



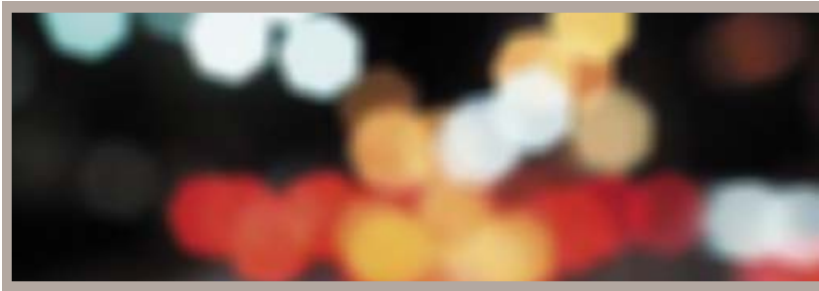
QUARTERLY REPORT

1 JANUARY 2010 TO  
31 MARCH 2010

## INTRODUCTION

This report has been prepared in accordance with Western Power's obligation to report to the Minister for Energy under section 106 of the Electricity Corporations Act 2005. This report reviews the Corporation's performance for the period 1 January 2010 to 31 March 2010.

# ACHIEVEMENTS AND CHALLENGES



## ACHIEVEMENTS

### Operational Excellence

The Operational Excellence 'Big Rock' programs, identifying efficiencies and savings across the business are progressing well. Cost savings totalling \$48.1m have been identified through the 'Engineering Standards', 'Network Investment Strategy' and 'Value for Money Big Rocks' (broken down to \$29.7m in 2010/11 and \$18.4m in 2011/12).

In the current year, savings of \$30 million across the business have been committed to budgets. All of these savings, which include both capital and operating expenditure, are subject to consideration under the Access Arrangement 2 between Western Power and the ERA.

### Perth Solar City

This quarter saw the commencement of iconic solar project installations as part of the Perth phase of the Australian Government's \$94 million Solar Cities program. A solar system with a capacity of 49 kW was installed on the Central Institute of Technology in East Perth and a 60.3 kW system has begun to be installed

on the former Midland Railway Workshop's Foundry building. These are the first of five iconic solar projects which form part of the larger Perth Solar City program including the Perth Arena, Kings Park and Botanic Garden and the Perth Zoo. Once commissioned these iconic systems will exceed 500 kW in total capacity and generate 860,000 kWh of clean energy per year - enough energy to power 140 homes for 30 years or the equivalent of planting 5,500 trees.

### Shockproof! program

The Shockproof! energy education program has reached 14,265 primary school pupils during the first term of 2010. The program teaches school children how to stay safe around electricity and is an important part of Western Power's public safety strategy. Shockproof! has reached 51 schools in metro and country areas during term one this year, including a recent focus in Geraldton and Eneabba which reached more than 1500 pupils. Western Power's energy education campaign is being expanded during 2010 to include the new curriculum-linked Power Down program, which teaches children about renewable

energy and how to be energy efficient. Power Down is being piloted in term two and will be rolled out in full during terms three and four.

The combined programs are on target to reach 55,000 pupils by the end of term four.

### Major projects delivery

Key achievements during the quarter were:

- **Energisation of Westonia** - this project involves the provision of a network connection for the Edna May Gold Mine (Catalpa Resources) at 66 kV voltage level from the Carrabin substation. Energisation of the connection assets was achieved on 31 March in accordance with the required date from the customer.
- **Ellenbrook undergrounding** - Western Power responded swiftly to reliability issues in Ellenbrook by relaying 4.5 km of underground cable. Due to the urgent nature of these works, scoping and design was undertaken in late February with construction commencing on 2 March. At the end of the quarter, 50 percent of construction had been completed and commissioned, with the remaining 50 percent completed mid-April.
- **Binningup desalination plant** - good progress is occurring with the connection works for the second desalination plant for the Water Corporation located at Binningup. The project involves work at an existing terminal yard, construction of new transmission line and cable

assets and a connection substation near the desalination plant.

- **Murdoch substation** - a second 132 kV/22 kV power transformer was commissioned and put into service at Murdoch Substation in January 2010, increasing the capacity available to the surrounding areas and providing an additional measure of reliability.
- **Kwinana transformer** - a new 330/132 kV power transformer was placed into service at Kwinana in January 2010 which permits power available in the 330 kV part of the power system to be transferred into the 132 kV part of the grid to enhance reliability of the network.
- **Distribution Summer Ready program** - 24 distribution projects were completed on schedule. Highlights of the distribution projects include feeder enhancements in the Nedlands, Shenton Park, Waikiki, Yokine and Gosnells areas, which helped reduce demand on highly loaded feeders - in some cases up to 128 per cent loading. The delivery of these projects has increased power capacity and reliability of supply to our customers during the summer.





## CHALLENGES

### Storm restoration

On 22 March the Perth metropolitan area was hit by the worst storm on record, leaving 158,000 properties without electricity and the network with unprecedented levels of damage. Western Power's response was swift and effective, with power restored to more than 100,000 properties within 24 hours of the storm. The vast majority of customers were restored by Wednesday 24 March, with crews responding to single fault calls after all hazards and major faults were cleared. All customers were restored by Friday 26 March.

Severe storms also hit the north and south country regions, with crews working around the clock to restore power to Northam, Narrogin and Katanning.

A total of 7795 system incidents were reported, with the majority of faults caused by lightning and equipment failure. Thanks to decisive action of system operations controllers, switching operators and call-out personnel, blackouts were limited to a handful of substations. The storm

damaged 830 wires, 325 poles and caused 361 drop out fuses to trip. During the peak of the storm Western Power received more than 40,000 calls in three hours.

### Alliances

On 12 February Western Power issued a Notice of Termination in relation to the alliance agreement with Tenix Alliance Pty Ltd and Downer EDI Engineering Pty Ltd (Power Alliance). Termination of the agreement was effective 15 March 2010. The transition out of Power Alliance employees will be complete by mid April, with the financial close of the alliance complete by 30 June 2010.

During the termination period, 1300 Power Alliance projects were delivered or reallocated within three weeks. Western Power liaised closely with customers impacted by the reallocation of work to ensure no significant customer concerns.

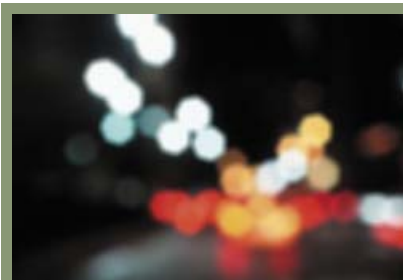
### Strategic Direction; Transform the Core

Western Power's Strategic Direction for 2010 – 2013 Transform the Core has been published and widely

embraced within the business. Transform the Core includes 27 strategic initiatives that must be delivered to enable Western Power to operate its core business even more effectively and achieve its vision of being recognised as a world class commercial enterprise, providing sustainable energy transfer/connections and related services.

The challenge now is to ensure that the business has the capacity and capability to support these initiatives. A risk assessment has been undertaken at the highest level and the outcomes will be closely monitored in the coming months.

## PERFORMANCE REPORTING



Western Power's performance is tracked against Key Performance Indicators (KPIs) detailed in the *Western Power Statement of Corporate Intent 2009/10*. Table 1 provides a summary of Western Power's performance at the end of the third quarter.

**TABLE 1 -- KEY PERFORMANCE INDICATORS AND TARGETS FOR 2009/10**

INDICATOR DESCRIPTION	MARCH 2010 ACTUAL	2009/10 FULL YEAR TARGET
Lost Time Injury Frequency Rate (LTIFR) <sup>1</sup> (LTIs / million hours worked -- workforce)	2.7	<3.0
All Medical Frequency Rate (AMFR) <sup>1</sup> (AMs / million hours worked - workforce)	11.1	<11
Public safety incidents <sup>2</sup>	13	<12
System Average Interruption Duration Index (SAIDI) (total duration of power interruption in minutes per customer per year)	228	230
Customer Charter compliance (%)	90	88
Net Profit After Tax (NPAT) (\$M) year-to-date	41.9	11.5
Major Projects on Budget: Delivery of major projects +/- 10% of cost estimate (%) year-to-date	98.4	95
Major Projects on Schedule: Delivery of major projects within +/- 3 months of schedule (%) year-to-date	97.7	95
Value of role in energy efficiency and sustainable solutions (%)	N/A <sup>3</sup>	71
Corporate Reputation (%)	N/A <sup>3</sup>	67
Organisational Health (%)	N/A <sup>3</sup>	70

<sup>1</sup> Performance is measured over a rolling 12 month period (March 09-February 10)

<sup>2</sup> Performance is measured over a rolling 12 month period (April 09-March 10)

<sup>3</sup> Reported annually, performance data available at year-end

## COMMENTARY

### SAFETY AND HEALTH

The workforce Lost Time Injury Frequency Rate (LTIFR) has improved since the December quarter tracking at 2.7 against a target of 3.0. The employee LTIFR remains steady and contractor injury frequency continues to decrease. The new safety and health strategy is focused on delivering improved leadership of safety and health and an empowered, engaged workforce committed to achieving zero harm. The strategy includes a range of initiatives such as the implementation of a refreshed Safety and Health Management System the intention of which is to support delivery of sustained improvements in safety performance.

Workforce All Medical Frequency Rate is tracking at 11.1 against a target of 11. While above target, there has been a significant improvement on the December quarter performance of 12.7 and a consistent downward trend over the year in contractor medical treatment cases. A continued focus on contractor safety education has contributed to this improvement.

### NETWORK PERFORMANCE

Network performance for the March 2010 quarter was 228 minutes (total duration of power interruption in minutes per customer per year), an increase of 8 minutes on the last quarter.



In comparison to the same quarter last year, there has been an increase in outages caused by lightning activity in country areas during February and March, as well as equipment failures of overhead assets particularly in the metropolitan area on 17 and 18 January, where the temperature during these days exceeded 40°C. (January 2010 was the second hottest January in terms of mean daily maximum temperature since weather records began). There has been a reduction in outages caused by vehicles striking poles, asset damage from vandalism and other third party machinery, as well as fauna.

### CUSTOMER CHARTER

The Customer Charter result over the last quarter has averaged a 90 per cent result, above the 88 per cent target. March actual result was 88 per cent. All six areas of responsiveness; energisation, streetlights, enquiries, complaints, telephone handling and faults are reflecting good performance, however telephone answering time was affected in March as a result of managing the storms that hit

metropolitan Perth.

### FINANCIAL PERFORMANCE

At the end of March 2010, Western Power's year to date Net Profit After Tax (NPAT) position was \$41.9 million against a full year target of \$11.5 million. This above target performance is mainly due to higher levels of gifted assets being received, well above SCI estimates.

Operating expenditure is currently \$5.8 million underspent year to date due to underspend across most divisions, offset by overspend on the maintenance program of \$7.3 million.

Total capital expenditure is \$19.9 million underspent year to date comprised of:

- Transmission capex underspend of \$24.6 million across capacity expansion, customer access and asset replacement regulatory categories due to slower than anticipated project and customer approvals.
- Distribution capex overspend of \$15.1 million year to date. This is primarily due to \$57.2 million higher

gifted assets than budgeted and a \$2.6 million overspend on asset replacement. The overspend on gifted assets has been offset by underspends in Customer Access (\$19.2m), Capacity Expansion (\$11.2m) and Regulatory Compliance (\$10m).

- Other capex, comprising IT, Mobile, Plant, Fleet and Depot works are underspent by \$10.4 million due to phasing of work being weighted to the next six months

## MAJOR PROJECTS DELIVERY

Delivery of major projects on schedule is exceeding target, with 98.4 per cent of major projects tracking within agreed timeframes. Delivery of major projects on budget is also ahead of target, currently at 97.7 per cent.

Highlights of major projects delivered during the quarter can be found in the 'achievements' section on page three of this document.

## STRATEGIC PLAN 2009/10

The business began delivery of the Transform the Core strategic direction during the past quarter. The focus in February and March was on design and establishment of 27 strategic initiatives which will allow the business to deliver its core activities more effectively.

The Access Arrangement 3 (AA3) Program Director has been

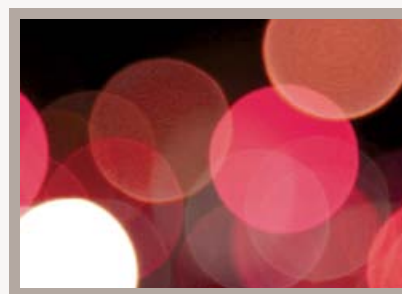
appointed. Work is continuing on establishing a detailed plan, including resourcing requirements, for the development of AA3.

The first of five Perth Solar City key solar energy installations was launched in April at the Central Institute of Technology in East Perth.

The Perth Solar City project is run by a consortium led by Western Power and aims to encourage industry, business, governments and the public to change the way they produce, use and save energy. The installation is the major training provider in Perth for technicians installing PV panels and will provide valuable experience for students, while highlighting the importance of renewables as a future energy source.

As part of Western Power's customer segmentation initiative, Land Development and Local Government account management teams have been implemented and the WALGA and Urban Development Institute of Australia strategic reference groups have been established.

Progress on the North Country Reinforcement project continues. A new 330 kV line between Perth and Eneabba is planned to be completed by early 2013, subject to the Government's approval of Western Power's Business Case, endorsement by the Economic Regulation Authority and commitment by Karara Mining Limited to construction of the 330 kV line section from Eneabba to its



Karara mine site. The business case will be submitted to the Minister with Treasury and Office of Energy review by May 2010. Western Power intends to submit regulatory approval requests to the ERA in July, following public consultations.

The Power Down energy saving advertising campaign was completed on time and budget with a strong response to online advertisements. Western Power's Winter Safety campaign is currently in development and a launch of the program is planned for June 2010.