



QUARTERLY REPORT

1 JULY 2009 TO  
SEPTEMBER 2009

## 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 July 2009 to 30 September 2009.

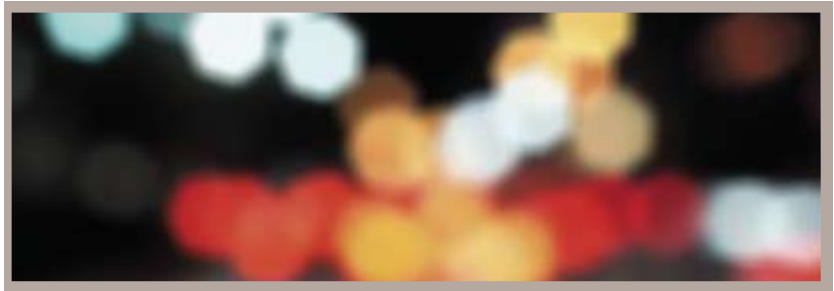
# ACHIEVEMENTS AND CHALLENGES

## ACHIEVEMENTS

**Safety programs** – the Safety and Health Branch has been restructured, improving support capability to the workforce. Initiatives implemented during the July to September 2009 quarter include the upgrade of Guardian (our facility for recording safety inspections, meetings and audits), development of a centralised asbestos register, enhancements to dangerous goods management and an improved end-to-end process for injury management. In addition, BodyFit and the WESI safety improvement program have been rolled out to major contractors and our alliance partners.

**Major projects delivery** – key projects delivered during the quarter were:

- **Neerabup power station**  
construction of two new switchyards to secure power supply in northern suburbs and enable connection of new power station at Neerabup. The \$62 million project was delivered on time and under budget.
- **SVC installation** WA's first thyristor based Static Var Compensator (SVC) installed at the Southern Terminal Switchyard in Bibra Lake. The SVC is a device that maintains power stability, provides flexibility for transmission equipment outages and balances the increased flow of energy entering the network from new generators. The \$35 million project was completed on time in July 2009.



- **Pole replacement program**  
Progress of the pole replacement program has improved significantly since last year due to bundling projects to external contractors. We have replaced 2,229 poles year to date against a full-year target of 8,142 (1,686 poles were replaced in quarter one of the previous year). For pole repair, 92 per cent of planned work year to date is complete (3,722 conditions).

- **40 worst feeders** 97 per cent of conditions are complete in this three year program with four feeders being completed in August, increasing the total number of completed feeders to 151 out of a total of 176. The remaining feeders have few outstanding conditions.

**Streetlights improvement** – during the quarter the average time for repairing streetlights was 1.8 days, a significant decrease from 4.4 days at the same time last year. Importantly, the average cost per streetlight repair has been halved and the average cost of bulk globe replacements has fallen by more than 30 per cent compared to last year.

**Perth Solar City** – in September 2009 Western Power signed a \$13.9 million, four year agreement with the Australian Government to help deliver the national Solar City Program in Perth. Western Power is the program lead for Australia's newest and largest Solar City program, delivering energy efficient products and services to over 106,000 homes in the East Perth metropolitan area.

**Work patterns review** – in July and August 2009 Western Power conducted a series of consultations with employees at metropolitan depots to generate work patterns that would provide improved work/life balance for employees and the flexibility the business needs to operate effectively. The revised shift patterns were proposed by employees, working closely with the Communications Electrical Plumbing Union, with the results of the consultation presented to the management team on 13 August. The new work patterns will be implemented in October 2009 and will save around \$2 million annually.



## CHALLENGES

**Access Arrangement** – the Economic Regulation Authority (ERA) has published a notice extending the release of its final decision on Western Power's Access Arrangement 2 submission by a further 30 business days to 4 December 2009. Consultation with the ERA indicates the final decision may be released within the period from 13 to 27 November. This has the potential to affect Western Power's ability to align with the State budgeting process.

In turn the uncertainty arising from this delay, especially with regard to approvals for capital works, is beginning to impact on contractors who lack a clear view of future work and may be forced to relocate resources, leaving the State vulnerable in the event of an upturn in the economy.

### **Collective Agreement**

**negotiations** – Western Power and the ASU reached agreement on a new collective agreement in October 2009. During negotiations, a key challenge was managing the potential impact of Protected Industrial Action (PIA), on the Bushfire Mitigation Plan. The risk of significant impact was reduced by agreeing PIA exemptions with the Union for bushfire mitigation programs of work, and reviewing all program contingencies to minimise adverse effects on community and public safety. Nevertheless, there remains a challenge to complete key works on schedule given the compressed timeframe now available.

### **North Country reinforcement**

– the North Country transmission network requires reinforcement due to increased demand in the Geraldton region, specifically from new mining operations. The State Government has provided conditional approval to build stage one of the North Country reinforcement project from Pinjar to Eneabba. A detailed analysis is underway to ensure the option for delivery of stage one satisfies regulatory and NFIT requirements. A business case will be delivered to State Government early next year. Western Power has increased the use of generating plant in the region, with a consequential increase in related costs, to mitigate the risk of shortfall in capacity until the major transmission works are delivered.

### **Integration of renewables**

– Western Power will play a major role in assisting the Government to respond to Federal targets for integration of renewable energy sources. The South West Interconnected System is a key enabler for delivering greater penetration of renewable energy supply in Western Australia. Western Power is working to ensure the network can accommodate increased connection of renewable energy sources in line with national targets of 20 per cent renewable generation by 2020.

### **Pole replacement program**

– while performance has improved, a key challenge is to build on the progress made during the quarter and ramp up the program to a level that will significantly enhance network reliability. Current levels of investment must be boosted if we are to increase the rate of replacements to meet our targets.

## 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 first quarter.

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

INDICATOR DESCRIPTION	SEPTEMBER 2009 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)	13.8	<11
Public safety incidents <sup>2</sup>	8	<12
System Average Interruption Duration Index (SAIDI) (total duration of power interruption in minutes per customer per year)	218	230
Customer Charter compliance (%)	91	88
Net Profit After Tax (NPAT) (\$M) year-to-date	11.3	11.5
Major Projects on Budget: Delivery of major projects +/- 10% of cost estimate (%) year-to-date	93.7	95
Major Projects on Schedule: Delivery of major projects within +/- 3 months of schedule (%) year-to-date	97.6	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 (September 08-Aug 09)

<sup>2</sup> Performance is measured over a rolling 12 month period (October 08-Sep 09)

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

## COMMENTARY



### SAFETY AND HEALTH

While the workforce Lost Time Injury Frequency Rate (LTIFR) was on target at the end of September, tracking at 2.7 against a target of 3.0 there has been a slight deterioration which is receiving focused attention.

The workforce All Medical Frequency Rate (AMFR) continues to improve from the last quarter, 13.8 from a 2008/9 year-end performance of 14.4. Despite this improvement, AMFR remains above our 2009/10 target of <11.

### NETWORK PERFORMANCE

Network performance for the September 2009 quarter was 218 minutes (total duration of power interruption in minutes per customer per year), an improvement of three minutes on the last quarter.

In comparison to the same quarter last year, there has been a reduction in outages caused by vegetation coming into contact with wires. This has been driven by improved vegetation management strategies and raising community awareness via TV advertising and engaging with local authorities. Vehicles striking poles and equipment failure has also reduced.

### CUSTOMER CHARTER

Customer Charter Compliance achieved another excellent result across all areas of the Charter resulting in 91 per cent performance for the month, continuing the strong performance achieved at the end of the 2008/9 financial year.

Streetlights performance was particularly pleasing with average repair time tracking at 2.1 days for metro areas and 1.6 days for rural areas, well below agreed service levels of 5 days and 9 days respectively. This improved performance has been achieved by the introduction of a dedicated streetlights team, consolidated contracts and better data management systems.

## FINANCIAL PERFORMANCE

At the end of September 2009, Western Power's Net Profit After Tax (NPAT) position was \$11.3 million against a full year target of \$11.5 million. This performance is due to below budget operating expenditure (\$5.4 million) and interest (\$2.4 million), which is partially offset by higher than budget depreciation (\$1.2 million).

Operating expenditure is below target despite an overspend in Approved Works Program maintenance of \$10.7 million. This is due to an underspend in corporate areas of \$6.7 million and a significant underspend in controllable costs by Service Delivery (\$7.2 million) and Customer Services (\$3.9 million) divisions.

Total capital expenditure is \$7.4 million overspent year to date. Transmission capex is \$1.3 million overspent due to expenditure relating to carry over projects from 2008/9. There are underspends in all other categories, with the exception of reliability driven works (\$0.8 million overspent) due to significant expenditure on the pole replacement project. Distribution capex is overspent by \$6.1 million, which is due to the above budget gifted assets recognition (\$9.8 million), asset replacement (\$4.7 million) and regulatory compliance (\$1.4 million) offset by lower than budgeted customer access (\$5.7 million) and capacity expansion (\$4.1 million).

## MAJOR PROJECTS DELIVERY

Delivery of major projects on schedule is exceeding targets, with 97.6 per cent of major projects tracking within agreed timeframes. Delivery of major projects on budget has fallen behind target during the quarter, currently at 93.7 per cent, largely due to the impact of protected industrial action.

## STRATEGIC PLAN 2009/10

The final Western Power submission to the ERA's draft decision was submitted on 10 September 2009. Preparation for the final decision is underway. The business is also implementing strategies to improve engagement with the community and key stakeholder groups. The Workplace Electrical Safety Initiative (WESI) is progressing on schedule.

Strategic initiatives to transform the business are progressing on schedule. Cost savings are being realised and projects to optimise the value chain have moved to the implementation phase. Of the ten projects initiated in 2008/09, eight are now in the implementation phase. Forecast 2009/10 benefit is \$10.5 million, with the focus in the coming quarter to be locking benefits into budgets. The SPoW and Vista programs are progressing to plan.

Strategic initiatives to position the business for the future are progressing to schedule. The SmartGrid and the Perth Solar City Programs are establishing the contractual arrangements and liaising with key stakeholders. The public safety campaign and energy education services exceeded their performance measures, and all other initiatives are progressing satisfactorily.