



september quarterly report

08



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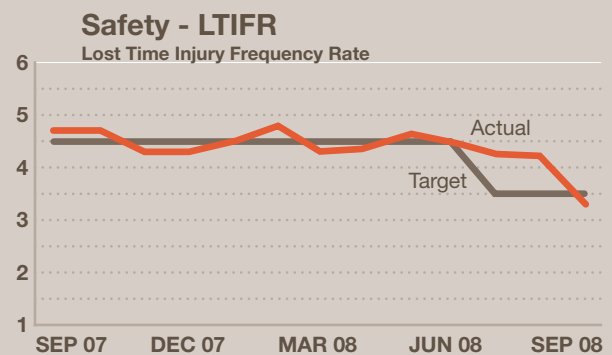


introduction

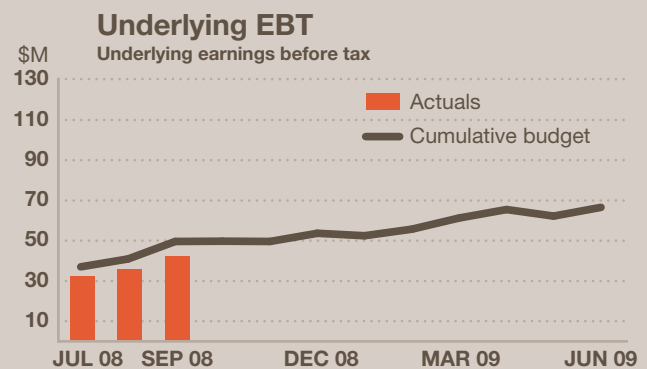
This report has been prepared in accordance with Western Power's obligation to report to the Minister for Energy under section 106 of the *Electricity Corporations Act 2005*.

This report reviews the corporation's performance for the period 1 July 2008 to 30 September 2008.

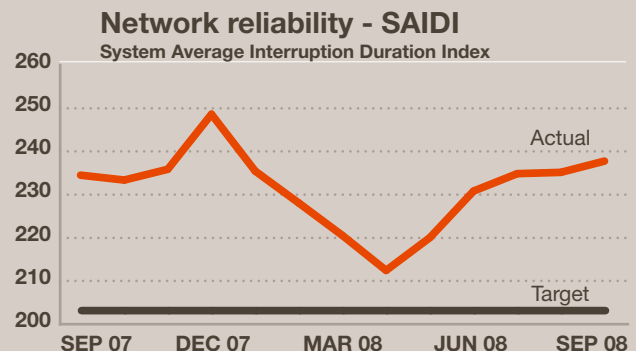
Western Power's safety performance continues to improve with further reductions in the number of lost time and all medical injuries during the September 2008 quarter. Our Workforce Lost Time Injury Frequency Rate of 3.3 was better than the organisation's targeted end of year performance (<3.5).



Underlying Earnings Before Tax (EBT) this quarter was behind the *Statement of Corporate Intent 2008/09* target (\$42.4M versus \$48.9M). This was due to lower tariff revenue (\$6.6M below target) with recent mild weather impacting energy consumption.



Our network performance for the September 2008 quarter was 237 minutes (total duration of power interruptions / customers per year), which is an increase of seven minutes from the previous quarter. There has been an increase in power outages due to vehicles impacting the network (colliding with power poles) and damage from third party machinery.



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	September 2008 (YTD) Actual	2008/09 full year Target
Lost Time Injury Frequency Rate (LTIFR) ² (LTIs / million hours worked – workforce)	3.3	<3.5
All Medical Frequency Rate (AMFR) ² (AMs / million hours worked - workforce)	18.1	<14
System Average Interruption Duration Index (SAIDI) (Total duration of interruptions / customers per year)	237	203 ³
Customer Charter compliance (%)	86	85
Earnings Before Interest and Tax (EBIT) (\$M) ⁴	64.2	301
Earnings Before Tax (EBT) (\$M) ⁵	14.2	75.0
Net Profit After Tax (NPAT) (\$M)	10.0	52.5
Major Projects Delivery (%)	81	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 August, 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 \$73.0M

⁵ EBT YTD target is \$21.8M

key performance indicator results

For the September 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 September 2008 quarter.

Our Workforce Lost Time Injury Frequency Rate of 3.3 was better than the organisation's targeted end of year performance (<3.5).

Due to a high number of injuries, our Workforce All Medical Frequency Rate of 18.0 fell short of our performance target (<14). Importantly, this is the first time that safety data from our total workforce, both employees and contractors, has been publicly reported.

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

- / BodyFit - information sessions were completed in our country depots. The BodyFit initiative continues to have a positive impact in reducing the number and severity of sprain and strain injuries across the business – our most common type of injury
- / Workplace Electrical Safety Initiative – completion of 130 interactive workshops across the business, with the aim of raising electrical safety awareness and preventing electrical incidents from occurring
- / Contractor safety - building contractor management capability and improving the contractor performance monitoring process. This included training Western Power Contract Managers in new Safety and Health Contractor Management procedures

Network performance

Our network performance for the September 2008 quarter was 237 minutes (total duration of power interruptions / customers per year), which is an increase of seven minutes from the previous quarter.

In comparison to the same quarter last year, there has been an increase in power outages due to vehicles impacting the network (colliding with power poles) and damage from third party machinery (such as cable damage). There was a reduction in the number of customer outages caused by lightning and vegetation clashing with powerlines.

This quarter, we introduced a new method of measuring our network performance consistent with industry standards across Australia and as agreed with the ERA. Our System Average Interruption Duration Index (SAIDI) no longer includes the impact of planned power interruptions for network upgrade or maintenance work, or from interruptions caused by generation, transmission or by customers.

Customer Charter

Western Power's Customer Charter (available on our website) details our 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 September 2008 our Customer Charter compliance was 86 per cent against our target of 85 per cent.

During the quarter, initiatives to improve our customers' experiences included:

- / implementing new contact centre technology enabling faster suburb-specific messages about localised faults affecting customers
- / increasing the number of staff on the 13 10 87 customer service line
- / facilitating improved allocation of crews for new connection work
- / streetlight management with improved reporting and data capture allowing better analysis of overall streetlight performance and informed business decisions

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Financial performance

Earnings Before Tax (EBT) this quarter was behind the *Statement of Corporate Intent 2008/09* target (\$14.2M versus \$21.8M), despite higher than expected total revenue. Tariff revenue was \$6.6M below target, with recent mild weather impacting energy consumption.

Capital contributions were above our year-to-date (YTD) target (\$44.1M versus \$35.2M), with revenue from customer distribution projects offsetting our below target tariff revenue position.

A key driver of expenditure for the September 2008 quarter was Western Power's maintenance program. Storm weather in July 2008 led to above budget expenditure in repair work with a large number of crews responding to storms in Albany. Maintenance work expenditure for the quarter also increased to support our vegetation management program commitments. Pole maintenance was above YTD budget due to increased unit rates and higher volumes than budgeted.

Please refer to Appendix 1 (page 6) for an overview of Western Power's financial performance in the September quarter.

Major projects delivery

This is a new performance measure introduced this financial year to track progress against our significant works program. Overall, at the end of the September 2008 quarter, we achieved 81 per cent delivery against a target of 95 per cent. However, the performance of the overall works program is forecast to be on schedule by the end of the financial year.

Transmission major projects in capital programs and asset maintenance works are 97 per cent on schedule and progressing well to achieve summer readiness to meet the peak load that is expected over the 2008/09 summer. All generator and bulk load transmission customer connection projects are on track for delivery, as well as the planned maintenance works to ensure availability of substations and high voltage powerlines. More than 95 per cent of the transmission major projects work program is expected to be complete by the end of the 2008/09 financial year.

At quarter's end, works in the Rural Power Improvement Program was well underway following the completion of backlog work from previous years. Capacity expansion of the network to cope with peak loads is on track, and expected to make a strong contribution to the stability of the network over the 2008/09 summer. Other areas performing well included pole strengthening, conductor clash mitigations, and the 40 worst feeders program.

The lower than targeted delivery performance of 81 per cent was caused by delays in completing certain distribution programs of work due to seasonality. The distribution works program is forecast to meet its targets once seasonal work has occurred. There has been significant focus on vegetation management to ensure bushfire readiness due to extensive growth following early rains. Certain types of pole maintenance have been delayed due to limited access during crop harvesting. It is expected that the distribution programs will return to target once these seasonal factors have been overcome.

Strategic Plan 2008/09

Our key focus for 2008/09 is to build on work already underway to embed operational excellence and strengthen connections with customers and the community.

In August 2008, the Enterprise Solutions Partner (ESP) Division was established to facilitate the delivery of key organisation-wide strategic initiatives. The ESP will initially focus on the delivery of a select group of programs and establish best practice structures and disciplines to be applied to all future projects. Foundation projects include Operational Excellence Tranche 2, Transmission Access Project, Distribution Access Project, Strategic Program of Work (SPOW) and Project Vista.

There are 17 strategic initiatives presently underway across the business, helping deliver on our strategic themes of Operational Excellence, Transform the Customer Experience, Engage with Our Community and The Green Edge.

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Case study: Our outstanding trainees, apprentices and graduate engineers



The achievements of our trainees, apprentices and graduate engineers were recognised in September.

Managing Director Doug Aberle said the 2008 Trainee, Apprentice and Graduate Engineer Awards were a celebration of the commitment and dedication of people from throughout Western Power who have chosen to embark on a career in electricity.

The people who won awards and those who received certificates of achievement have demonstrated all-round outstanding performance. Although working in a range of areas across the organisation, they share a common passion for workplace excellence and making their mark at Western Power.

appendix 1

financial statements

Western Power profit and loss statement

\$M	Quarter ended 30 September 2008	2008/09 full year Target
Income		
Regulated tariff revenue	162.8	667.7
Developer contributions	44.1	172.2
Other revenue	20.8	80.3
Total income	227.7	920.3
Expenditure		
Operating expenditure	103.7	360.6
TEC	18.0	72.0
Operating expense	121.7	432.6
EBITDA	105.9	487.6
Depreciation	41.7	186.7
Earnings before interest and tax	64.2	301.0
Interest	50.0	226.0
Earnings before tax	14.2	75.0
Income tax	4.3	22.5
Profit after tax	10.0	52.5

Western Power underlying financial position

Western Power's profitability is a function of underlying performance and, importantly, the treatment of expenditure and revenue variations by the ERA in the regulatory framework. The regulatory framework provides two mechanisms (Investment Adjustment Mechanism and annual K-factor price adjustments) which operate on a retrospective basis. In order to provide the underlying position, the baseline results are adjusted for the following factors:

- / favourable variances in Tariff Revenue and Capital Contributions, offset by an unfavourable variance in Non Reference Service revenue
- / an increase in interest expenses and depreciation costs associated with the unforeseen increases in demand related capital investment that is deferred to the next regulatory period via the Investment Adjustment Mechanism.

Variances in the revenue are the result of revenue received in excess of those levels in the Access Arrangement. An increase in energy consumption levels above those forecast has increased tariff revenues. In addition higher than predicted customer connections have led to an increase in capital contributions.

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

Underlying EBT \$M	September 2008 (YTD) EBT
Traditional EBT	14.2
Network tariff revenue	-1.8
Capital contributions	-7.4
Non-reference services	3.7
Total revenue impact	-5.5
IAM depreciation	8.6
IAM interest	25.1
Total expense impact	33.7
Underlying position	42.4

Western Power balance sheet

\$M	Quarter ended 30 June 2008	Quarter ended 30 September 2008
Total current assets	207.5	231.9
Non-current assets		
Property plant and equipment	4,255.9	4,438.8
Other non-current assets	35.2	20.7
Total non-current assets	4,291.1	4,459.5
Total assets	4,498.6	4,691.4
Total current liabilities	429.1	394.4
Non-current liabilities		
Borrowings	3,118.4	3,342.5
Other non-current liabilities	37.3	26.7
Total non-current liabilities	3,155.7	3,369.2
Total liabilities	3,584.8	3,763.6
Net assets	913.9	927.8
Contributed equity	813.4	813.4
Retained earnings	100.5	114.4
Total equity	913.9	927.8

Western Power cash flow statement

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