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STATEMENT OF CORPORATE  
INTENT

2008/09

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Updated 27 June 2008

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## Executive Summary

Welcome to our Statement of Corporate Intent (SCI) 2008/09.

This year our SCI provides Western Power's business objectives, major activities, performance reporting and financial management, as agreed with Government.

Western Power is responsible for the safe, reliable and efficient distribution and transmission of electricity in the south west of Western Australia. This encompasses the Perth metropolitan area, connecting electricity to homes, offices and factories, and maintaining the electricity network.

Our electricity network is the largest 'interconnected' network in Western Australia and consists of nearly 88,000 kilometres of powerlines stretching from Kalbarri in the north, to Kalgoorlie in the east and south to Albany, providing electricity and services to over 880,000 customers.

Throughout our operations, we focus on meeting the needs of our customers, while engaging with our stakeholders and communities.

Western Power has embarked on a new strategic direction that will transform us as an energy solutions business, to work with our community to deliver sustainable energy solutions.

Our strategy incorporates the changing expectations around us, positions us to meet the codes and regulations set in the new regulated market and allows us to meet the unique challenges we face in the current and future economic climate.

Our financial performance 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 was approved to begin in July 2006.

This SCI has been prepared in accordance with the requirements of the Electricity Corporations Act 2005 and should be considered in conjunction with the State Budget Forecast.

We value your feedback about this SCI and would appreciate comments and suggestions. Please send these to [SCI\\_feedback@westernpower.com.au](mailto:SCI_feedback@westernpower.com.au)

## Table of Contents

<b>Introduction .....</b>	<b>1</b>
Scope and Nature of our Business.....	1
Our Corporate Requirements.....	1
<b>Our Corporate Objectives.....</b>	<b>2</b>
Our Purpose .....	2
Our Values.....	2
Our Strategic Direction .....	2
Investment Program .....	4
Key Network Projects .....	4
<b>Performance Reporting.....</b>	<b>6</b>
Performance Targets.....	6
Quarterly Reporting .....	6
Annual Reporting .....	6
Access to Information.....	6
<b>Financial Management.....</b>	<b>7</b>
Network Pricing and Tariffs.....	7
Community Service Obligations (CSO's) and Payments from Government .....	7
System Management .....	7
Accounting Standards .....	7
Dividend Policy.....	7
<b>Appendix A. Map of Western Power's Electricity Network.....</b>	<b>8</b>
<b>Appendix B. Key Performance Indicators and Targets .....</b>	<b>9</b>
<b>Glossary .....</b>	<b>10</b>

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## Introduction

Western Power is responsible for the transmission and distribution infrastructure that provides electricity to the homes and businesses of more than 880,000 Western Australians. 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 reporting and financial management for the financial year beginning 1 July 2008. 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 of electricity in the south west of Western Australia, extending from Kalbarri in the north to Kalgoorlie in the east and Albany in the south as shown in Appendix A.

## 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 Western Power'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.

## Our Corporate Objectives

### Our Purpose

Our 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 of electricity in the south west of Western Australia. 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:** In everything we do, we are committed to putting safety first
- **Respect our customers:** We stay committed to our customers to achieve the best energy solutions
- **Work together:** We work collaboratively to achieve consistent results that are in Western Power's and the customers' collective interests
- **Make a positive difference:** We are focused on being innovative and creative when adding value to customers and accept accountability for delivering results
- **Earn trust:** We work to earn the trust of others and deliver on commitments
- **Act like it's our own business:** Western Power is our business and our actions will always reflect this

### Our Strategic Direction

Western Power has embarked on a new strategic direction that will transform us as an energy solutions business, to work with our community to deliver sustainable energy solutions.

The strategy incorporates the changing expectations around us, positions us to meet the codes and regulations set in the new regulated market and allows us to meet the unique challenges we face in the current and future economic climate.

We have identified four strategic themes. These are operational excellence, transform the customer experience, engage with our community, and the green edge.

Our strategy supports our need to continue to maintain our focus on safety, improve reliability performance and deliver efficiently to our ever-increasing workload. It also addresses how we engage with the community, the service we deliver to our customers and our environmental performance.

A great deal of effort has already gone into enhancing how we interact with people and how people experience Western Power. Western Power people are working together to make our organisation stronger today and for the future.

To identify and realise our new direction we have recognised that:

- Current energy solutions provide the platform for the future, building on our organisational characteristics of being safe, reliable and efficient;
- Having quality relationships with customers and the community are fundamental;
- There is a need for an outward looking orientation in developing solutions that requires us to be creative and connected in the way we approach our work, our customers and our community;
- There is a commitment required to sustainability; and
- Western Power people are the foundation of our future.

There are four strategic themes identified to support the new direction:

**Operational excellence**

Outcomes sought include:

- Operating for no injuries to public and workforce
- Challenging works program is set and achieved on time and budget
- Recognition for operational excellence
- Performance management and commercial rigour pervades our business
- Optimal funding is in place

**Transform the customer experience**

Outcomes sought include:

- Customers have a positive experience of Western Power
- Customers are advocates of Western Power
- Western Power is recognised as delivering value for money solutions
- Relevant, integrated and sustainable energy solutions are available to customers

**Engage with our community**

Outcomes sought include:

- Community and Government are advocates for Western Power
- New infrastructure has lowest visual impact within economic framework
- Community is aware of potential hazards and hazards are reduced
- Western Power is recognised as a leader in energy solutions

**The green edge**

Outcomes sought include:

- New infrastructure is assessed in a sustainability framework
- Proponents of renewable and embedded generation experience Western Power as a facilitator of connection and interconnection
- Western Power is recognised as a leader in facilitating reduction in environmental impact of energy use
- Western Power's has reduced its environmental impact

## 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 relates to maintenance of the assets.

## 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 our 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:

- The construction of new 132kV or 220kV transmission lines in the Great Southern areas (eg Kojonup to Albany);
- Establishing new substations within the Perth metropolitan region;
- Expanding the capacity of existing substations and networks in the Perth metropolitan region by conversion from 66kV to 132kV operation;

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- 330/132kV terminal stations at Hopeland and Cannington;
  - Westralia Airports Stage 3;
  - NewGen (formerly Wambo/ERM) Neerabup Power Station;
  - Medical Centre 66/11kV Substation;
  - Western Energy Kwinana Power Station;
  - Iluka Resources Cataby Transmission Works;
  - Westonia Gold Mine 22 kV;
  - Neerabup Biomass Power Station; and
  - Albany Biomass Power Station

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

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## 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 but relates to the three-year period that started in July 2006.

### Quarterly Reporting

Quarterly reports monitor performance against the targets outlined in Appendix B.

As part of this quarterly reporting, the Western Power 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 Western Power'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/)

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## 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 (CSO's) and Payments from Government

In total, it is expected that Government will make payments to Western Power for reliability and safety initiatives (\$6.7m) 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.

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. System Management's budget for 2008/09 submitted to the Independent Market Operator on 30 April 2008 is consistent with the ERA approved allowable revenue.

### 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 2008/09 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 Western Power's Electricity Network

The Western Power Electricity Network is the largest 'interconnected' network in Western Australia. It extends from east of Albany in the south, to Kalgoorlie in the east and Kalbarri in the north, as shown below.

**Figure 1 – Western Power's Electricity Network**



## Appendix B. Key Performance Indicators and Targets

**Table 1 – KPIs and Targets for 2008/09**

<b>Indicator description</b>	<b>Target</b>
Lost Time Injury Frequency Rate (LTIFR)	<3.5
All Medical Frequency Rate (AMFR)	<14
System Average Interruption Duration Index (SAIDI) <sup>1,2</sup>	203
Customer Charter compliance (%)	85
EBIT (\$m)	301
EBT (\$m)	75.0
NPAT (\$m)	52.5
Major Projects Delivery (%)	95
Value of role in energy efficiency and sustainable solutions (%)	69
Corporate Reputation (%)	65

### Notes

1. Calculated in accordance with the methodology agreed with the ERA
2. Reflect the focus of the strategic direction for Western Power, and regulatory environment in which we operate.

## 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.
AARR	Aggregate Annual Revenue Requirement
AMFR	All Medical Frequency Rate
CSO	Community Service Obligation
EBITDA	Earning Before Interest and Tax plus Depreciation and Amortisation
EBIT	Earnings Before Interest and Tax
EBT	Earnings Before Tax
ERA	Economic Regulatory Authority
LTIFR	Lost Time Injury Frequency Rate
NPAT	Net Profit After Tax
SAIDI	System Average Interruption Duration Index
SCI	Statement of Corporate Intent
SUPP	State Underground Power Program
Tariffs	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.