AA applies over the period 2006/07 to 2008/09 and includes agreed performance targets.

Before the initial three year period expires in 2009, Western Power will make a revised submission to the ERA about its business goals and future performance. The ERA will then approve Western Power's AA for the next regulatory period. This process will repeat every regulatory period.

## Organisational Structure

Western Power's organisational structure and business model have been developed to provide a concentrated focus on priority areas and to promote a culture based on achievement, customer awareness and responsibility.

Western Power continues to provide additional services to support the electricity market:

- **Support Services:** Western Power continues to provide support services to the entities of Verve Energy, Synergy and Horizon Power on a commercial basis for a three year period that commenced on 1 April 2006.
- **System Management:** The Market Rules promulgated for Market Operations in Western Australia allocate a number of duties to a System Management function, within Western Power. The primary responsibilities of this group are to ensure system security and support market efficiency.

Copies of the Corporation's organisation structure can be accessed through our website:

[www.westernpower.com.au/](http://www.westernpower.com.au/)

## Our Corporate Objectives

### Our Purpose

Western Power's new strategic direction recognises a broader purpose to work with our community to deliver sustainable energy solutions.

These solutions include our primary functions of transporting and distributing electricity within the SWIS. Western Power may also undertake any associated commercial activity, such as marketing industry-related products and pursuing industry-related opportunities on a commercial basis.

### Our Values

The Western Power values are:

- **Put safety first:** As part of our decision making process, we will always put safety first
- **Respect our customers:** We are committed to working with our customers to achieve mutually acceptable outcomes
- **Work together:** We work collaboratively to achieve results that are in Western Power's and the customers' collective interests
- **Make a positive difference:** We are focused on achieving objectives that add value and accept accountability for delivering results
- **Earn trust:** We work to earn the trust of others and deliver on commitments made
- **Make decisions like it's our own business:** Western Power is our business and our actions will always reflect this collective interest

### Our Strategic Direction

Western Power is embarking on a new strategic direction that will transform it as an energy solution business, into a business that delivers and supports sustainable energy solutions. This represents a significant shift for Western Power from being closed and inward looking to being open and outward looking.

The strategic direction is represented by four strategic themes. These define the aims and outcomes that need to be realised in delivering the new direction.

The strategic themes and aims are:

- **Operational excellence** – to optimise safety, business processes, capabilities and support systems to deliver continuously improving, timely, efficient, sustainable, quality service to our customers, as the platform for an energy solutions business of the future
- **Transform the customer experience** – to position the organisation to anticipate and respond to current and future customer requirements
- **Engage with our community** – to actively engage and contribute to our community

- **The green edge** – to position the organisation in environmental leadership, within a sustainability framework

The outcomes sought for the four strategic themes include:

- |  |  |
|--|--|
| <b>Operational excellence</b>            | <ul style="list-style-type: none"> <li>▪ Operating for no injuries to public and workforce</li> <li>▪ Challenging works program are set and achieved</li> <li>▪ Recognised for operational excellence</li> <li>▪ Performance management and commercial rigour pervades the business</li> <li>▪ Optimal funding is in place</li> </ul>  |
| <b>Transform the customer experience</b> | <ul style="list-style-type: none"> <li>▪ Customers have a positive experience of Western Power</li> <li>▪ Customers are advocates of Western Power</li> <li>▪ Western Power is recognised for value for money solutions</li> <li>▪ Relevant, integrated and sustainable energy solutions are available</li> </ul>  |
| <b>Engage with our community</b>         | <ul style="list-style-type: none"> <li>▪ Community and Government act as advocates for Western Power</li> <li>▪ New infrastructure has lowest visual impact within economic framework</li> <li>▪ Community is aware of potential hazards and hazards are reduced</li> <li>▪ Recognised as a leader in energy solutions</li> </ul>  |
| <b>The green edge</b>                    | <ul style="list-style-type: none"> <li>▪ New infrastructure assessed to sustainability framework</li> <li>▪ Proponents of renewable and embedded generation do not experience Western Power as a barrier to connection and interconnection</li> <li>▪ Recognised as a leader in facilitating reduction in environmental impact of energy use</li> <li>▪ Reduction in Western Power's environmental impact</li> </ul> |

## Investment Program

The operating and capital expenditure requirements should achieve the following outcomes:

- network asset condition and service performance should comply with all relevant legislation and regulations;
- service performance should comply with the established benchmarks and therefore satisfy customers' expectations in terms of reliability and quality of supply;
- generation connections should be facilitated to ensure that security of supply is maintained;
- assets must be renewed to ensure that service performance is not compromised in the medium term;
- asset management strategies should be aligned with industry best practice;
- the life-cycle costs of providing services should be minimised by appropriately balancing operating and capital expenditure; and
- sustainable efficiency gains, in terms of improved performance, increased output and lower cost should be delivered over time.

In addition, it is essential that expenditure plans are feasible given the availability of internal and external resources, and the need to ensure that expenditure is executed efficiently.

Western Power's capital expenditure needs are associated with stewardship of existing network assets, handling any increased requirements of existing customers and addressing the direct and indirect impacts of connecting new customers.

The majority of Western Power's operating expenditure relate to maintenance of the assets.

For 2007/08, in accordance with the State Budget, Western Power is targeted to invest approximately \$200 million in network operating activities and \$760 million in capital activities to maintain, improve and extend our infrastructure. This will allow the system to meet expected growth and improve reliability and public safety.

### **Key Network Projects**

A number of major activities will continue to be a large part of our investment program to deliver a safe and reliable network in accordance with the regulatory contract. These include:

- Safety, reliability and environmental activities – maintaining the network to appropriate standards.
- Asset replacement and refurbishment – for existing lines, transformers, circuit breakers and other equipment due to age, performance or risk issues.

A number of other major committed projects include the design, construction and installation of:

- Customer driven activities – connection of new subdivisions and construction of new substations.
- Capacity expansion – upgrading and construction of new substations and lines to deliver increased network capacity in response to general demand growth.

Examples include:

- CBD and Cannington load area reinforcement
- High voltage distribution network reinforcement
- Power Procurement Stage 2
- New generation connections
- Margaret River substation and 132kV transmission line
- Kojonup to Wagin line upgrade
- Kwinana – South Fremantle 132kV line
- Wembley Downs transmission network reinforcement

Further detail regarding our investment planning criteria and reinforcement projects is provided as part of Western Power's Annual Planning Report on our website.

## Safety and the Environment

### **Safety for Employees, Contractors and the Community**

The safety of our workforce, community and customers, is paramount to Western Power.

To meet our safety obligations, Western Power has embraced a Safety and Health Vision at all levels of the organisation: To conduct business in a manner where our workforce and the community are free from injury and harm.

Western Power's Safety and Health Policy Statement supports the vision in recognising that safety and health are central to everything we do at Western Power. No activity is permitted to come before the safety and health of employees, contractors or the community. Work must cease if safety cannot be assured.

The potential hazards of our industry require the highest standards of safety and health. We commit to the prevention of injury and harm, and strive to continuously improve our safety and health performance.

Our Safety and Health Management System promotes consistent workplace procedures and practices, and applies to all sites and operations to ensure the safe conduct of all employees, contractors, partners and suppliers.

### **Environmental Management**

Western Power is committed to protecting the environment and continually improving our environmental performance.

We use an Environmental Management System (EMS) to identify and manage the environmental impacts of our activities.

The EMS aims to achieve continual improvement in environmental performance including management of environmental impacts, both current and future. Western Power's environmental issues include biodiversity, pollution and waste management.

### **Our Compliance Activities**

Western Power maintains its commitments to meet the Corporation's compliance obligations. It is noted that the sources of these obligations include the:

- Electricity (Supply Standards and System Safety) Regulations 2001, which contain various quality-related benchmarks;
- Technical Rules, which set out the standards, procedures and planning criteria governing the construction and operation of an electricity network, and deal with all the matters listed in Appendix 6 of the Access Code;
- Environmental Protection (Noise) Regulations; and
- Electricity Regulations 1947.

---

## Performance Reporting

As a Government Trading Enterprise, and in accordance with the Electricity Corporations Act 2005 (WA), Western Power will provide the Minister with a quarterly report, for the first three quarters and an Annual Report for the whole financial year.

### Performance Targets

Western Power's performance targets are determined by the ERA in a three year Access Arrangement that was approved on 26 April 2007. Our performance targets are agreed for a three year period that started in July 2006.

### Quarterly Reporting

Quarterly reports monitor performance against the targets outlined in Appendix B to this Statement of Corporate Intent.

As part of this quarterly reporting, the Corporation also provides highlights of important achievements, financial statements and relevant accompanying notes.

### Annual Reporting

The Annual Report will be provided to the Minister, following the end of the financial year within the time specified by the Electricity Corporations Act 2005 (WA).

In addition to the financial statements, the annual report will include an overview of major achievements, an appraisal of future prospects, a comparison of performance with the Statement of Corporate Intent targets, and other information required to be included by the Electricity Corporations Act 2005 (WA).

Additional reporting is provided at the Minister's request.

### Access to Information

Copies of the Corporation's major public documents including the SCI and Annual Reports can be accessed through our website.

[www.westernpower.com.au/](http://www.westernpower.com.au/)

---

## Financial Management

### Network Pricing and Tariffs

Western Power's network pricing policy and tariffs are reviewed and published on an annual basis.

A key determinant of network tariffs is the aggregate annual revenue requirement (AARR) for Western Power to invest in new assets, operate the network and earn a reasonable commercial return on its asset base. The ERA plays a crucial role in reviewing Western Power's AARR submitted for each regulatory period to ensure that Western Power is operating in a manner that is economically efficient and will continue to provide value for money network access and infrastructure services.

### Community Service Obligations (CSOs) and Payments from Government

In total, it is expected that Government will make payments to Western Power for reliability and safety initiatives (\$6m) and the State Underground Power Program (SUPP) (\$4.8m).

### System Management

The role of System Management has been financially segregated within Western Power to reflect its "market" functions. These functions include:

- scheduling and dispatch of Verve Energy facilities and issuing of dispatch instructions to other market participants;
- procuring adequate ancillary services where Verve Energy cannot meet the ancillary service requirements;
- assisting the Independent Market Operator (IMO) in the processing of applications for participation and for the registration, de-registration and transfer of facilities;
- developing market procedures, and amendments and replacements, where required by the Market Rules;
- conduct tests of equipment;
- release information required by the Market Rules;
- monitor rule participants compliance with the Market Rules relating to dispatch and power system security and power system reliability;
- provide regular reports to the IMO and other market participants; and
- conducts short and medium term system planning and outage scheduling.

On 30 March 2007 the ERA approved System Management's allowable revenue from participants in the wholesale electricity market for the three year period commencing 1 July 2007. The IMO has advised the Minister for Energy that System Management's market budget for 2007/08 is consistent with the allowable revenue approved by the ERA.

---

## **Accounting Standards**

Western Power's accounting policies are consistent with Corporations Law requirements as specified in Schedule 3 of the Act. Financial statements adopt the historic cost convention and reflect the accrual basis of accounting. The accounting policies for 2007/08 are not expected to be materially different from those listed in our latest Annual Report.

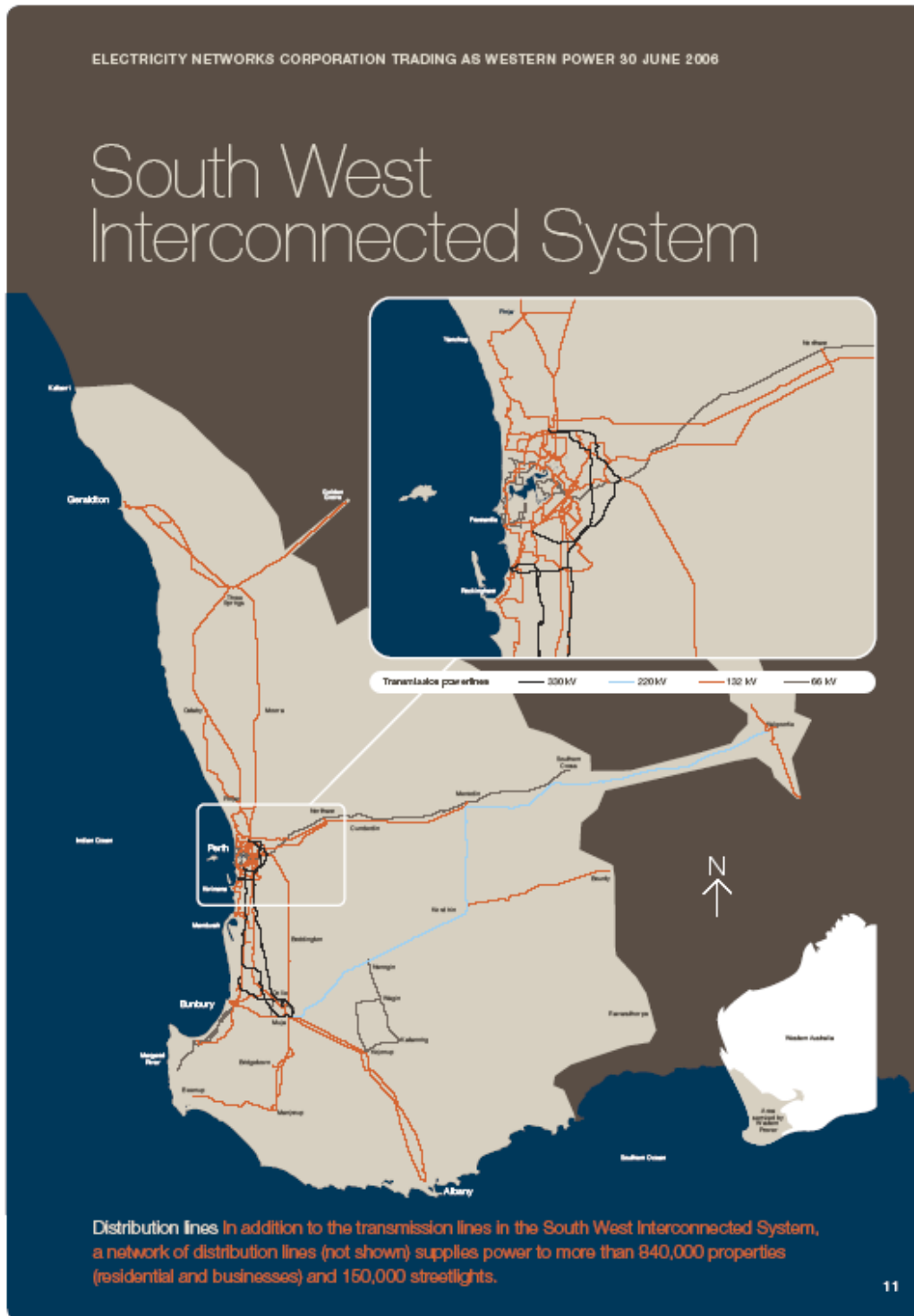
## **Dividend Policy**

Dividends are agreed annually according to accepted profit results and in keeping with maintaining an overall satisfactory level of payments to Government. Dividends will be paid half-yearly in June and December. Future dividend policy will be subject to discussion with Government

## Appendix A. Map of South West Interconnected System (SWIS)

The Western Power Electricity Network is the largest ‘interconnected’ network in Western Australia. It is called the South West Interconnected System and extends from east of Albany in the south, to Kalgoorlie in the east and Kalbarri in the north, as shown below.

**Figure 1 – South West Interconnected System**



## Appendix B. Key Performance Indicators and Targets

The table defines the Key Performance Indicators (KPIs) and targets over the planning period.

**Table 1 – KPIs and Targets**

<b><u>Indicator description</u></b>	<b><u>2007/08 Target</u></b>
Lost Time Injury Frequency Rate (LTIFR)	<4.5
All Medical Frequency Rate (AMFR)	<18
System Average Interruption Duration Index (SAIDI)	
- SWIS	259
- Urban	226
- Rural	476
Systems minutes interrupted (mins)	7.8
Enquiries responded to within 10 days (%)	100
Complaints responded to within 20 days (%)	100
EBITDA (\$m)	461.8
EBT (\$m)	133.9
Return on Asset (%)	7.3
Net accruals to Government (\$m)	87.0
Corporate Reputation (%)	63

## Glossary

AA	Access Arrangement – is the set of financial rules and policies submitted by Western Power to the ERA. It sets out the terms and conditions under which Western Power will sell access to its network during the regulatory period, from July 2006 to June 2009. The current AA was approved by the ERA on 26 April 2007.
Access Code	Electricity Networks Access Code 2004 - the code under which access to the south west interconnected network (SWIN) is regulated by the ERA.
AMFR	All Medical Frequency Rate
CSO	Community Service Obligation
EBITDA	Earning Before Interest and Tax plus Depreciation and Amortisation
EBT	Earnings Before Tax
EMS	Environmental Management System
ERA	Economic Regulatory Authority
GTE	Government Trading Enterprise
IMO	Independent Market Operator
LTIFR	Lost Time Injury Frequency Rate
RPIP	Rural Power Improvement Program
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Frequency Interruption Index
SCI	Statement of Corporate Intent
SUPP	State Underground Power Program
SWIS	South West Interconnected System
Tariff Revenue	All retailers pay the network business for the use of the network to transport energy from the generators to their customers. Those charges are determined from a set of published network tariffs.