
March Quarterly Report

2006/07



30 April 2007

Introduction

This report has been prepared in accordance with Western Power's obligation to report to the Minister for Energy under Section 106 of the *Electricity Corporations Act 2005*. This report reviews the Corporation's performance for the period from January to March 2007.

Key Performance Indicators

Western Power's performance is tracked against Key Performance Indicators (KPIs) detailed in the *Western Power Statement of Corporate Intent 2006/07 (SCI)*. Table 1 provides a summary of Western Power's performance for the March 2007 quarter.

Table 1 – KPI Performance¹

Indicator description	Strategic Result Area	March 2007 (YTD) Actual	2006/07 Full Year Target
Lost Time Injury Frequency Rate (LTIFR) ² (LTIs / million hours worked - employees)	Safety	4.8	<5
All Medical Frequency Rate (AMFR) ² (AMs / million hours worked - employees)	Safety	17.9	<20
System Average Interruption Duration Index (SAIDI) (Total duration of interruptions / customers per year)			
- South West Interconnected System (SWIS)	Reliability	279	277
- Urban	Reliability	239	242
- Rural	Reliability	511	509
System minutes interrupted (mins)	Reliability	13.4	7.8
Enquiries responded to within 10 days (%)	Reliability, Efficiency	93	96
Complaints responded to within 20 days (%)	Reliability, Efficiency	93	92
Subdivision energisation rate (%)	Reliability, Efficiency	81	>80
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) (\$m)	Efficiency	277.0	314.1 ³

¹ Net Accruals to Government and Corporate Reputation KPIs that are provided in the *Statement of Corporate Intent 2006/07* are reported annually.

² LTIFR and AMFR data does not include statistics from Western Power contractors.

³ EBITDA Target number reported is YTD March, Full Year Target is \$414.1m.

KPI results and strategic programs overview

During the March 2007 quarter, Western Power further focused on completing programs that reflect the organisation's drive to provide **safe, reliable** and **efficient** network services.

Safety

Western Power's safety performance met the organisation's safety target this quarter, with improvements made during the year in response to an audit carried out by independent consultants, Shaw Energy. Substantial reductions in high-risk incidents such as electric shocks and motor vehicle accidents have been achieved.

Linked with this, are the positive results flowing from Western Power's glove strategy, which is showing promising safety returns. The strategy was introduced as part of the organisation's 100 Day Plan on Safety in response to the unacceptable number of hand and finger injuries.

Further, Safety and Health Leadership training was conducted throughout the March 2007 quarter to support the organisation's safety and health vision: to conduct work in a manner where people are free from injury and harm.

Our customers

Western Power's performance in customer service has tracked close to target performance levels. Response times for enquiries fell just below target, while complaints handling and the subdivision energisation rate were managed within the organisation's target performance levels.

Western Power provides an extensive range of products and services to a wide range of customers, from individuals and small business operators to large corporations. Accordingly, the organisation is presently developing a Customer Relationship Management Model to improve internal and external contacts with Western Power's Asset Management division.

Our stakeholders

In the March 2007 quarter, Western Power continued to work with its key stakeholder groups to further understand their expectations, and to ensure that their interests were considered in the delivery of the organisation's work.

Western Power is working closely with external parties, such as the Office of Energy and Energy Safety, to further develop its stakeholder relationships.

The network

Western Power is working to improve the performance of the existing South West Interconnected System (SWIS) and is upgrading its capacity to meet the ever-increasing demand for electricity.

The SWIS network reliability performance, measured by the System Average Interruption Duration Index, rose marginally above targeted performance due to declining performance in rural areas of the network. This result was due mainly to environmental influences and equipment damage. Urban network reliability performance has remained better than targeted performance for the March 2007 quarter.

Western Power's increasing system minutes interrupted result, of 13.4 minutes for the financial year-to-date, was due mainly to environmental incidents including lightning and bushfires, and equipment damage. The equipment-related incidents occurred at Western Power's Piccadilly substation and West Kalgoorlie terminal, during the March 2007 quarter.

Bushfires impacted communities in early February 2007 in Toodyay and Dwellingup.

Western Power and Energy *Safety* are conducting an ongoing investigation into the cause of the Toodyay fire, which started on 3 February 2007 apparently from clashing powerlines.

Western Power is confident that the section of powerline met the electrical clearance requirements of the standards set by the Electricity Supply Association of Australia.

The State Underground Power Program reached a milestone on 18 January 2007, with the Minister for Energy announcing that 45 per cent of properties in the metropolitan have now been connected to underground power. Western Power is on track to have 50 per cent of power supplies to metropolitan properties placed underground by 2010.

As part of the Rural Power Improvement Program, in early March 2007 the Minister for Energy announced further planned network improvements, with start of construction of the Dongara to Rudds Gully distribution line. The new three-phase line will improve capacity, reliability and security of power supply to more than 2000 properties between Dongara and Rudds Gully. The project, which will cost \$4.3M, is expected to be complete by July 2007.

The Minister for Energy launched a major environmental initiative on behalf of Western Power in mid February 2007 that will involve planting 93,000 tree seedlings in the State's southwest to offset carbon emissions produced by the organisation's fleet vehicles and mobile power generating facilities. The program will be carried out through the Carbon Neutral Program, a Men of the Trees initiative, established in 2001.

A further initiative, which supported a more efficient use of energy, involved Western Power, Synergy, Verve Energy and the Office of Energy jointly supporting a public education advertising campaign. Branded 'Beat the Peak', the public education campaign ran over the summer period from early January to mid-March 2007.

This campaign was timely, as extreme weather conditions, including three days of temperatures above 40 degrees, saw the largest ever amount of power drawn from the SWIS. On 7 March 2007 a record 3,575 MW was reached; 10 per cent greater than the 2006 summer figure of 3,256 MW.

Overall, the whole power system held up extremely well. At the system peak on 7 March, approximately 400 MW of reserve generation was still available: a good position to be in.

The Dampier to Bunbury gas pipeline expansions, completed in 2006, provided sufficient capacity to meet the load demand with minimal use of liquids. Completing the bulk of the organisation's 2006/2007 Networks Capital Works and Summer Ready programs was key to maintaining operation of the power system with minimal disruption to customers.

Business efficiency and improvement

Western Power aims to streamline the way it conducts its business, to gain maximum output for effort: to do a job once and to do it well.

Tracking behind the March year-to-date (YTD) target of \$314.1M, the March 2007 (YTD) Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) was \$277.0M.

Western Power's underlying performance, adjusted for the impact of the new regulatory environment, is an EBITDA result of \$287.9M. The underlying performance illustrates that after future price adjustments to cover known regulatory corrections are incorporated, Western Power's financial performance is close to the organisation's target level (refer to Appendix 1 for detail).

Further to the December 2006 quarter, it is a continuing concern to report that spending on distribution maintenance (operating costs) has exceeded budget on a year-to-date basis.

This is due to a number of factors, including higher unit costs and increased activity levels. Western Power has taken steps to address these cost overruns.

The organisation also has a major task to improve delivery of distribution projects in the face of booming development and large backlogs of enhancement work.

During the March 2007 quarter, an enhanced commercial governance program was implemented, involving an extensive review of policies, and goods and services procurement.

Our people

Western Power is committed to ensuring the organisation's people are safe, motivated and engaged. To help achieve this, induction workshops were held during the March 2007 quarter, for any recently appointed employees or contractors.

Our community

Western Power is a key contributor to the Western Australian community on a number of levels. The organisation aims to be a responsible corporate citizen that develops innovative partnerships, and supports local communities.

Accordingly, work has commenced on a two-year Environmental Management System (EMS) enhancement plan, in which use of the organisation's present EMS will be assessed by survey and workshops.

Appendix 1 – Financial statements

Western Power Profit & Loss Statement

\$m	Q1 06/07	Q2 06/07	Q3 06/07	Mar 07 (YTD)
Income				
Regulated Tariff Revenue	125.2	129.9	142.2	397.3
Developer Contributions	34.6	32.1	40.6	107.3
Other Revenue	29.3	29.0	32.7	91.0
Total income	189.1	191.0	215.5	595.6
Expenditure				
Operating Expenditure	77.0	89.6	103.2	269.8
TEC	17.4	17.4	14.0	48.8
Operating Expense	94.4	107.0	117.2	318.6
EBITDA	94.7	84.0	98.3	277.0
Depreciation	30.2	33.6	33.6	97.4
Earnings Before Interest and Tax	64.5	50.4	64.7	179.6
Interest	31.8	34.0	36.5	102.3
Operating Profit Before Tax	32.7	16.4	28.1	77.2
Income Tax	9.8	4.9	8.4	23.1
Profit after Tax	22.9	11.5	19.7	54.1

Western Power underlying position

Western Power's profitability is impacted by the regulatory treatment of expenditure by the Investment Adjustment Mechanism and revenue variations that result in annual K-factor price adjustments. In order to provide the underlying position, the baseline results are adjusted for the following factors:

- \$16.0M unfavourable variance in regulated tariff revenue and \$19.7M of non-reference service revenue due to the delayed introduction of the Access Arrangement,
- \$24.7M 'excess' capital contributions over that included in the Access Arrangement,
- Increase of \$6.9M in interest expense and \$2.2M in depreciation costs associated with the capital investment that is deferred to the next regulatory period.

The underlying position based on the March quarter 2006/07 results is shown below.

Underlying Earnings (\$m)	Mar 07 (YTD) EBITDA	Mar 07 (YTD) EBT
March Result	277.0	77.2
Network Tariff Revenue	16.0	16.0
Capital Contributions	-24.7	-24.7
Non-reference Services	19.7	19.7
Total Revenue Impact	10.9	11.0
IAM Depreciation	-	2.2
IAM Interest	-	6.9
Total Expense Impact	-	9.1
Underlying Position	287.9	97.3

Western Power Balance Sheet

\$m	Q1 06/07	Q2 06/07	Q3 06/07
Total Current Assets	167.8	175.4	214.4
Non-Current Assets			
Property Plant & Equipment	3153.9	3299.9	3431.7
Other Non-current Assets	50.4	47.9	54.1
Total Non-current Assets	3204.3	3347.8	3485.8
Total Assets	3372.1	3523.2	3700.2
Total Current Liabilities	132.6	131.7	136.4
Non-Current Liabilities			
Borrowings	2220.4	2359.6	2451.7
Other Non-Current Liabilities	197.1	199.5	260.1
Total Non-Current Liabilities	2295.5	2559.1	2711.8
Total Liabilities	2550.1	2690.8	2848.2
Net Assets	822.0	832.4	852.0
Contributed Equity	6.0	6.0	6.0
Retained Earnings	816.0	826.4	846.0
Total Equity	822.0	832.4	852.0

Note: Q1 2006/07 & Q2 2006/07 Balance Sheet figures have been re-stated to conform to classification changes.

Western Power Cash Flow Statement

\$m	Q1 06/07	Q2 06/07	Q3 06/07	Mar 07 (YTD)
Opening Cash Balance	50.6	6.2	11.9	50.6
Inflow of Funds				
Cash receipts	240.7	237.2	233.5	711.4
New borrowings	67.7	138.7	91.4	297.8
Total inflow of funds	308.4	375.9	324.9	1009.2
Outflow of funds				
Wages & salaries	36.1	47.2	47.4	130.7
Creditors & contractors	278.1	270.6	221.8	770.5
Payments to Government	0.0	8.9	20.9	29.8
Interest	34.0	35.0	36.9	105.9
Other payments	4.6	8.5	0.0	13.1
Total outflow of funds	352.8	370.2	327.0	1050.0
Closing Cash Balance	6.2	11.9	9.8	9.8