

07



> The Emerging Business

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Chairman's review



Peter Mansell BOARD CHAIR

On behalf of Western Power's Board of Directors, I am pleased to present the organisation's first full Annual Report since its formation in April 2006. We have called this report 'The Emerging Business', as this aptly describes the energy, optimism and focus of the new Western Power.

The newly formed Board, together with Western Power's Executive Committee, have laid a solid foundation during the year to create a business that can successfully meet new market demands, as well as become much more responsive to the needs of the community and stakeholders.

As part of reform to the electricity sector in Western Australia, two important milestones were reached in 2006/07. The Wholesale Electricity Market was launched, signifying formal commencement of competition in the energy market. Further, the Economic Regulation Authority approved Western Power's Access Arrangement, which clearly defines what is expected of Western Power in providing new capacity to meet ever-increasing demand and preserving the integrity of the network. It also sets down expectations in safety and reliability performance.

Building and maintaining a robust network for the safe, reliable and efficient transmission and distribution of electricity remains our primary focus. It is, therefore, pleasing to be assured of funding of \$3.5 billion over the next four years (2008–2011) to upgrade and expand the South West Interconnected System. A significant portion of this expenditure will contribute to the development of the network for future growth.

Safety performance improved markedly during the year resulting from a 100-Day Safety Plan that galvanised the organisation into action. I commend the management team and all employees for their commitment to improve safety and for bringing about a shift in our safety culture.

A highlight for the Board has been the development of a new strategic direction for Western Power. This was done in partnership with the organisation's Executive team, leaders across the business, and industry representatives. This proved to be an exciting process.

We have developed strategies to position the business for the future; to be able to meet changing community expectations; and to contribute positively to future energy solutions in Western Australia. We have set a strategic direction until 2016 with plans for what will be achieved, what it will take to get there and how success will be measured. This process has challenged all of us to be open-minded and to look beyond the company's immediate priorities without losing sight of them.

Our journey has begun. The Western Power of today is more outwardly focused and willing to listen. We are more able to shape energy solutions to match customer needs. We are consulting and engaging with communities and our broader stakeholders and have a sustainability focus across our major projects. In the future we will improve in all respects.

I would like to acknowledge the efforts of my fellow Directors, for their ongoing commitment and support in our first challenging year of operations. I would like to thank our Managing Director, Doug Aberle, and the management team, for overseeing an enormous work program to better position the business for the future.

Most importantly, I wish to acknowledge the dedication, enthusiasm and support of all Western Power employees.

With our new strategic direction in place, the company is emerging as an energy solutions business committed to a bright and sustainable future.

Peter Mansell
BOARD CHAIR

31 August 2007

> Managing Director's review



Doug Aberle MANAGING DIRECTOR

It has been an extremely demanding and productive 12 months for Western Power. With the support of the new Board and Executive Committee, we faced the challenges of our usual business activities as well as undertaking major project work to meet accelerated growth and address many years of underinvestment in the network.

All this occurred in a time of rising labour and material costs resulting from the economic boom.

As a new company solely focused on the safe, reliable and efficient distribution and transmission of electricity, we established a new organisational structure, positioning us for the future and recognising that we are no longer a subset of a larger organisation.

SAFETY

Lifting safety performance was a major focus. Compared with similar businesses it was clear our performance was not leading edge and that we needed to begin a new on our

approach to safety and the safety culture of our business.

International safety expert, Shaw Energy was commissioned to conduct a thorough review of safety. An outcome of the review was the implementation of our 100-Day Safety Plan, the starting point on a path towards significant improvement. I am pleased to report we not only achieved, but also exceeded our stretch performance target for the year, and this is how we intend to continue. While the rate of improvement will get exponentially harder as we reduce safety incidents, we are absolutely committed to continual improvement and our ultimate goal of zero harm. Our safety performance was our greatest focus and our biggest achievement in our first year.

HIGHLIGHTS FOR 2006/07

In this, our first full year of operating, our highlights included:

- Safety: our employees' Lost Time Injury Frequency Rate (LTIFR) of 3.7 (against a target of <5) and All Medical Frequency Rate (AMFR) of 14.5 (against a target of <20) were at their lowest levels ever.
- Operational excellence: we reached a significant milestone of 45 per cent of properties in the Perth metropolitan area being connected to underground power, under the State Underground Power Program.
- Customer focus: we have improved our complaint and enquiry handling times; simplified our quotes, invoices and online application forms; and introduced flexible payment options.
- Community engagement: we have recently enhanced our stakeholder management focus by adopting a new approach to community consultation, encouraging communities to participate in the decision process in determining the route of transmission lines.
- Environmental commitment: this year we committed to planting 93,000 native seedlings to offset carbon

emissions through the Carbon Neutral Program. A further initiative, branded 'Beat the Peak', ran over the summer period to support more efficient energy use.

- Economic performance: for the 12 months to 30 June 2007, we announced:

- Profit before tax of \$99.3 million;
- Net profit after tax of \$69.4 million;
- Revenue of \$802.2 million;
- Interim dividend of \$17.1 million and an expected final dividend of \$17.6 million; and
- Capital investment of \$727.4 million.

Despite challenging operating conditions, revenues remained in line with Access Arrangement forecasts but overall, financial performance fell short of expectations due to cost inflation. We recognise we are not alone here with cost pressures being felt across the board in this 'boom State'.

- Business efficiencies: we gained \$19.3 million in cumulative savings from our successful 'One Step Ahead' program that have offset, to an extent, higher costs within the work program.

LONG-TERM STRATEGY

Despite the level of activity already going on in the business, we realised the importance of taking time to look at the future and develop a long term strategy. The Board and management team, together with many people in the business and industry, contributed to the thinking that resulted in our new direction.

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.

Our new strategic plan acknowledges the roots of our business under a theme of operational excellence, and introduces three new themes: transform the customer experience; engage with our community; and the green edge.

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

Next year we will measure our progress against these themes, ensuring we continue to be more innovative in our approach.

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 this organisation stronger today and for the future. As an outcome of this work, it is pleasing to report an improvement in our measure of corporate reputation. (See Key Performance Indicators on page 35).

OUR PEOPLE

Throughout this extraordinary year, the business has been asked to do so much more. Both operational and non-operational teams have gone the extra mile to deliver on our business's expectations.

Our crews once again demonstrated their tenacity and commitment in emergency situations, working tirelessly to restore power to communities in the bushfire affected towns of Toodyay and Dwellingup.

I would like to acknowledge their efforts and thank all Western Power people for contributing to our first full year of operations, helping to create a business with a new energy and set the scene for our transformation into an energy solutions business for a sustainable future.



Doug Aberle
Managing Director

31 August 2007

“The plan supports our need to continue to maintain our focus on safety, improve reliability performance and attend efficiently to our ever-increasing workload.”

Doug Aberle
MANAGING DIRECTOR

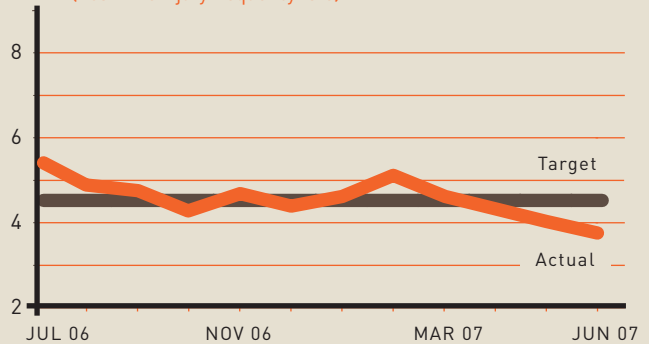
> How are we tracking?

In our first year we've achieved a lot: a great improvement in safety as reflected in our LTIFR trend and we've managed our finances well, despite increased cost pressures throughout our business. Network reliability and work program performance are two areas requiring attention.



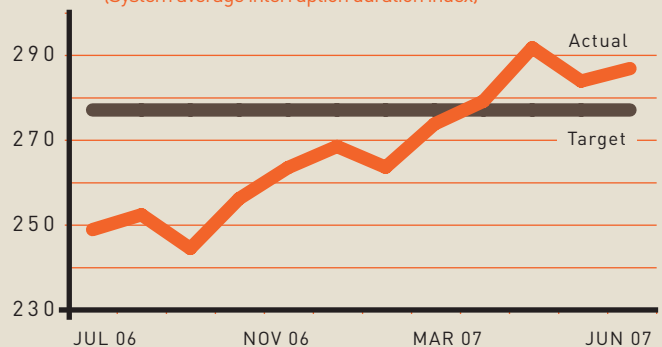
> Safety - LTIFR

(Lost time injury frequency rate)



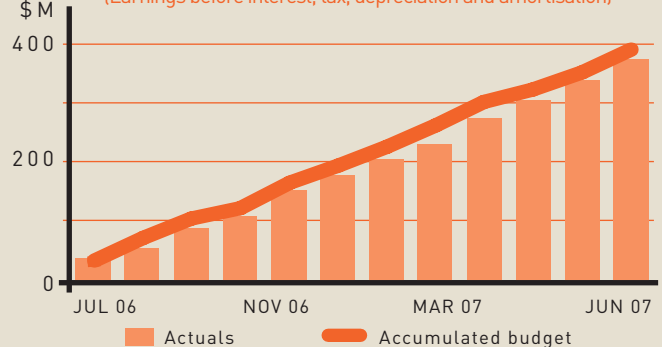
> Network reliability - SAIDI

(System average interruption duration index)



> Efficiency - EBITDA

(Earnings before interest, tax, depreciation and amortisation)



> Our corporate objectives

OUR VALUES

We will:

- put safety first
- respect our customers
- work together
- make a positive difference
- earn trust
- act like it's our own business

OUR FOCUS AREAS

- safety and health
- our customers
- our stakeholders
- the network
- business efficiency and improvement
- our people
- our community

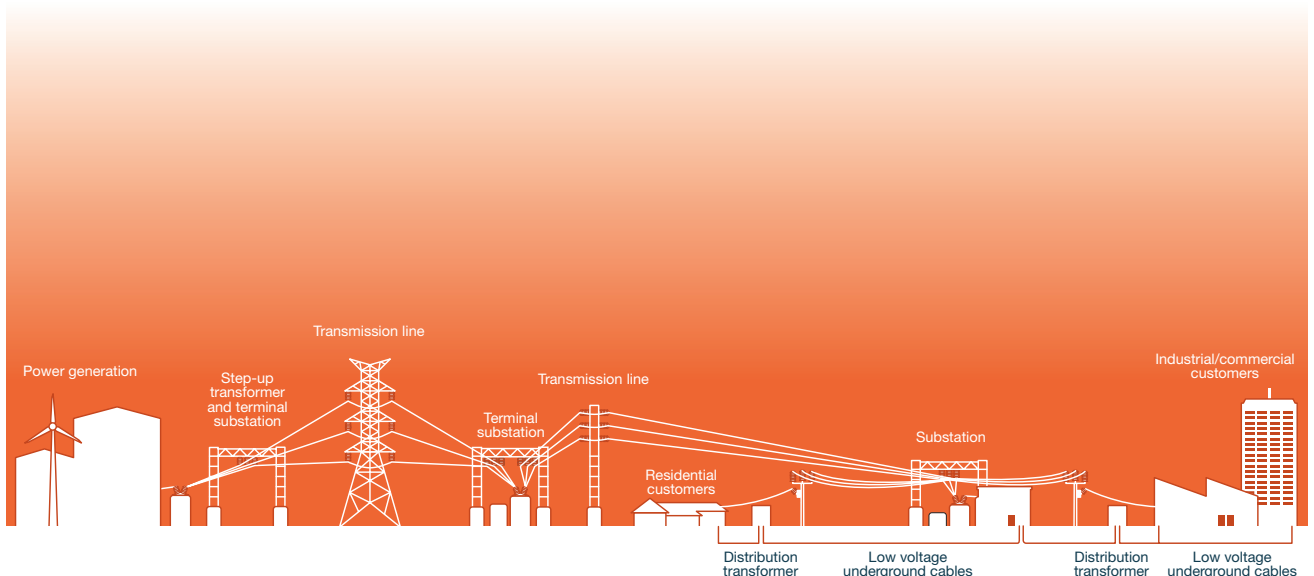
OUR BUSINESS - WHAT WE DO

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.

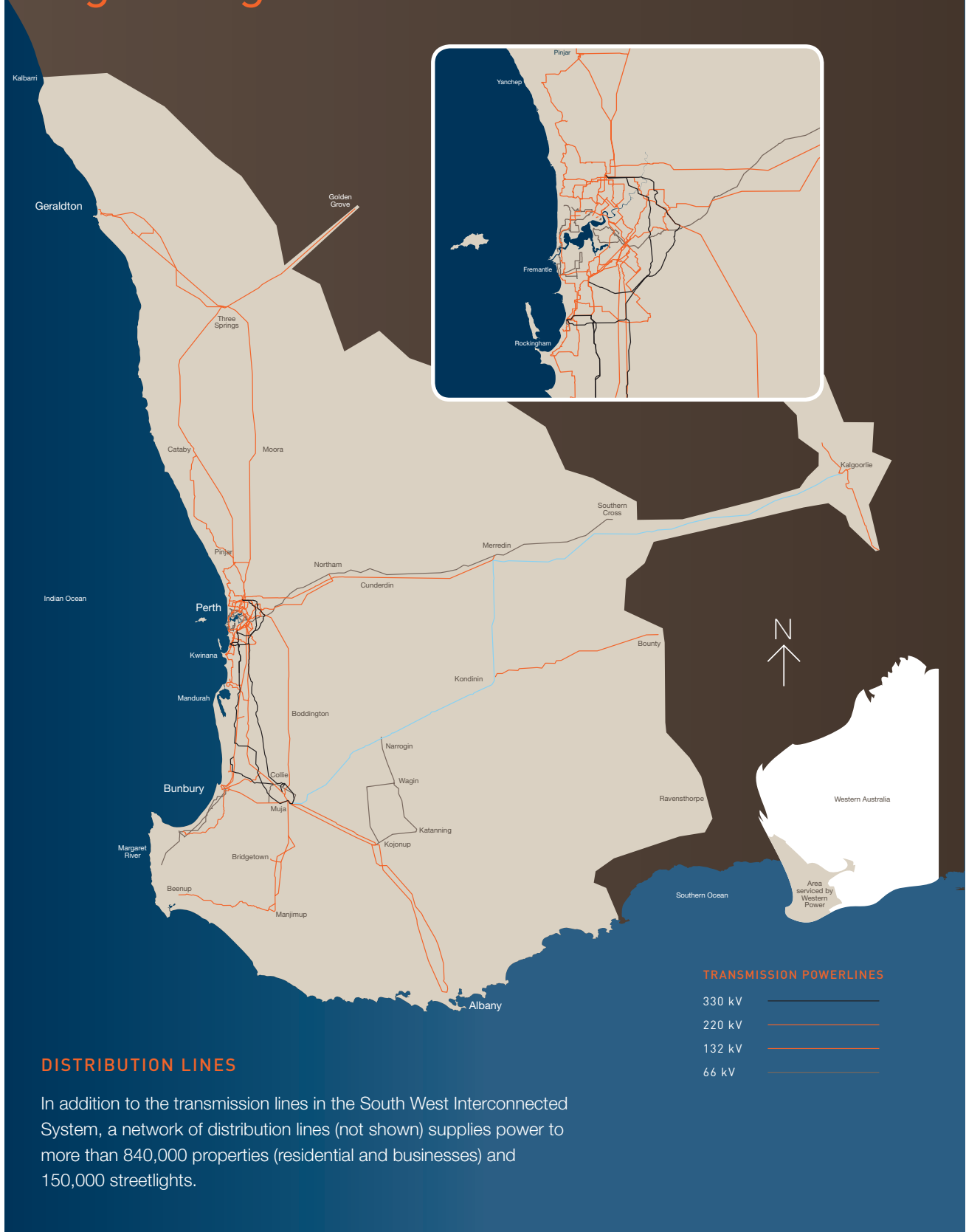
Our electricity network is the largest 'interconnected' network in Western Australia. It is called the South West Interconnected System and consists of nearly 88,000 kilometres of powerlines stretching from Kalbarri in the north, to Kalgoorlie in the east and south to Albany.

Western Power is an electricity networks corporation. Our sole shareholder is the Western Australian Government but, as a corporation, we make commercial decisions within a regulatory framework. These cover almost all aspects of our operations, from our performance targets and how much revenue we can earn, to the proper disposal of waste and the safety of our employees, contractors and the public.

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



> A growing network



DISTRIBUTION LINES

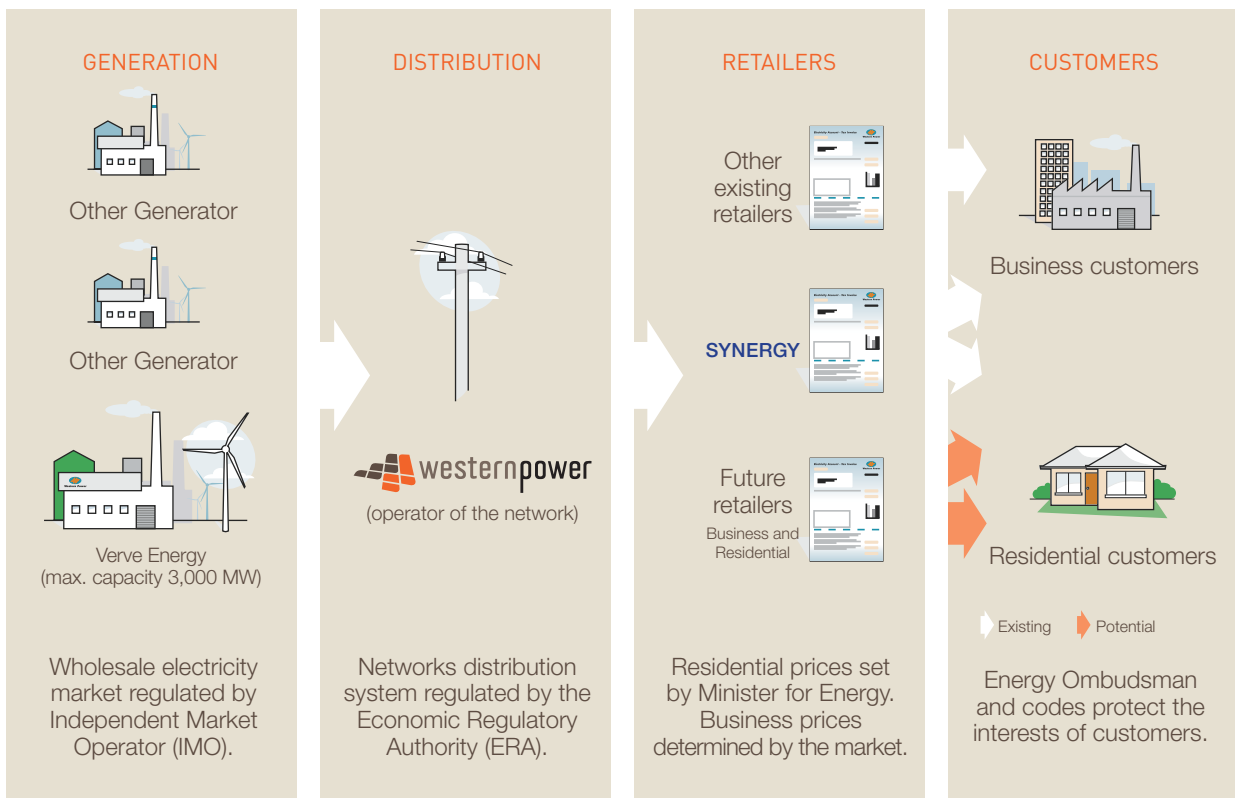
In addition to the transmission lines in the South West Interconnected System, a network of distribution lines (not shown) supplies power to more than 840,000 properties (residential and businesses) and 150,000 streetlights.

ELECTRICITY MARKET REFORM

In April 2006, Western Power became an independent network business. The then Western Power Corporation was separated into four stand-alone companies, with only the network business retaining the Western Power name. The change was part of the State Government's reform to the way electricity is generated, distributed and retailed in Western Australia.






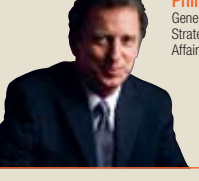


From April 2006

How Western Australia's Wholesale Electricity Market operates in the SWIS.



> Our business structure

In June 2007, Western Power launched a new business structure to realign our processes and activities to our new strategic direction.

 <p>Doug Aberle Managing Director</p>	 <p>Mark de Laeter General Manager Customer Services</p>	<p>Gino Giudice Manager Customer Services</p> <p>Mike Lu Manager Customer Solutions</p> <p>Mehdi Toufan Group Manager Engineering</p>	<p>Peter Brazendale** Manager Distribution Design</p> <p>Cameron Parrotte** Manager Transmission Primary Engineering</p> <p>Al Edgar** Manager Secondary Systems Engineering</p>	<p>Syd McDowell Manager Network Performance</p> <p>Laurie Curro Manager Network Planning and Development</p> <p>Mark Wilshusen Manager Standards, Policy and Data Quality</p>	<p>Nyrie Anderson* Business Improvement Manager</p> <p>Rudy Teh* Environment and Land Management Manager</p> <p>Steve Hughes* Expenditure Optimisation Manager</p>
 <p>Anne-Marie Clark General Manager Service Delivery</p>	<p>Rod Smith Manager Program Delivery</p> <p>Duncan Whitfield Manager Program Enablement</p> <p>Rob Walker Manager Business Services</p>	<p>Kevin Collyer Manager Metro</p> <p>Dennis Smith Manager Country</p> <p>Rob Atkin Manager Substations</p>	<p>Graham Rowe Manager Field Engineering and Works</p> <p>Jim Kafanelis Manager Business Improvement</p>		
 <p>Ken Brown General Manager System Management</p>	<p>Phil Kelloway Manager Planning and Market Operations</p> <p>Shane Duryea Manager Network Operations</p>	<p>Murray Caston Manager System Operation Controls</p> <p>Rod Newton Manager SCADA and Information Systems</p>			
 <p>Malcom Peacock Chief Financial Officer</p>	<p>Gair Landsborough Manager Business Analysis</p> <p>Guy Burnett Manager Corporate Accounting and Taxation</p>	<p>Leigh Spryan Chief Information Officer</p> <p>Ann Hughes Manager Risk Management</p>	<p>Jane Wedgwood Manager Treasury</p> <p>Andre Winarto Manager Group Commercial</p>		
 <p>Phil Southwell General Manager Strategy and Corporate Affairs</p>	<p>Peter Mattner Manager Regulation, Pricing and Access Development</p> <p>Gavin Forrest Manager Strategy</p>	<p>Joanne Wheeler Manager Corporate Affairs</p> <p>Miriam Borthwick Media Advisor</p> <p>Steve Blake Manager Business Transformation</p>	<p>TBA Business Development</p> <p>TBA Sustainability</p>		
 <p>Greg Monkhouse General Manager Human Resources</p>	<p>Marissa Connolly Manager Workforce Capability</p> <p>Kathleen Soumanis Manager Employment Relations</p>	<p>Geoff Weaver Manager HR Operations and Organisational Development</p> <p>Frank Loss Manager Safety and Health</p>			
 <p>John Pease General Counsel and Company Secretary Legal and Governance</p>	<p>Margaret Pyrchla Manager Compliance</p> <p>John Tregonning Senior Legal Counsel</p>	<p>Sam Barbaro Senior Legal Counsel (Network Access and WEM)</p> <p>Lilianna Kovacevic Assistant Company Secretary</p>	<p>Brendan Carvalho Manager Risk Assurance & Audit</p>		

*Direct reports to General Managers. **Direct reports to Mehdi Toufan

> Our strategic direction to 2016

We have reviewed the way we go about our business and have embarked on an exciting new direction.

Expectations of the energy sector are changing. Sustainability, climate change, energy solutions and the impact of organisations such as Western Power are the focus of national and international discussion.

Many more individuals are taking personal responsibility for energy use while communities and other stakeholders expect to be consulted, listened to and informed on the future plans and actions of their energy providers. In addition, the Western Australian economy is booming and the Western Power network has had to expand exponentially to keep pace. Similar growth is expected to continue for the foreseeable future.

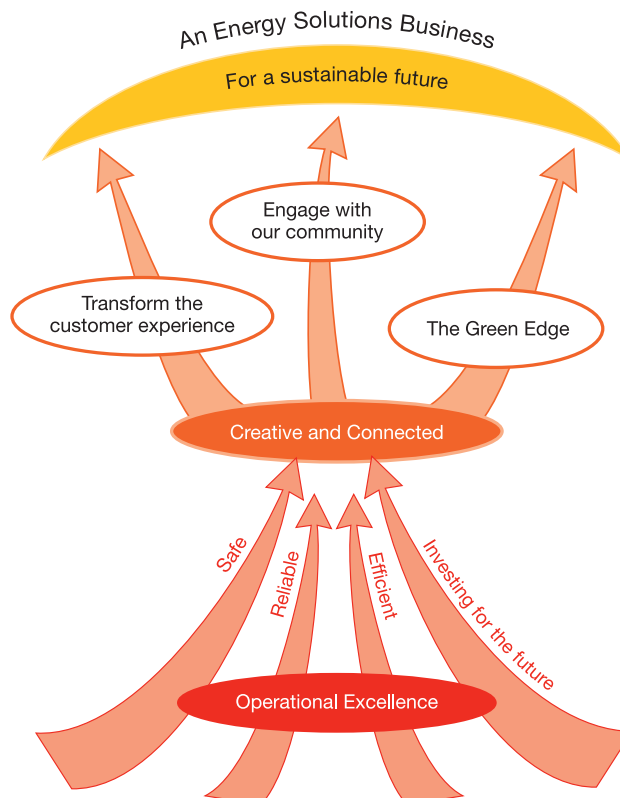
It is a pivotal moment in our organisation's history, and through careful planning, an opportunity to position the business for a strong and sustainable future.

In June 2007, we launched a new strategic direction. Our new direction is focused around four strategic themes:

- operational excellence
- transform the customer experience
- engage with our community
- the green edge

The 'tree' is a diagrammatical representation of Western Power's strategic plan, showing the connection of the four strategic themes.

The base of the tree is Western Power's foundation, a continued focus on embedding operational excellence and continuously improving. It is essential to continue to focus on safety, better reliability and greater efficiency.



Investing for the future is about developing our people and capabilities along with our financial position. These values are the essence of our work.

Operational excellence provides a platform for us to have valuable interaction with our customers, where we listen to our customers' perspectives and enable them to see what is involved in running the Western Power business.

The three aspirational themes, represented as branches - transform the customer experience, engage the community and the green edge - are outwardly focused.

They require us to be creative and connected in the way we approach our work. It involves creating dialogue with our stakeholders and customers and meeting expectations.

The green edge component of our new strategy will enable us to respond to climate change; raise awareness of energy consumption patterns; play a leading role in the state's sustainability debate; and enhance future energy systems through electricity networks.

The strategic outcomes we will work to achieve by 2016 are:

- a shift in culture and mindset built upon developing energy solutions within and beyond 'poles and wires'
- integration of sustainability criteria into all decision-making and activity that is strongly linked to commercial reality and community responsibility
- a robust and positive connection with our customers, our community, industry and chosen markets
- a commercial focus
- national recognition and respect in our chosen markets
- co-operative (partnership based) and competitive approaches to business
- flexibility
- a global consciousness – we are operating in a global market and our decisions are felt globally
- having successfully created our own future

At each stage of the strategic plan we have set down what we are going to achieve, what it will take to get there and how we will measure our success.

“Investing for the future is about developing our people and capabilities along with our financial position. These values are the essence of our work.”

> Our business performance

SAFETY AND HEALTH

Western Power's '100-Day Safety Plan', completed on 5 October 2006, saw the organisation focus on 25 initiatives designed to reinforce safety as a core value and establish a vision where people are free from injury and harm. The organisation's renewed commitment to safety and health is detailed more fully under 'Our social commitment: our people' (on page 20).

THE WHOLESALE ELECTRICITY MARKET

Western Power reached an important milestone on 21 September 2006, with the launch of the Wholesale Electricity Market (WEM). In the South West Interconnected System, the Independent Market Operator (IMO) administers the WEM, which was implemented as part of the State Government's reform of the electricity sector in Western Australia.

In simple terms, the new market provides a means for industry participants to trade electricity in a competitive environment.

THE ACCESS ARRANGEMENT

On 26 April, the Economic Regulation Authority (ERA) approved Western Power's first Access Arrangement under the Electricity Networks Access Code. The Access Arrangement is the agreed 'business rules' for how Western Power goes about providing access and network services to the South West Interconnected System.

The Access Arrangement is approved by the ERA, after public consultation. It includes tariffs, capital contributions policy, reliability standards, asset values, forecast expenditures, and revenue and pricing models. Western Power's first Access Arrangement covers the period 1 July 2007 to 1 July 2009.

OUR NETWORK PROJECTS

Western Power provides an essential service that is fundamental to the daily life of the community, business and industry. We are working to improve the performance of the existing network and upgrading its capacity to meet the ever-increasing demand for electricity.

Presently, Western Power is upgrading substations in eight suburbs throughout Perth's metropolitan area which are Bentley, Cottesloe, Kewdale, Rivervale, South Perth, Neerabup, Waikiki and Gosnells.

Substations 'step down' high voltage power that is carried by transmission lines and convert it to a lower voltage suitable for distribution to residences and businesses.

We have 11 transmission line projects underway. Transmission lines are used to transmit high-voltage power from various generators (such as power stations and wind farms) to more than 140 major substations. Current transmission line projects include:

- Albany to Wellstead
- Bibra Lake to Cannington
- Collie to Wellstead
- Eneabba to Moonyoonooka
- Kojonup to Albany
- Kwinana to South Fremantle
- Margaret River to Busselton
- Midland
- Pinjar to Wanneroo
- Guger Street, Claremont (powerline relocation)

STAKEHOLDER MANAGEMENT STRATEGY

Our work impacts a range of stakeholders, including our sole shareholder – the Western Australian State Government - regulatory bodies, other government agencies, local governments, communities and interest groups. We work with stakeholders to understand their expectations and to ensure that their interests are considered in the delivery of our work.

We have recently enhanced our stakeholder management focus by adopting a new approach to community consultation, encouraging communities to participate in the end-to-end decision process in determining the route of transmission lines.

This new approach includes an adoption of robust sustainability principles to ensure that social, cultural, economic, technical and environmental issues are considered during the route selection process. These sustainability principles were developed in conjunction with government, industry and specialist groups.

The Eneabba to Moonyoonooka transmission line project is our first example of this new approach and has received positive feedback from impacted stakeholders (see case study in ‘Our environmental commitment’ on page 27).

MANAGING AND IMPROVING OUR NETWORK

Western Power has undertaken a four-year expenditure program to improve the safety, reliability and capacity of electricity supplies to all our customers.

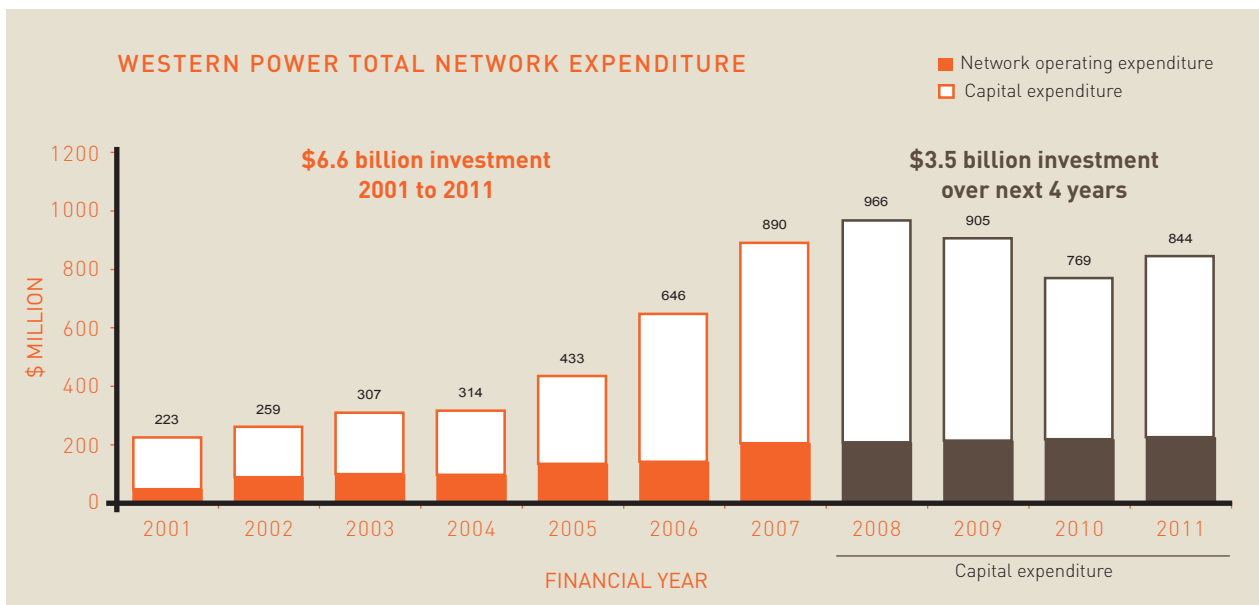
This program can be divided into four main areas:

- investment and planning - to ensure we can continue to meet future demand for electricity
- reliability and capacity improvements - to improve the reliability and capacity of power supplies, such as our Edge of Grid program
- the Rural Power Improvement Program
- bushfire readiness - for a safer network

Record \$3.5 billion network investment

Western Power will undertake its largest ever works program, investing \$3.5 billion, over the next four years to upgrade and expand the South West Interconnected System. Major projects in the program include:

- \$54.8 million to upgrade the Southern Terminal to improve capacity and reliability across the southern suburbs from Riverton and Canning Vale in the north, to Cockburn Cement in the west and Armadale, Gosnells and Byford in the south;
- \$39 million to build a new terminal substation at Neerabup to meet the demand for electricity from the growing northern suburbs;
- \$24.9 million upgrade of Busselton-Margaret River transmission line; and
- upgrade or build new substations at Thornlie, Willetton, Joondalup, Warwick, Cottesloe, Henley Brook, Wangara, Kewdale, Joondanna, Bibra Lake and Bentley.



Edge of Grid project

In late 2006, Western Power formed an Edge of Grid project taskforce to look at ways to resolve power capacity issues in high-growth towns located at the edge of the South West Interconnected System. Its first priorities are the towns of Ravensthorpe, Denmark, Walpole, Breinar Bay and Jurien Bay. The main objective of the taskforce is to develop an equitable, cost-reflective capital contributions policy so developments can proceed as quickly as possible.

Until recently, some developments have been stalled by delays in obtaining a quote to connect and obtaining approval to proceed. The second objective of the taskforce will be to clear this application backlog.

The Rural Power Improvement Program

As part of the Rural Power Improvement Program, in early March 2007 we announced further planned network improvements, with the 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 is expected to be complete by November 2007.

The \$60 million, five-year Rural Power Improvement Program was launched in 2004 to improve reliability for approximately 43,000 rural customers by reducing the frequency and duration of power interruptions.

Bushfire Management Plan and summer fires

On 10 December 2006, we launched our Bushfire Management Plan for summer 2006/07. A record \$128 million will be committed over three years, with \$37.5 million spent in 2006/07.

The plan incorporates a comprehensive vegetation management program, risk reduction strategies for public safety and aerial network inspections by helicopter. Under the plan, network upgrades using new technology are being considered, including steel poles designed to withstand bushfires and storms.

Summer Preparedness Program

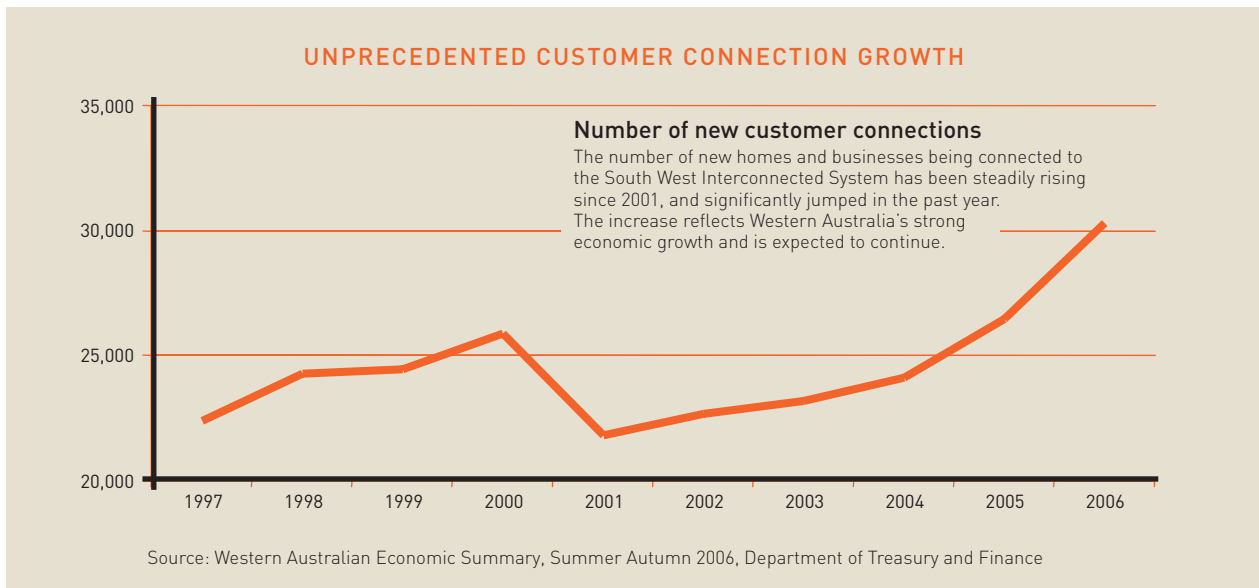
Extreme weather conditions, including three days of temperatures above 40 degrees Celsius, saw the largest ever amount of power drawn from the South West Interconnected System on 7 March 2007. A new peak record was reached at 3575 megawatts (MW), 10% greater than the 2005/06 summer figure of 3256 MW.

The whole power system held up extremely well, with approximately 400 MW of reserve generation still available at the system's peak.

In the six months to December 2006, through the Summer Preparedness Program, we:

- upgraded 147 transformers – 16 underground and 131 overhead
- installed and commissioned 54 km of underground cable
- upgraded 35 km of overhead mains (totalling 105 km of conductor) in various areas across the network. Work included:
 - replacing conductors
 - replacing one in every four poles for the 35 km of overhead mains (including all hardware and two cross arms)
- constructed 12 new reclosers
- ensured mobile transformers and generators were available if required
- successfully completed a mock crisis management exercise, conducted in early December 2006

Completing the bulk of the organisation's 2006/07 networks capital works and summer preparedness programs was key to maintaining operation of the power system with minimal disruption to our customers and the community.



Beat the Peak: managing increasing peak demand

Western Power, together with the Office of Energy, Synergy and Verve Energy jointly supported a public education advertising campaign during the 2006/07 summer, to encourage a more efficient use of energy.

Branded 'Beat the Peak', the campaign ran from early January to mid-March 2007. The campaign was a simple call to action, asking people to reduce electricity use between 3pm and 6pm. Market research results for the Beat the Peak campaign showed an overwhelming majority – more than 80% of respondents - acknowledged the importance of the campaign's message.

Nearly a third of respondents said that they made changes to their energy use behaviour as a result.

State Underground Power Program

The State Underground Power Program reached a milestone in mid-January 2007, with 45% of properties in the metropolitan area connected to underground power. We are on track to have 50% of power supplies to metropolitan properties placed underground by 2010.

We are retrospectively placing overhead distribution powerlines underground faster than any other energy provider in Australia.

BUSINESS EFFICIENCY AND IMPROVEMENT

One Step Ahead

Our change program, known as One Step Ahead (OSA), was launched in March 2005 to make Western Power a more efficient, performance-driven and customer-focused stand-alone business. As part of our Access Arrangement with the ERA, we committed to meeting an efficiency target of \$20 million in 2006/07. OSA helped the business to meet this target by:

- creating a better working environment
- creating new capacity
- increasing capability and confidence

The program was completed in December 2006 and by the end of June 2007 had delivered \$19.3 million in benefits to Western Power. Most of this was due to savings in the cost of services and materials.

IT systems review

Our suite of Information Technology (IT) systems will be simplified and rejuvenated under our IT strategic program of work, launched in September 2006. Initial projects will include:

- NetCIS - a new reliable and efficient billing and customer information system that will improve service for all industrial and retail customers of Western Power
- workforce management - an integrated job planning and management system to support safe and efficient construction, maintenance, and collection of field data using mobile communications by field crews
- asset system rationalisation - will consolidate and simplify our asset data stores, creating a more reliable and accurate record of the assets used within the network

Under the new IT strategic plan, key operating principles are being adopted including the use of best-practice processes, improving data quality, eliminating duplication and minimising changes to industry-standard software packages.

Energy efficiency forum with universities

Western Power, in partnership with the Perth business newspaper, WA Business News, invited 12 of the state's brightest university postgraduates and undergraduates in engineering, economics, energy management and policy to a forum in June 2007.

The forum was designed to encourage dialogue with students on the future direction of the state's energy infrastructure and consumption. The participants from The University of Western Australia, Murdoch University and Curtin University of Technology, were asked to consider acceptable levels of change to increase responsible electricity use.

Discussions focused on energy trends at the consumer level; policy development at the State Government level; and the operation of Western Australia's electricity market.

Western Power General Manager, Strategy and Corporate Affairs, Phil Southwell said he was hugely encouraged by the feedback from the students. "I got two key messages from the session," he said. "One was around consumer information. The other was focused on smart technology".

Western Power is keen to facilitate these dialogues to seek community, customer and stakeholder input in the discussion of how the organisation can continually contribute to energy efficiency.



In June 2007, attendees of the energy efficiency forum discussed the future direction of Western Australia's energy infrastructure and consumption. The forum was a joint initiative of Western Power and WA Business News.

> Our customer focus

Our business provides an extensive range of products and services to a wide range of customers, from individuals and small business operators to large corporations.

We are committed to working with our customers to identify and understand their needs and expectations, develop optimal solutions and deliver excellent service.

To do this we have:

- improved complaint and enquiry handling times
- simplified quotes and invoices
- simplified online application forms
- introduced flexible payment options

Western Power's performance in customer service has progressed well with response to complaints and enquiries achieving close to target performance.

NETCIS - A NEW CUSTOMER BILLING AND INFORMATION SYSTEM

In Western Australia, electricity-billing data has historically been held within the Customer Information System (CIS), which is now owned by energy retail company Synergy. This system processed meter information, generated bills, managed credit, and provided for new and changed connections.

Western Power has embarked on a project to install a new customer billing and information system, called NetCIS. The system will be operational in 2008 and streamline our customer processes and systems. The system will allow Western Power to build a database providing a comprehensive 'view' of customer information that will be used to improve customer service.

METERING BUSINESS SYSTEM (MBS)

During 2006/07, we introduced our new Metering Business System (MBS), which will provide a single database of metering information. MBS will facilitate Western Power's provision and management of metering services to all participants in the new electricity market. Further system enhancements to improve service standards will be implemented in February 2008.

NEW ENERGISATION PROCESS

The current property boom has created an unprecedented rise in Western Power's workload to install underground power in new subdivisions.

Western Power is working closely with developers and the development industry's peak body, the Urban Development Institute of Australia (UDIA), to implement a new system that will improve the energisation process of new subdivisions and help reduce waiting times. Presently, developers can choose to have Western Power install underground power in a new subdivision or manage the process themselves.

From 1 July 2007, Western Power will withdraw from subdivision work and developers will undertake the construction of electrical infrastructure. This will ensure that developers and their consultants have greater control over completion dates.

CASE STUDY

URBAN DEVELOPMENT INDUSTRY OF AUSTRALIA



Manager Customer Services, Gino Giudice presents the Western Power sponsored award for the 'Best Residential Subdivision' to Fiona Roche from the Estates Development Company.

Western Power has built on its growing relationship with the land development industry by participating in the UDIA's National Congress held in Perth, March 2007.

The congress attracted more than 800 industry representatives from around the country and gave Western Power an opportunity to forge stronger links with key players in the land development industry.

Western Power sponsored the Best Residential Subdivision Award at the National Awards for Excellence and participated in the trade exhibition, which was part of the three-day event.

ELECTRICITY NETWORK MANAGEMENT AND CONTROL (ENMAC) COUNTRY TAKE-UP

ENMAC is a new network management system, which allows Western Power operators to remotely view and manage the distribution network from the East Perth Control Centre.

The system provides operators with visibility of all operations and faults on the network and enables faults to be restored quickly.

The take-up of ENMAC in the metropolitan area has been completed and the rollout to country areas continues to progress. By the end of the 2006/07 financial year, 82% of country substations were operating with ENMAC.

XA/21 ENERGY MANAGEMENT SYSTEM

XA/21 is a new energy management system which allows System Management Operators to view and dispatch generation and manage and operate remote controlled equipment from the East Perth Control Centre. It is a key component in the management of the wholesale electricity market. The system, a replacement for the aging SCADA master station is closely coupled to the ENMAC system and provides real time operational information to system management, other corporate users and third party users such as the IMO and Verve Energy. The system takes advantage of the latest web technologies while maintaining the highest levels of data redundancy and security.

CUSTOMER INFORMATION VAN

Western Power has a new mobile customer information van that is used for events around the state.

At the van, customers can access a range of information about the electricity network. It can also be used in emergencies such as at Dwellingup in 2007 when bushfires destroyed nearly 200 power poles cutting the town's connection to the electricity grid. The van is also used for events such as country 'field days' and Perth's Garden Week, which was held at Perry Lakes in mid-April 2007.

> Our social commitment

OUR PEOPLE

Western Power has more than 2200 employees and more than 1000 contractors over 29 sites within the South West Interconnected System.

We recognise that our greatest asset is our people, and we are committed to ensuring they are safe, motivated and engaged. We achieve this by identifying and scoping training and development needs and recognising and rewarding high performance.

We put safety first at all times for our employees, our contractors, the public and our assets.

SAFETY AND HEALTH

To meet our obligations, we have embraced a Safety and Health Vision throughout the organisation. Work must cease if safety cannot be assured. No activity is permitted to come before the safety and health of people. The potential hazards of our industry require the highest standards of safety and health.

We are committed to the prevention of injury and harm, and strive to continuously improve our safety and health performance. In implementing our Safety and Health Policy we continue to:

- identify, assess and manage risks that the workforce, customers and the public face due to our activity
- meet and, where appropriate, exceed legal and industry safety and health standards
- require the same standards of compliance from all contractors, partners and suppliers
- develop and support Western Power employees, and provide resources to meet our Safety and Health Vision
- communicate with and engage all interested people on safety and health matters in an open, transparent and timely manner
- systematically address deficiencies and deliver opportunities for improvement, through the application of our Safety and Health Management System

OUR SAFETY PERFORMANCE

Our employees' Lost Time Injury Frequency Rate (LTIFR) and All Medical Frequency Rate (AMFR), two important measures of safety performance, were at their lowest levels ever this financial year. This means that we have had fewer incidents resulting in injuries to our people (see Key Performance Indicators on page 35).

People have been proactive, with an increase in the number of reported hazards or near hits, which have been analysed and addressed to prevent injury or harm.

These positive results are attributed to multiple initiatives from the organisation's renewed commitment to safety and health and the 100-Day Safety Plan.

100-DAY SAFETY PLAN, THE JOURNEY TO SAFETY EXCELLENCE BEGINS

In mid-2006, Western Power launched a 100-Day Safety Plan aimed at establishing safety as a core value for the organisation, our employees and contractors. A range of priority safety and health initiatives were introduced to all employees and contractors including driver training, correct glove use, safety kits in all vehicles, fatigue management, comprehensive job briefings and improved training for contractors.



Under this plan, 'Safety LifeSavers', a revised set of essential safe work practices, was developed and rolled out across the organisation.

The plan complements ongoing safety campaigns such as 'Switch On Mate' and 'Safety First Every Second', which encourage teams to promote a culture of safety and personal responsibility.

Some of the key programs introduced under the 100-Day Safety Plan include:

- a new glove strategy, implementing guidelines on using appropriate gloves for different types of work and correct storage, resulting in a significant reduction in the number of hand injuries and electric shocks (see case study)
- new fatigue management standards for Western Power staff and contractors, designed to eliminate or minimise risks associated with fatigue in the workplace
- a revised Safety Manual containing essential safety and health standards as a reference source for all field and office-based staff and contractors
- fleet safety initiatives, featuring a revised road safety policy and a vehicle training program aimed at improving the safety of Western Power's workers and other road users
- in-field assessors, a new approach to eliminating risk of harm or injury in the field through identifying at-risk behaviours in operational areas and providing coaching to eliminate these risks
- the Safety Leadership Program – which was one of the most important factors contributing to safety performance through a series of one-day workshops facilitated by the Executive Committee, in November 2006 and February 2007. The workshops provide our formal leaders with the shared vision to build a safety excellent organisation and explain the following safety and health leadership principles:
 - always put safety first
 - apply one rule for all
 - lead by example
 - coach, train and support our people
 - hold ourselves and others accountable for actions rather than intentions
 - recognise and reward our safety champions
 - provide a job or career only for people who live our commitment to safety
 - look at ourselves first when things go wrong

CASE STUDY

GLOVE USE



Training and Development Officer Dave Matthews demonstrates the correct use of gloves in a low voltage environment.

A review of how gloves were used, cared for, inspected and tested in Western Power resulted in a new glove policy being applied throughout the organisation. The strategy was introduced as part of the 100-Day Safety Plan in response to an unacceptable number of hand and finger injuries and electric shocks. It has resulted in significant reductions in the number of hand injuries and electric shocks.

Number of hand injuries and electric shocks

	2005/06	2006/07	% (decrease/increase)
Hand injuries	27	7	74% decrease
Electric shocks	11	3	73% decrease

PUBLIC SAFETY

Western Power developed three public safety projects in 2006/07, an Electricity Safety Case, a Public Safety Management Plan and a public safety awareness campaign.

Western Power's Electricity Safety Case is a new management system that will ensure network safety risks are identified and adequate strategies are in place and operating to address these risks. We aim to have the Electricity Safety Case approved by EnergySafety and operating by June 2008.

The Public Safety Management Plan is a comprehensive framework for managing the public safety risk posed by Western Power's business. The plan contributes to a best practice approach to the management of Western Power's

network (including planning, design, construction, maintenance and operation), and aims to reduce the risk of public injury, minimise damage to third party and network assets and to maintain compliance with relevant legislation.

We also launched a Public Safety Awareness Plan in late May 2007 to increase the public's awareness and understanding of the risks from electricity and our network.

In addition, Western Power has a number of plans, systems and policies in place to manage public safety, including:

- Safety and health policy and management system: to manage safety and health issues in the business, including public safety
- Annual Asset Management Report: a management plan addressing the public safety risk for our network assets
- Bushfire Management and Implementation Plan: to lessen the risk and impact of bushfires
- Crisis Management Plan: to identify potential crises and control measures. The plan provides a framework that enables Western Power to respond rapidly and appropriately to crisis events and hazardous situations

SAFETY AND HEALTH SURVEY

During February and March 2007, our people were invited to participate in a safety and health survey, to measure the organisation's culture with respect to safety excellence. During April 2007, action plans for each division were developed from feedback received from the survey, with support from internal safety and health professionals.



INCIDENT REPORTING AND INVESTIGATION

A new incident reporting and investigation process was rolled out across the business in April 2007. It includes the adoption of new standards and timelines, reporting forms and root-cause analysis training for all formal leaders.

LEADERSHIP DEVELOPMENT

Western Power recognises that it is crucial to continue developing our leadership skills throughout the business, to engage our people and inspire them to achieve our strategic objectives.

Highlights for 2006/07 included:

- Western Power's formal leaders attending leadership workshops to improve leadership capability and safety performance across the business
- formal leaders accessing an online leadership support tool, developed by the Harvard Business School
- senior leaders undertaking a 360 degree feedback process to help create targeted development plans
- employee performance management system refined to better plan for the performance and development of every employee; and our leaders trained in effective use of the system

RECRUITMENT INITIATIVES

The unprecedented growth in Western Australia has put pressure on the labour market at the same time as increasing demand for electricity. Outlined below is the range of recruitment methods that we have adopted to attract qualified people.

Centralised recruitment function

Recruitment is centrally coordinated by our resourcing team to provide effective and efficient recruitment solutions to the business. Our selection methodology is being reviewed to reflect commercial practices and we are introducing assessment tools for a range of key roles (behavioural, safety, aptitude and leadership assessment).

International recruitment and relocation

'Cultural integration' focus groups have been conducted with international candidates to provide data to drive improvements around pre and post-commencement support.

Employer branding project

An employer value proposition is being developed to market externally. This will include a new advertising style, careers website, and promotional material for attraction at international, national and local levels. Marketing communications will be based on feedback and insight from Western Power's present employees and the external market.

National and international recruitment

Our first steps were taken in establishing an international and national presence and, over time, a pipeline of qualified and assessed engineers and trades people. This has been achieved by building strategic relationships with nationally and internationally based providers, and having a presence at various career expos. Upcoming international careers expos include New Zealand, London, Manchester and potentially Ireland in early 2008 with a campaign being run in South Africa to attract trades people.

Activities designed to complement the recruitment process include vacation work experience by university students and various scholarship programs.

EDUCATION

Western Power provides a range of scholarships, traineeships, apprenticeships and university prizes to support young Western Australians.

Bruce Kirkwood Memorial Scholarship

Western Power offers a scholarship each year to a student enrolled in an electrical power engineering course at a Western Australian university who wishes to pursue a career in the power industry. Open to full-time students currently enrolled in the second year of a Bachelor of Engineering course or a combined degrees course that includes electrical power engineering, the 2006 Bruce Kirkwood Memorial Scholarship was awarded to Luke Nofal.

The Scholarship honours the late JB (Bruce) Kirkwood AO, a past Commissioner and Chief Executive of Western Australia's energy utility.

CASE STUDY

STUDENTS WIN TERTIARY SCHOLARSHIP



The Stuart Morgan Scholarship winners with their families at the presentation. (L-R) Peter Blackford, Timothy Blackford, Nicholas Travers, Jeff and Christine Travers and Dylan Travers.

Timothy Blackford (19) and Nicholas Travers (18) from Margaret River and Bridgetown have jointly won the 2007 Western Power Stuart Morgan Scholarship to support them through their university studies. It is the first time Western Power has awarded a joint scholarship.

Awarded annually by Western Power, the prestigious scholarship honours the former Chairman of the State Energy Commission of Western Australia and supports country students studying engineering or commerce at a Western Australian university.

Western Power General Manager, Mark de Laeter said both applicants were of such a high standard it was impossible to separate them and provide the annual scholarship to just one. "Timothy and Nicholas had both achieved excellent academic results and were outstanding recipients of the award", he said.

The scholarships provide Timothy and Nicholas with the opportunity for vacation work experience with Western Power and more than \$4,500 each year toward their university degrees.

UWA – Western Power Electrical Engineering Scholarships

Western Power is playing its part to combat the skills shortage in Western Australia by partnering with The University of Western Australia to provide scholarships to 20 electrical engineering students each year over the next five years. The scholarships are available to second year electrical engineering students specialising in power engineering within the School of Electrical, Electronic and Computer Engineering.

APPRENTICES, TRAINEES AND GRADUATES

Western Power employs apprentices, trainees and graduate engineers to maintain the skills needed for electricity transmission in the state. Our workforce currently includes 127 trainees, 50 apprentices and 70 graduate engineers.

Graduate engineer program

Western Power's graduate engineer program provides opportunities for engineering graduates wanting to work in the power sector.

The three-year program involves two six-month placements each year, featuring work experience and projects, technical presentations and field visits, along with team building activities. A total of 42 graduates, sourced mainly from The University of Western Australia and Curtin University of Technology are paired with mentors across the business.

As an indication of the program's success, Western Power received a total of 160 applications for 2008, with 20 places available.

> Working with the community

Western Power is a key contributor to the Western Australian community on a number of levels. We aim to be a responsible corporate citizen that develops innovative partnerships with community organisations, and which supports the local communities that we impact.

SPONSORSHIPS AND THE COMMUNITY

Western Power is proud of the support given each year to a range of community, environmental, sporting and cultural activities and events throughout the state. Our sponsorship program reaches across the community, focusing on activities that support the arts; encourage health and fitness; strengthen communities; educate and build skills; and promote safety. In 2006/07 we invested more than \$1 million in community and environmental sponsorships, and charitable donations.

Some of the community partnerships and sponsorships that Western Power has supported:

Solar Model Challenge

Western Power's Solar Model Challenge includes:

- a solar model boat race for primary schools; and
- a solar model car race for secondary schools.

During the last 15 years, more than 3800 secondary school students have participated in this hands-on science program.

Regional Junior Cricket Program

Approaching its 10th year, the Western Power Regional Junior Cricket program, in conjunction with the Western Australian Cricket Association (WACA), boosts cricket in towns in the wheatbelt, southwest, midwest, great southern, goldfields and central districts regions by not only spotting talented players but also bringing quality coaching to young country cricketers.

Netball WA

We sponsor the Regional Academy Program, which fosters the talent of junior netball players. This program gives young players the chance to get involved in the game, improve their basic skills and experience the fun of playing. It also enables WA Netball to monitor the development of netball in Western Australia and foster the development of future champions.

Charity Link winter and Christmas appeals

Western Power is a major sponsor of Charity Link, contributing \$70,000 to the winter appeal and \$30,000 to the Christmas appeal. Last Christmas, thanks to the generosity of WA businesses, community groups, schools and individuals, Charity Link distributed almost \$700,000 worth of aid to disadvantaged Western Australians.

Kalgoorlie-Boulder Urban Landcare Group

Western Power is a core sponsor of this Landcare Group, which has conserved and established vegetation in the goldfields region for nearly 30 years.

Western Power also sponsors the following organisations:

- Scitech
- Perth Zoo
- Royal Life Saving
- Artrage
- Fire and Emergency Services Authority of WA
- Department of Environment and Conservation (DEC) - water bomber aircraft

We have also taken up sponsorship of three new environmental programs. Please refer to 'Our environmental commitment' on page 27.

WORLD OF ENERGY

Our hands-on education centre in Fremantle, World of Energy continues to offer a range of curriculum-based programs for primary and secondary students as well as school holiday activities.

In 2006/07 we held 444 classes, with more than 12,000 students, who attended the centre's programs as well as 10,000 members of the public who visited the centre, most during school holidays.

World of Energy's ShockProof! program informed 56,580 primary and secondary children in 192 schools about electricity safety.

> Our environmental commitment

Our network traverses many diverse natural environments and we are committed to working with community groups and stakeholders including environmental regulators to ensure that we design, construct and operate our network in a way that is sustainable and meets environmental standards.

Western Power's Environmental Policy includes a range of strategies and actions, many of which go beyond standard environmental compliance, and our Environmental Governance Framework provides a systematic and responsible approach to environmental management.

ENVIRONMENTAL POLICY

Western Power is the principal electricity transmission and distribution business in Western Australia. We are committed to operating the network safely, reliably and efficiently; delivering electricity in a manner that meets community needs and expectations.

Accordingly, business activities will be planned and conducted to minimise and, where possible, avoid adverse effects on the natural environment and social surroundings for the benefit of current and future generations.

In implementing this policy we will:

- ensure that environmental considerations form part of our business planning and decision-making processes
- promote a culture of responsible environmental management
- protect the natural environment and social surroundings, preserve biodiversity, prevent pollution and minimise waste
- comply with applicable environmental laws and aspire to higher standards within the business
- continually improve our environmental performance
- communicate openly and transparently with stakeholders on environmental matters
- engage the community in environmental initiatives aligned with our business values

Environmental leadership and adherence to the Western Power Environmental Policy is the responsibility of all Western Power employees and its contractors, suppliers and vendors.

NEW APPROACH TO COMMUNITY CONSULTATION

Western Power's new community consultation focus enables communities to collaborate with Western Power to select the optimal locations for powerlines, substations and other power related equipment. This focus empowers community groups, local governments and peak industry bodies to provide input to the process as we work together to find suitable locations for network infrastructure.

The first step in the community consultation process was a series of workshops with stakeholders such as the Mid-West Chamber of Commerce and Industry, Landcare groups, the WA Farmers' Federation, local and state government agencies and potentially affected landowners. These workshops helped to assess and define the weightings of each sustainability value and determine the potential broad corridors for the transmission line.

Our field officers continue to meet with interested and potentially affected landowners and engage in ongoing dialogue on relevant local criteria that has been fed into the process.

Western Power also involved indigenous representatives in a series of workshops and meetings. Other such projects underway are the Albany to Wellstead 220 kV line and the Kojonup to Albany 220 kV powerline.

CASE STUDY:**ENEABBA TO MOONYOONOOKA 330 KV
TRANSMISSION LINE PROJECT**

Field Officer Brian Logan (second from left) with local Farmers Jerry, Bernie and Frank Clune discussing the location of the Moonyoonooka terminal substation.

Community members and local industry groups participated in identifying the preferred corridor for Western Power's new 330 kV transmission line between Eneabba and a new terminal substation, to be constructed at Moonyoonooka, to help reinforce the transmission network in the mid-west. Landowners within this corridor will now be consulted in order to determine the most suitable line route, within this corridor.

This is the largest transmission project that Western Power has embarked on in 20 years.

"This is the first time we have gone to a community and said we need to connect power from point A to point B, and we want the community to tell us which path we should take," said Western Power Major Projects Coordinator Ian Buchanan.

ENVIRONMENTAL PARTNERSHIPS

Western Power is proud to be involved in a range of environmental partnerships, which engage the community in environmental initiatives aligned with business values and that assist in promoting a culture of environmental awareness throughout the organisation.

Carbon Neutral Program

During 2006/07, Western Power committed to planting 93,000 native seedlings in the state's southwest to offset carbon emissions produced by its fleet vehicles and mobile generating facilities.

The seedlings planted for the Carbon Neutral Program will help absorb carbon emissions and directly benefit the environment by restoring biodiversity and addressing the problems of salinity and land degradation.

The program will be managed by Men of the Trees, who will consult with landowners to determine the best planting sites.

The carbon rights associated with the plantings will be registered in Western Power's name for the next 30 years.

This year, Western Power entered into three new environmental partnerships which, as well as supporting community environmental initiatives such as tree planting, fauna conservation and education, will assist in promoting a culture of environmental awareness within the organisation.

Centre for Phytophthora Science and Management

In January 2007, Western Power signed an agreement for the next three years, to contribute to the important research efforts of the Centre for Phytophthora Science and Management. The Centre's research aims to halt the spread of Phytophthora dieback, which is vital to preserving the state's biodiversity.

More than 40 per cent of native plant species in the south west of the state are susceptible to dieback with some of the most vulnerable plants being Jarrah, Grass Tree, Dryandra and Banksia species.

To address this major biodiversity threat, Western Power regularly conducts surveys and develops management plans to avoid Phytophthora dieback infected areas and complies with forest hygiene requirements for new capital works.

Policies and procedures are also in place to restrict the movement of soil and plant life during construction and maintenance activities, which minimises the risk of spreading Phytophthora dieback.

LANDCARE PARTNERSHIP

Western Power is developing a partnership with Landcare Australia to work together with communities, landowners and stakeholders who may be impacted by the construction and operation of the South West Interconnected System.

This partnership will help Western Power to ensure that new capital works are planned, designed and constructed in a sustainable manner.

Another important component of the partnership is the Possum Power Program. The program sees wildlife carer groups and local schools working together to build possum boxes, which will provide safe havens for Ringtail and Brushtail possums.

Western Power will partner with Landcare Australia for three years.

ENVIRONMENTAL PROGRAMS

Western Power is committed to continually improving its environmental performance, protecting the natural environment and social surroundings, and preserving biodiversity, for the benefit of current and future generations.

We aspire to high standards of environmental care, and work with stakeholders to conduct our business activities in a manner that minimises adverse affects on the surrounding environment.

We have embarked on a range of innovative environmental initiatives to reinforce our commitment to environmental protection.

Possums and powerlines

At present, Western Power experiences a range of problems caused by the interaction between possums and electricity infrastructure in certain areas within the South West Interconnected System.

To help better manage the impact of these interactions with possums, Western Power's Environment and Land Management branch conducted a study in partnership with Woodman Environmental Consulting and Ninox Wildlife Consulting.

The study aimed to gain an understanding of the interaction of possums with the network in the State's south west, and to identify practical methods to reduce these interactions. The possum assessment project began in June 2005 with the final report scheduled for publication in late 2007.

CASE STUDY:

ORGANIC FARM PROGRAM GROWS



Western Power's innovative organic farm program has more than doubled in size since inception in 2002. When it started, just 30 organic farms were involved, and now there are more than 80 registered farms in the program.

The program was initiated to address concerns from organic farmers that chemicals used to maintain power poles and other assets could affect their organic certification. Working with Australia's biggest organic and biodynamic certifying agencies, Western Power developed a set of procedures to meet the special needs of organic farms. Around 700 Western Power people have been trained in organic farm requirements. We are the only Australian electricity business to actively safeguard its organic farming customers.

Western Power's Environmental Officer Olivia Hertsted said there were no laws requiring organic farms to receive special treatment from utilities during maintenance, however, Western Power believed in meeting a high standard of environmental care.

The program also ensures that threats such as weeds, diseases and pests are not introduced to organic properties by our maintenance staff.

Waste minimisation

In support of Western Power's Environmental Policy objective to minimise waste, a new Waste Minimisation and Recycling Program has been adopted in our head office.

The program was aimed at increasing the percentage of waste recycled to 50 per cent over the 2006/07 financial year. By the end of June 2007 Western Power had successfully achieved this goal.

The benefits of the Waste Minimisation and Recycling Program include:

- reducing the environmental footprint of the business;
- promoting a culture of responsible environmental management;
- improving environmental performance within head office; and
- aligning Western Power as an environmentally responsible business.

Waste minimisation and recycling programs will be established at our depot sites in 2007.

CASE STUDY:

ENDANGERED SPIDER HABITAT



A population of the rare and endangered Tree-Stem Trapdoor Spider (*Aganippe castellum*), identified near distribution lines in the eastern wheatbelt, has been included in our Environmentally Sensitive Area (ESA) program.

This small native spider, approximately the size of a ten cent piece, builds distinctive burrows against the stems of shrubs and trees. We are working closely with the Department of Environment and Conservation to develop procedures to protect the spider's habitat.

Effective management of the area through the ESA program will ensure Western Power employees and contractors are made aware of the special environmental requirements at the site, ensuring compliance with environmental legislation.

> Our economic performance

FINANCIAL HIGHLIGHTS

Western Power faced several significant financial challenges in our first full year of operations through to 30 June, 2007. While most of these were linked to the current economic climate in Western Australia, some operational specific challenges also needed to be overcome. New connections increased to more than 23,000 this year, while the network was severely impacted by devastating bushfires in some of the regional areas across the state.

2006/07 Financial summary	(\$ Million)
Revenue	802.2
Earnings Before Tax - statutory	99.3
Earnings Before Tax - underlying position	122.9
Net Profit After Tax	69.4
Net Accruals to Government	68.8
Capital Expenditure	727.4
Return on Assets (ROA) %	6.7%

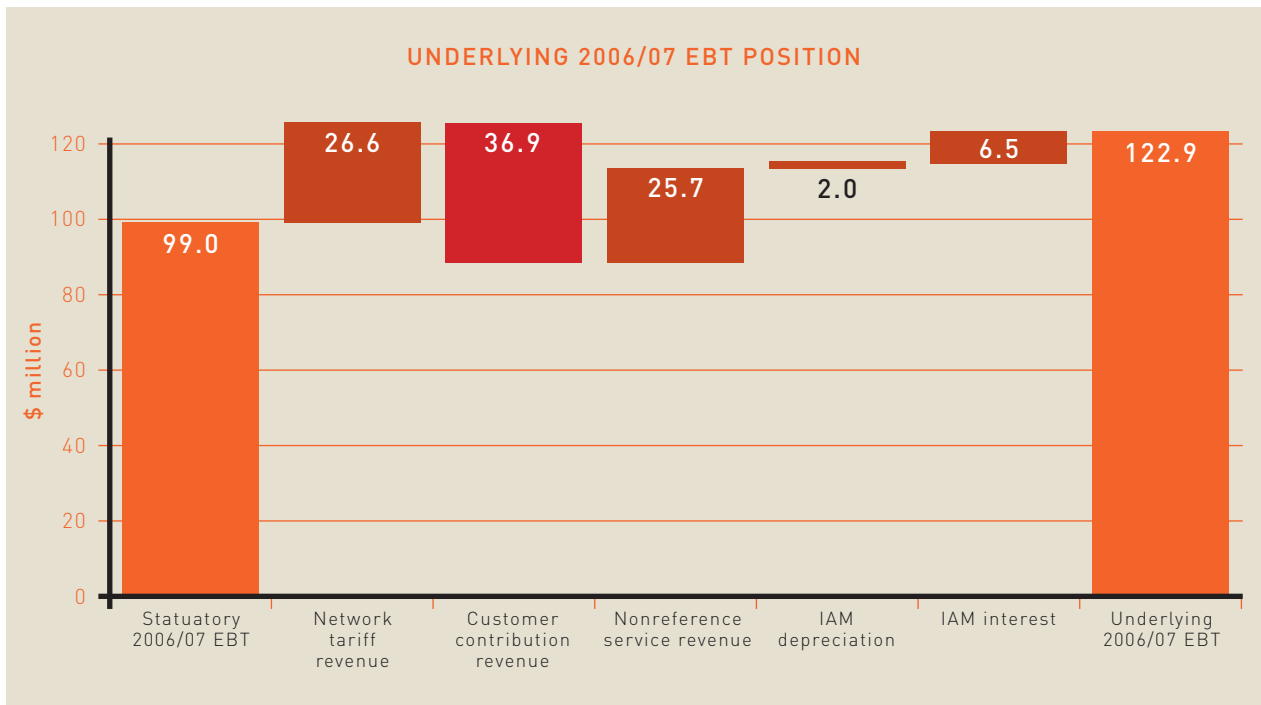
Total revenue for the year was \$802.2 million, with regulated revenue for the year reported as \$683.9 million - just marginally below Western Power's Statement of Corporate Intent 2006/07 forecast levels. This full year shortfall was caused by the delay in the ERA regulatory decision and new network tariff prices arising from this. Lower tariff revenue was offset by higher capital contribution revenue due to extensive customer connection activity.

2006/07 Revenue classification	(\$ Million)
Network Tariff Revenue	528.0
Capital Contributions	147.5
Other Operating Revenue	59.1
External Revenue	
- Purchasing and Warehousing	50.5
- Fleet	9.1
- Other	0.5
Other Non-Operating Income	7.5
Total revenue	802.2

Operating expenditure of \$427.5 million was higher than anticipated largely due to an unforeseen increase in corrective maintenance costs on the distribution network, resulting in a total of 2500 poles and 850 transformers damaged during storms and other emergency conditions being replaced during the year. Higher maintenance costs were offset by the realisation of \$19.3 million in efficiency savings.

The Return on Assets of 6.7 per cent is lower than our regulated real pre-tax Weighted Average Cost of Capital (WACC) of 6.8 per cent due to higher operating and depreciation costs for the year being offset by unregulated activity profit. The increase in depreciation (and interest) cost is due to higher than forecast capital investment in new network assets to satisfy the increasing demand for electricity resulting from the buoyant Western Australian economic conditions.

In our price regulated environment, revenue earned and the level of investment differs from that forecast in the Access Arrangement due to variations in energy volumes, demand growth and customer connection activity. Such variations are regulated via either the annual K-factor price adjustment (energy wheeled) or the Investment Adjustment Mechanism (IAM) in subsequent regulatory periods (demand and customer driven investment activity). To reflect the impact of such changes and to produce a more consistent approach to measuring profitability, we have adopted an underlying position as a key financial performance indicator. We have adjusted the statutory reporting of accounting profit before tax (\$99.3 million) for the lower than forecast regulated revenue (\$15.4 million) and higher than forecast depreciation and interest costs (\$8.5 million), resulting in an underlying Earnings Before Tax (EBT) of \$122.9 million.



SHAREHOLDER RETURNS

The final proposed dividend for the year is \$17.6 million, which with the interim dividend of \$17.1 million paid on 29 June 2007, takes the full year dividend to \$34.7 million. This, combined with tax contributions of \$29.7 million and \$4.4 million of local government rate equivalents, has provided a total year Net Accrual To Government of \$68.8 million. This result is lower than the forecast Net Accrual To Government of \$109.5 million due to the aforementioned lower than forecast regulated revenue and higher operating, interest and depreciation costs for the year.

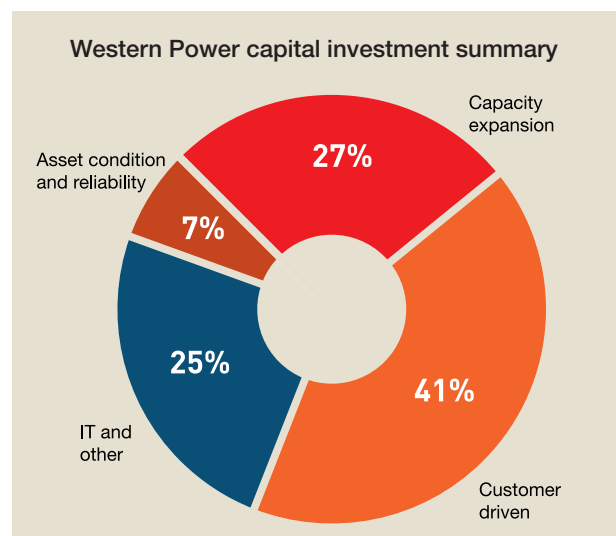
network assets, maintaining Western Power's vehicle fleet and essential investment in refreshing our information technology platform.

2006/07 Capital investment	(\$ Million)
Capacity expansion	194.1
Customer driven	303.2
Asset condition and reliability	50.5
IT and vehicle fleet	179.6
Capital expenditure	727.4

THE WORK PROGRAM

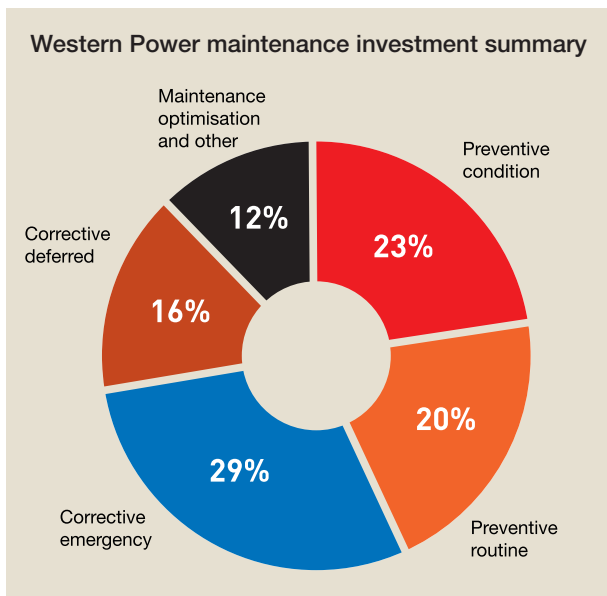
The work program for Western Power includes both the maintenance and capital components of investment in our regulated network. Regulated network tariffs are determined by the ERA based on its view of the scope of this work program submission.

This year, we managed record levels of capital investment (\$727.4 million compared to \$521.1 million in 2005/06), reflecting an increase state-wide in demand growth, and cost pressures resulting from the continued strong growth in the Western Australian economy, and commodity price increases due to global expansion, particularly in China. The majority of Western Power's capital program is required to meet electricity demand growth and customer connection activity. The balance of the capital program is used to improve the safety and condition of the existing



As previously mentioned, the maintenance program of work was overspent this year due to a number of factors. There was a greater than 40 per cent increase in expenditure on corrective emergency work compared to the prior year; within the Preventive Condition scope of work, pole maintenance expenditure increased almost four fold to \$11.6 million, while investment in vegetation maintenance, which is strictly in line with our organisational commitment to improving safety for employees, customers and the general public alike, was above prior year levels, leading to a significant reduction in the backlog of vegetation easement work relative to June 2006.

2006/07 Maintenance investment	(\$ Million)
Preventive condition	41.8
Preventive routine	37.9
Corrective emergency	54.1
Corrective deferred	28.9
Maint optimisation and others	22.2
Maintenance expenditure	184.9

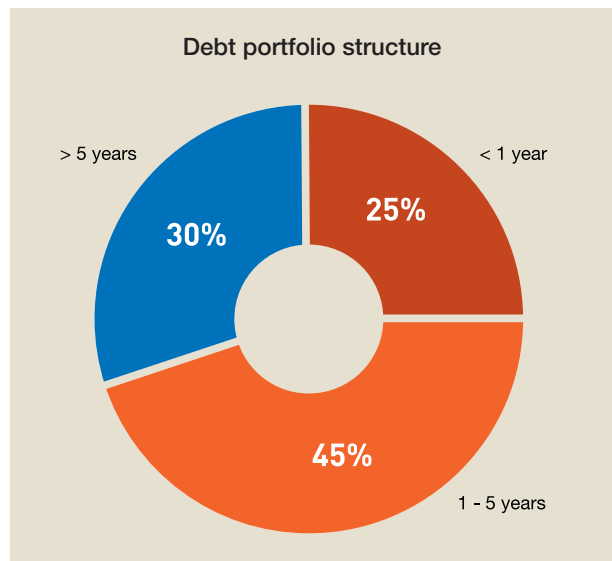


FINANCING

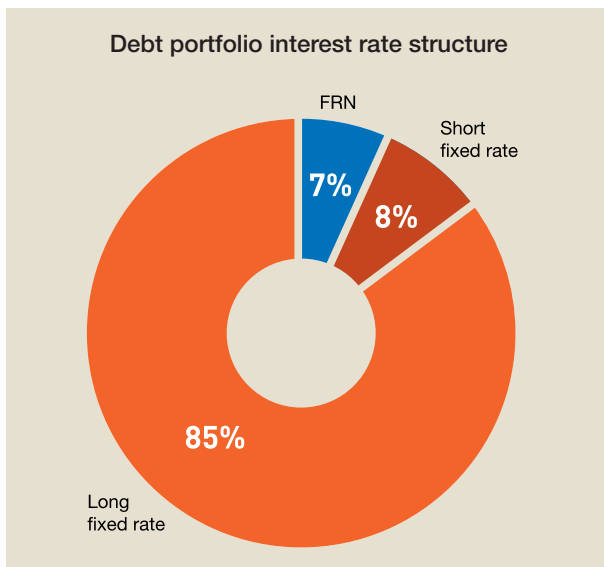
Early in the year, a review of Western Power’s interest rate risk policy and debt management approach was undertaken to ensure that the debt management strategy was appropriate for the requirements of our new business. The policy and debt management guidelines were modified to provide enhanced flexibility within clearly defined limits which enabled efficient pricing to be achieved when opportunities have arisen. Consistent with the policy, the business utilised both floating and fixed rate borrowings and derivatives to meet its funding requirements and to manage its interest rate exposure. Performance against the policy and guidelines is reported on a monthly basis to the Finance and Risk Committee of the Board.

During the financial year, borrowings increased by \$396.3 million to fund the capital program resulting in gross debt of \$2519.9 million. The increased level of debt resulted in an increase in the organisation’s gearing ratio from 71 per cent to 75 per cent in line with long-term capacity forecasts.

Debt portfolio structure	(\$ Million)
Less than 1 year	630.0
1 year to 5 years	1133.9
Greater than 5 years	756.0
Total debt	2519.9



Debt portfolio interest rate structure	(\$ Million)
Floating rate notes (FRN)	173.3
Fixed rate	
- Short	198.0
- Long	2148.6
Total debt	2519.9



Gross interest expense was \$146.8 million which was slightly above forecast. This was primarily due to variances between the actual timing of new borrowings during the year compared to the timings in the budget forecast. The weighted average interest rate at 30 June 2007 was 6.3 per cent resulting in a debt portfolio priced below current market interest rates due to recent interest rate movements and advantageous pricing achieved with the Western Australian Treasury Corporation.

During the year, all funds were sourced from the Western Australian Treasury Corporation under our \$3000.0 million facility limit. At 30 June 2007, the Corporation was \$480.1 million within the limit of the facility. This was \$133 million lower than the level of debt agreed with the Department of Treasury and Finance for 2006/07. The Department of Treasury and Finance has approved a borrowing limit of \$3329.9 million for 30 June 2008 to meet the funding requirements of the 2007/08 capital program, and we are currently in the process of increasing the facility limit with the Western Australian Treasury Corporation to be consistent with this increase.

WORKING CAPITAL

We have placed heavy emphasis during the year on improving the organisation's management of working capital, in particular there has been a strong focus on effective cashflow forecasting, improved reporting on accounts payable and receivables in line with negotiated terms, and inventory turnover and availability initiatives. On a monthly basis, the Finance and Risk Committee of our Board reviews detailed cashflow reporting to confirm that the organisation has adequate liquidity to meet future cash outflow requirements. We manage our cash balances at a minimum level to minimise our cost of borrowings, while maintaining a prudent level of liquidity.

At 30 June 2006 and 30 June 2007, net working capital as reported on a statutory basis was negative. However, Western Power's Current Liabilities include deferred revenue from Developer and Customer Contributions that will be recognised as revenue in the income statement when the associated project is complete. As this element of Current Liabilities does not result in a cash outflow, it can be excluded when determining the underlying net short-term cash flow requirements of the business.

Working Capital	30 June 2007 (\$ Million)	30 June 2006 (\$ Million)
Current Assets	163.9	224.5
Current Liabilities	(308.6)	(278.3)
Net Working Capital	(144.8)	(53.8)
Add back: Deferred Income	158.6	125.7
Net Current Assets	13.9	72.0

Over the reporting period, the net current assets have shifted from \$72.0 million to \$13.9 million. This is primarily a reflection of a number of improvements that have been instigated including lowering of cash holdings from \$50.6 million at 30 June 2006 to \$5.8 million at 30 June 2007 and improved management of accounts receivable. Also included in Current Assets at 30 June 2006 was a taxation asset of \$18.1 million inherited from Western Power Corporation, which has subsequently been utilised to meet 2006/07 taxation obligations.

Summary of statement of financial performance	Twelve months ending 30 June 2007 (\$'000)	Summary of statement of financial performance	As at 30 June 2007 (\$'000)
Most of our revenue was earned from our core electricity-related services		Our total assets are comprised of both "current" and "non-current" as follows:	
Revenue earned from annual service and usage charges and from developers	797,187	Current assets are those we expect to use in the next 12 months and include monies owed to us, inventory, prepayments and cash on-hand.	163,872
Revenue received from interest on our investments, miscellaneous fees and charges, rents, sale of assets	5,064	Non-current assets are those we to realise beyond 12 months, including:	
Revenue from operations	802,251	Network assets such as distribution and transmission lines, poles, plant and equipment	2,937,780
The total cost of operating our business comprised:		Land and buildings	113,644
Operations, maintenance and administrative costs associated with providing services	427,501	Intangible Assets	21,655
Borrowing costs and other financial expenses	141,015	Works in progress	555,049
Depreciation and amortisation of system assets, land and buildings, plant and equipment and computer software	134,399	Trade and other receivables, future income tax benefits and derivative instruments	24,192
Cost of operations	702,915	Non-current assets total	3,652,320
Revenue less costs left an operating profit before tax of	99,336	Current assets together with non-current assets give us total assets of	3,816,192
We provided for income tax expense of	29,929	Liabilities are also "current" and "non current"	
Which left us a profit after income tax of	69,407	Current liabilities are monies we owe for goods and services received, deferred income from developer and customer contributions, provisions for employee entitlements and other liabilities	308,648
We also took off retained earnings, the value of the actuarial adjustment to Retirement Benefit Obligations of	3,099	Non-current liabilities include:	
We made distributions to equity holders of	25,664	Long-term borrowings	2,551,980
Leaving us with retained profits available to fund future growth	40,644	Provisions for liabilities including employee entitlements and restoration costs and other liabilities.	90,751
Key Performance Ratios		Non-current liabilities total	2,642,731
Earnings before interest, tax and dividends	\$240,351	Current liabilities, together with non-current liabilities gives us total liabilities of	2,951,379
Return on Assets	6.7%	Deducting total liabilities from total assets leaves us with net assets of	864,813
Return on Equity	8.4 %	These have been funded by:	
Interest Cover	1.7 x	Contributed equity, which is the value of net assets of Western Power Corporation transferred to Electricity Networks Corporation	801,161
Gearing	75.5%	Contributions towards Network Safety received during the period	6,000
		Monies held in reserves from hedging activities	(997)
		Profits earned in the current prior years and retained in the business to fund future growth.	58,649
		Which represents total equity in the business of	864,813

> Key performance indicators

We have identified a range of measures to track the organisation's operations and to drive ongoing improvements in Western Power's performance.

Our first set of performance targets produced for the new business, and detailed in the Western Power Statement of Corporate Intent 2006/07, covers the operating period from 1 July 2006 to 30 June 2007.

Indicator description	Strategic result area	2006/07 Full year actual	2006/07 Full year target
Lost Time Injury Frequency Rate (LTIFR) ³ (LTIs / million hours worked - employees)	Safety	3.7	<5
All Medical Frequency Rate (AMFR) ⁴ (AMs / million hours worked - employees)	Safety	14.5	<20
System Average Interruption Duration Index (SAIDI) (Total duration of interruptions / customers per year)			
- South West Interconnected System (SWIS)	Reliability	287	277
- Urban	Reliability	241	242
- Rural	Reliability	552	509
System minutes interrupted (mins)	Reliability	15.6	7.8
Corporate reputation (%) (Respondents' rating reputation as 'good', 'somewhat good' or 'very good')	Reliability, Efficiency	60	60
Enquiries responded to within 10 days (%)	Reliability, Efficiency	98	96
Complaints responded to within 20 days (%)	Reliability, Efficiency	93	92
Subdivision energisation rate (%)	Reliability, Efficiency	69	>80
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) (\$ Million)	Efficiency	374.4	414.1
Net Accruals to Government (\$ Million)	Efficiency	68.8	109.5

³ LTIFR and AMFR data does not include statistics from Western Power contractors.

> Corporate compliance disclosures

FREEDOM OF INFORMATION

Under the Freedom of Information Act 1992 (FOI Act) Western Power is, subject to certain exceptions in the FOI Act, required to provide access to its documents where an application for access is made. The FOI Act also requires Western Power to publish an up-to-date Information Statement about Western Power. An up-to-date Information Statement, and a guide on how to make an application under the FOI Act for access to Western Power's documents, are published on Western Power's website and can be inspected on the website free of cost at any time. The website address is www.westernpower.com.au

ELECTRICITY LICENCES

The licensing framework in the Electricity Industry Act 2004 (WA) came into operation on 1 January 2005, and consequently an electricity supply licence is required for participants in the electricity industry who generate, transmit, distribute or sell electricity.

On 30 March 2006 the Economic Regulation Authority granted transmission and distribution licences to the former Western Power Corporation noting that on 1 April 2006 it would disaggregate that entity into four new entities, including Western Power. The licences were transferred to Western Power on disaggregation.

The licences were issued for the construction and operation of transmission and distribution systems in the licence area covered by the South West Interconnected System.

Particular requirements of the licences include performance auditing, an Asset Management System and auditing, reporting, provision of information and the development of a trouble call fault management plan.

OBSERVANCE OF THE CODE OF CONDUCT FOR WESTERN POWER

Section 33 of the Electricity Corporations Act 2005 (WA) ("Act") requires the Board of Western Power "Board" to provide to the Minister, at the same time as delivering its Annual Report, a separate report on the observance of its Code of Conduct by members of staff.

The Board confirms that consistent with section 31 of the Act, Western Power's Code of Conduct was developed after consultation with the Commissioner for Public Sector Standards and was adopted by the Board at its meeting on 24 March 2006.

The Code of Conduct has been circulated to employees of Western Power and is available on the Western Power website for employee reference.

The Board and the Managing Director, under delegated authority, assign accountability to formal leaders in the organisation to ensure observance of the standards of conduct and integrity by members of staff.

As at 30 June 2007 there has been one reported incident of a staff member breaching the requirements of the Code of Conduct.

State Records Act 2000

Western Power maintains and supports quality record keeping practices in its day-to-day business activities. All records are managed according to the requirements of the State Records Act 2000 (WA) and Western Power's approved Record Keeping Plan. Regular reviews are conducted of the corporate record keeping systems and practices to ensure their efficiency and effectiveness.

New staff and contractors are provided with information on the record keeping systems both at induction and at compulsory training in the use of the system. The training programs are reviewed on an ongoing basis to ensure they reflect any new business requirement.

Public Interest Disclosure Act 2003

The Public Interest Disclosure Act 2003 (WA) came into effect on 1 July 2003. The Act facilitates disclosure of public interest information by providing protection for those who make disclosures and those who are subject of disclosures.

Western Power is committed to the aims and objectives of the Act. In support of this, a policy approved by the Board, and internal procedures have been developed that outline the manner in which Western Power will comply with its obligations under the Act.

The Western Power Public Interest Disclosure policy and internal procedures are published on the company's intranet for staff to review. In addition, Public Interest Disclosure information is referenced in the Western Power induction program. The Manager Risk Assurance and Audit has been appointed as the Public Interest Disclosure Officer for Western Power.

One public interest disclosure was registered during the financial year ended 30 June 2007. Investigations in relation to this disclosure are proceeding.

Western Australian Electoral Act 1907

In accordance with the requirements of Section 175ZE of the Western Australian Electoral Act 1907, the following information in respect to expenditures (excluding GST) incurred by, or on behalf of Western Power during the period 1 July 2006 to 30 June 2007 is disclosed as follows:

- **Advertising agencies:**
\$880,879.18 – 303 Advertising Pty Ltd, The Brainstrust, Cogent, Icon Illustrations, Mindfield Group Pty Ltd, TMP Worldwide Pty Ltd, Trademark Graphics
 - **Market research organisations:**
\$145,733.50 – Synovate
 - **Direct mail organisations:**
\$349,669.34 – Hermes Precisa Pty Ltd
 - **Media advertising organisations:**
\$567,721.06 – Marketforce Express, Marketforce Productions and Media Decisions WA
- Total expenditure was \$1,944,003.08**

ENVIRONMENTAL DUE DILIGENCE

Western Power's operational sites are subject to State and Federal environmental legislation, and some require state environmental licences. Complying with all regulatory and licence requirements is an integral part of Western Power's commitment to practical environmental care at all times.

Environmental due diligence and continual improvement in our environmental performance is provided by a corporate Environmental Management System (EMS).

The EMS is driven by an intranet based documentation and management tool (EMISWeb) to facilitate the process of environmental governance and management in the organisation. It is used to assist in the prevention, control and reduction of pollution and environmental harm, and support the protection and management of the environment.

ENVIRONMENTAL LICENCES

A summary of licences held by Western Power's facilities is provided below.

Environmental licence	Total
Western Australia Department of Environmental Protection Licence	1
Department of Consumer and Employment Protection Dangerous Goods Storage Licence	3

ENVIRONMENTAL INCIDENTS

During the period 1 July 2006 to 30 June 2007, Western Power reported four environmental incidents to regulatory bodies.

CONTAMINATED SITES

The Contaminated Sites Act 2003 (WA) and the associated Contaminated Sites Regulations 2006 (WA) came into effect on 1 December 2006. These legislative requirements mandated that Western Power report all sites that are known or suspected of being contaminated to the Department of Environment and Conservation (DEC) by 31 May 2007.

On 22 May 2007 Western Power reported all its known or suspected contaminated sites. This report was the culmination of more than three years of investigations into the contamination status and environmental sensitivity of Western Power sites.

The sites reported (or previously reported) consisted of 50 substations, eight depots, 15 combined substations and depots, two cable leak sites and two previously owned sites.

Following the DEC's classification, Western Power will undertake a staged investigation plan for those sites requiring contamination status to be confirmed, enabling appropriate final site classifications, and the planning of any future remediation.

> Glossary

AA	Access Arrangement. The financial rules and policies submitted by Western Power to the ERA that set out the terms and conditions under which the business will facilitate access to its network during the regulatory period from July 2006 to June 2009.
ACCESS CODE	Electricity Networks Access Code 2004. The code under which access to the South West Interconnected Network (SWIN) is regulated by the ERA.
CAIDI	Customer Average Interruption Duration Index - the total average duration of interruptions during a 12 month period.
EMS	Environmental Management System.
ENERGYSAFETY	Part of the Department of Consumer Protection. EnergySafety licenses electrical contractors and sets technical guidelines for the electricity network in relation to safety.
ERA	Economic Regulation Authority (ERA) - an independent body, which reports directly to Parliament. The ERA reviews Western Power's budget, how we perform as a business, how the network performs and our technical standards.
IMO	The Independent Market Operator controls the supply and trading of energy and electricity capacity in WA's Wholesale Electricity Market .
kV	Kilo volt – a measure of energy transfer
MARKET RULES	A code of conduct relating to the operation of the WA Wholesale Electricity Market, introduced by the Minister for Energy and updated, as required, by the Independent Market Operator.
OFFICE OF ENERGY	This body sets the guiding rules for the ERA and sets overall energy policy for Western Australia.
SAIDI	System Average Interruption Duration Index – or the total duration of interruptions per customer over a 12 month period.
SAIFI	System Average Interruption Frequency Index – or the average number of interruptions per customer over a 12 month period.
SCI	Statement of Corporate Intent – Western Power's annual strategic planning document.
SWIS	South West Interconnected System.
SWIN	South West Interconnected Network.
SCNRRR	Steering Committee on National Reliability Reporting Requirements.
WEM	Wholesale Electricity Market, introduced on 21 September 2006.