



december quarterly report

08



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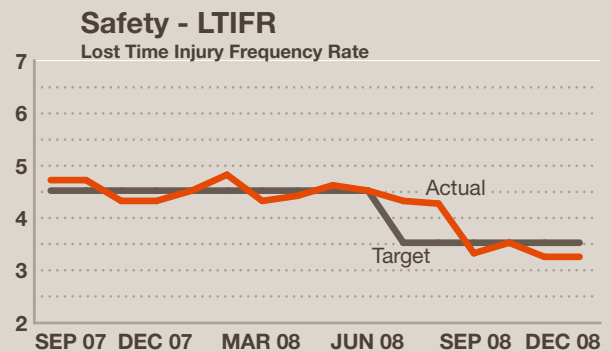


introduction

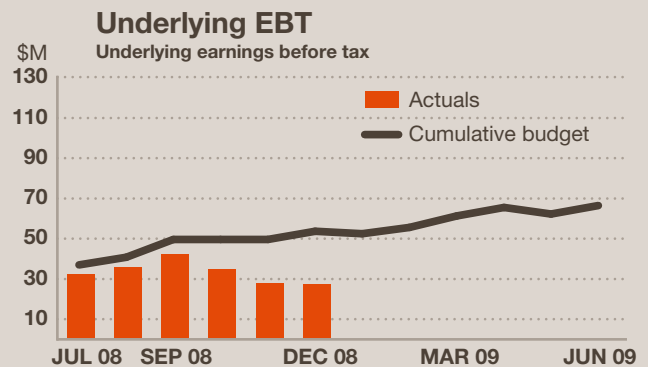
This report has been prepared in accordance with Western Power's obligation to report to the Minister for Energy under section 106 of the *Electricity Corporations Act 2005*.

This report reviews the corporation's performance for the period 1 July 2008 to 31 December 2008.

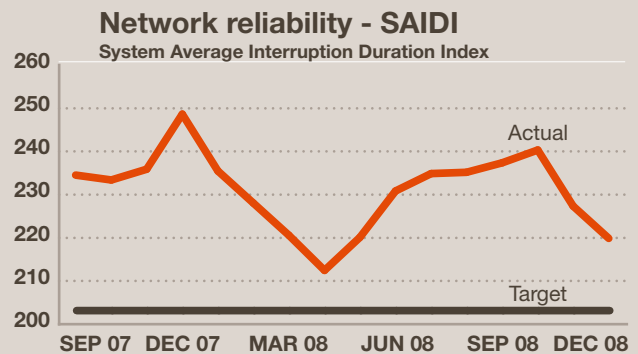
In the December 2008 quarter, Western Power's workforce Lost Time Injury Frequency Rate of 3.2 was better than targeted end of year performance (<3.5).



Underlying EBT was lower than the year-to-date Statement of Corporate Intent target (\$27.5 million versus \$40.4 million). This is due to higher than expected expenditure on the maintenance program to ensure summer ready targets were achieved. The full year maintenance program target remains in line with the approved forecast and Mid Year Review position.



Network performance for the December 2008 quarter was 219.6 minutes (total duration of power interruption minutes / average customers per year), an improvement of 17 minutes from the previous quarter.



performance reporting

Western Power's performance is tracked against Key Performance Indicators (KPIs) detailed in the *Western Power Statement of Corporate Intent 2008/09*.

Table 1 provides a summary of Western Power's year-to-date (YTD) performance.

The 2008/09 performance targets were approved by the Economic Regulation Authority as part of the 2006 to 2009 Access Arrangement.

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Table 1 - Key performance indicators and targets¹

Indicator description	December 2008 (YTD) Actual	2008/09 full year Target
Lost Time Injury Frequency Rate (LTIFR) ² (LTIs / million hours worked – workforce)	3.2	<3.5
All Medical Frequency Rate (AMFR) ² (AMS / million hours worked - workforce)	16.9	<14
System Average Interruption Duration Index (SAIDI) (Total duration of interruptions / customers per year)	219.6	203 ³
Customer Charter compliance (%)	89	85
Earnings Before Interest and Tax (EBIT) (\$M) ⁴	159.4	301
Earnings Before Tax (EBT) (\$M) ⁵	57.8	75.0
Net Profit After Tax (NPAT) (\$M)	40.4	52.5
Major Projects Delivery (%)	90	95
Value of role in energy efficiency and sustainable solutions (%)	N/A	69
Corporate Reputation (%)	N/A	65

¹ Value of role in energy efficiency and sustainable solutions and Corporate Reputation KPIs that are provided in the *Statement of Corporate Intent 2008/09* are reported annually, at year end.

² LTIFR and AMFR data includes statistics from Western Power's workforce, incorporating both employees and contractors. Due to this, the detail represented here is the performance in November, due to the month lag in workforce reporting.

³ SAIDI target under review as part of Western Power's Access Arrangement submission to the ERA.

⁴ EBIT YTD target is \$165.3M

⁵ EBT YTD target is \$59.0M

key performance indicator results

For the December 2008 quarter

Safety and health

Western Power's safety performance continues to improve with further reductions in the number of lost time and all medical injuries during the December 2008 quarter.

Workforce Lost Time Injury Frequency Rate of 3.2 was better than the organisation's targeted end of year performance (<3.5).

While Workforce All Medical Frequency Rate of 16.9 was short of our performance target (<14) this was an improvement on the previous quarter's performance (at 18.0).

Some of the safety and health initiatives during the December 2008 quarter included:

- / Contractor performance – a new branch was established, with an embedded Senior Safety and Health Consultant, to assist in reducing the number of safety incidents with our Alliance partners and contractors
- / Switching incident prevention – a working group was established to complete a comprehensive review of recent safety incidents involving network 'switching' equipment. The review will identify opportunities for improvement in the switching process and minimise the potential of significant safety incidents involving employees or contractors

Network performance

Network performance for the December 2008 quarter was 219.6 minutes (total duration of power interruption minutes / average customers per year), an improvement of 17 minutes from the previous quarter.

In comparison to the same quarter last year, there has been improved performance with fewer power interruptions caused by equipment failure and vandalism across the South West Interconnected System. However, the Goldfields and South Country regions faced an increase in power interruptions due to storm activity.

A number of initiatives are underway to improve reliability of power supplies to customers. These include the:

- / Distribution Automation Program - designed to assist in reducing the number of customers affected by power interruptions, by isolating the fault through automated switchgear on the network
- / 40 Worst Feeders Program - focused on supporting areas of the network where there is high incidence of asset issues. During the December 2008 quarter there was a steady decline in power interruptions caused by equipment failure

Customer Charter

Western Power's Customer Charter (available on our website) details performance in a number of service responsiveness measures to residential and small-use business customers in the South West Interconnected System.

The charter measures the performance of new connections, telephone handling for faults and customer service, streetlight repairs, complaints and enquiries management. For the quarter ending December 2008 our Customer Charter compliance was 89 per cent against the target of 85 per cent.

Case study: enhancing our workplace



Project Vista, which extends over a four-year period to 2011, sees Western Power's head office and metropolitan depot accommodation upgraded using sustainable building practices. Western Power is committed to achieving a five star Green Star accreditation for the Perth office, through Green Building Council Australia. This denotes Australian Excellence and is the maximum rating that can be achieved retro-fitting an existing building.

A variety of flexible work and meeting spaces will be available for individuals and groups to support new and more productive ways of working and different work styles, supported by follow-me technology such as wireless zones for laptop computers.

Western Power will be one of the first owner/occupiers of an existing building in Western Australia to undertake a five star Green Star base building upgrade. This will allow the business to use resources more efficiently lowering carbon emissions and creating a healthier and safer working environment. The first refurbished floor will be completed in January 2009.

Financial performance

At the end of December 2008, Western Power's traditional Earnings Before Tax (EBT) position was \$57.8 million. This was \$1.2 million below the *Statement of Corporate Intent (SCI)* 2008/09 target of \$59.0 million.

This below target EBT position is due to operating expenditure exceeding forecast for this period (\$42.7 million above target YTD).

This increased expenditure level is predominantly due to Western Power's maintenance program, with preventative work in preparation for the bush fire season and network summer readiness coming in above budget.

Overall maintenance spend is \$34.3 million overspent YTD in relation to the SCI, which equates to being \$17.6 million overspent in relation to the Mid Year Review. The full year forecast for maintenance expenditure remains in line with the approved Mid Year Review forecast position.

Higher than budgeted revenue capital contributions (\$122.5 million versus \$100.3 million) and below budget expenditure in corporate areas of the business has helped offset this high operating expenditure.

A large number of distribution projects were completed in the first two quarters of this financial year while recognition of funds received from the Boddington Gold Mine contributed a further \$32.9 million in YTD capital contribution revenue. Western Power's full year capital contributions forecast remains in line with its Mid Year Review position of \$176.9 million. Tariff revenue was also above budget by \$6.1 million, reflecting energy consumption volumes YTD.

As part of its ongoing financial management process, Western Power is assessing the risks and opportunities created by the global economic downturn. Issues related to this and resulting forecast revenues and costs are being addressed separately to this document.

Appendix 1 (page 6) contains an overview of Western Power's financial performance in the December 2008 quarter.

Major projects delivery

Western Power's commitment to delivering on its extensive works program is robust. In the December 2008 quarter, progress against our major projects significantly improved with a delivery rate of 90 per cent against our target of 95 per cent, an increase of eight per cent on the previous quarter.

Highlights of the quarter included:

- / Summer Ready - work plan progressing well, with the majority of projects completed on time
- / Bushfire Readiness - at the end of November 2008, practical completion of the vegetation management program was achieved. With late summer rains and abnormally high regrowth of vegetation, Western Power recognises that ongoing vegetation management is required.
- / 40 Worst Feeders Program - ten feeders were upgraded in the quarter. By July 2009, more than 176 feeders will have been upgraded over the three-year program
- / the Boddington Goldmine Connection Project - completed and energised successfully.
- / Pinjar to Geraldton Line and South West Bulk Reinforcement projects moved into the estimating and regulatory approvals stages.

Strategic Plan 2008/09

Western Power's Enterprise Solutions Partner (ESP) Division made good progress in the December 2008 quarter. This division was established in August 2008 to facilitate the delivery of key organisation-wide strategic initiatives, such as the Operational Excellence Tranche Two program which is targeted to deliver significant business improvements.

Key technology projects were delivered during the quarter, providing world class distribution fault management functionality and call centre technology required for Western Power to take customer and emergency calls directly, as planned, from the third quarter of 2008/09.

There are presently 17 strategic initiatives underway across the business, helping deliver on Western Power's strategic themes of Operational excellence, Transform the customer experience, Engage with our community and The green edge.

appendix 1 financial statements

Western Power profit and loss statement

\$M	Quarter ended 30 September 2008	Quarter ended 31 December 2008	YTD	2008/09 full year Target
Income				
Regulated tariff revenue	162.8	173.6	336.4	667.7
Developer contributions	44.1	78.4	122.5	172.2
Other revenue	20.8	23.5	44.3	80.3
Total income	227.7	275.6	503.5	920.2
Expenditure				
Operating expenditure	103.7	119.3	223.0	360.6
TEC	18.0	18.0	36.0	72.0
Operating expense	121.7	137.3	259.0	432.6
EBITDA	105.9	138.3	244.2	487.6
Depreciation	41.7	43.1	84.8	186.6
Earnings before interest and tax	64.2	95.2	159.4	301.0
Interest	50.0	51.7	101.7	226.0
Earnings before tax	14.2	43.6	57.8	75.0
Income tax	4.3	13.1	17.3	22.5
Profit after tax	10.0	30.5	40.4	52.5

Western Power underlying financial position

The measure of our underlying performance is a 'normalised' view of the performance of the business removing unanticipated variances due to energy consumption levels (which drive tariff revenue) and increased levels of capital contributions, debt and depreciation (due to higher customer funded activity).

Western Power's long term profitability is a function of its underlying performance although profitability varies in the short term in accordance with actual revenues and costs as they occur. Under the economic regulatory framework within which Western Power operates there are two particular mechanisms that compensate for these short term variations in revenue and costs:

- / the "k-factor" adjustment allows for an annual reconciliation of actual revenues (from tariffs and capital contributions) compared with those approved by the Economic Regulation Authority. Any under or over recovery of revenue is carried forward into the following year.
- / there is also the Investment Adjustment Mechanism (IAM) which comes into play at the end of each regulatory term (three yearly at the moment) which provides a mechanism to adjust the allowed revenue for any under or over capital expenditure. This is created by variations in customer-driven expenditure against that forecast at the start of each regulatory term.

The underlying position based on the December 2008 quarter results is shown below

Underlying EBT \$M	December 2008 (YTD) EBT
Traditional EBT	57.8
Network tariff revenue	-22.6
Capital contributions	-49.1
Non-reference services	5
Total revenue impact	-66.7
IAM depreciation	9.3
IAM interest	27.1
Total expense impact	36.4
Underlying position	27.5

Western Power balance sheet

\$M	Quarter ended 30 June 2008	Quarter ended 30 September 2008	Quarter ended 31 December 2008
Total current assets	207.5	231.9	220.0
Non-current assets			
Property plant and equipment	4,255.9	4,438.8	4,611.2
Other non-current assets	35.2	20.7	16.7
Total non-current assets	4,291.1	4,459.5	4,627.9
Total assets	4,498.6	4,691.4	4,847.9
Total current liabilities	429.1	394.4	315.8
Non-current liabilities			
Borrowings	3,118.4	3,342.5	3,536.0
Other non-current liabilities	37.3	26.7	35.8
Total non-current liabilities	3,155.7	3,369.2	3,571.8
Total liabilities	3,584.8	3,763.6	3,887.7
Net assets	913.9	927.8	960.2
Contributed equity	813.4	813.4	813.4
Retained earnings	100.5	114.4	146.8
Total equity	913.9	927.8	960.2

Western Power cash flow statement

\$M	Quarter ended 30 June 2008	Quarter ended 30 September 2008	Quarter ended 31 December 2008
Opening cash balance	9.7	10.8	42.7
Inflow of funds			
Cash receipts	262.9	281.2	254.6
New borrowings	199.1	221.7	191.2
Total inflow of funds	462.0	502.9	445.8
Outflow of funds			
Wages and salaries	62.2	61.2	70.3
Creditors and contractors	323.7	357.8	335.0
Payments to Government	26.4	0	0
Interest	48.2	51.6	52.9
Other payments	0.3	0.5	1.0
Total outflow of funds	460.8	471.1	459.2
Closing cash balance	10.8	42.7	29.2