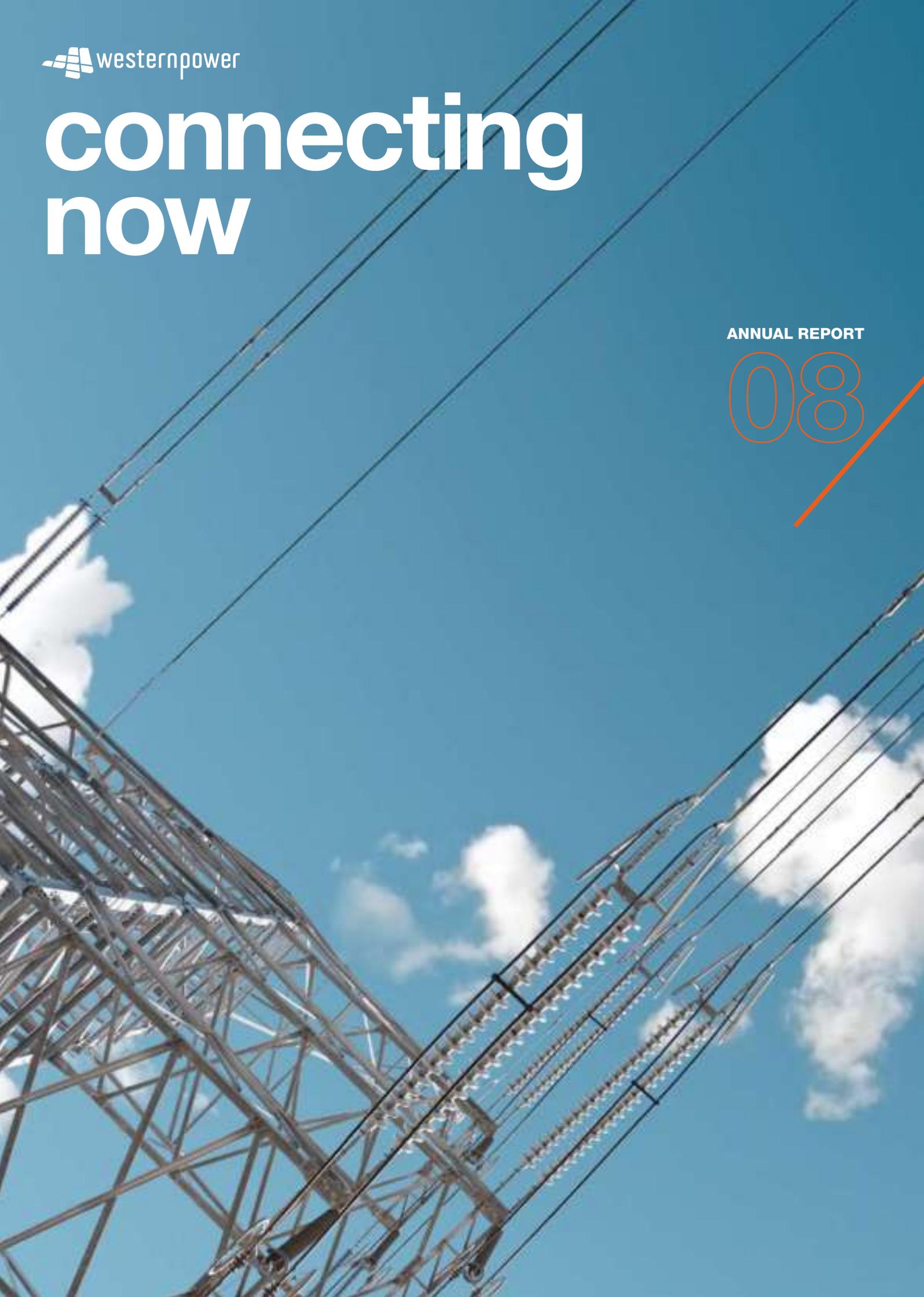




# connecting now

ANNUAL REPORT

08





**and  
in  
the  
future**

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# chairman's review

**'Connecting now and in the future' is the theme for this year's annual report and reflects Western Power's ongoing commitment to meeting the needs of our customers and the community by operating as an energy solutions business for a sustainable future.**

02



On behalf of Western Power's Board of Directors, I am pleased to present this report, detailing the organisation's performance across all areas – from operating the state's main electricity network, to our ongoing commitment to our people, customers, community and the environment.

One of the biggest challenges for the Board this year has been the shift towards developing the business into one that is truly sustainable while delivering a record works program. Our strategic direction, which we launched last year, firmly supports this objective, and has allowed the management team to broaden its paradigms both in terms of the way we deliver solutions and in considering sustainable energy options beyond traditional poles and wires solutions. Key initiatives such as entering into alliance arrangements for delivery, implementing a demand side management trial and developing our sustainability policy will position Western Power as an innovative energy solutions provider, whilst meeting the needs of current and future generations.

Our \$3.5 billion works program continues to be the principal operational focus for the business and the high rate of completion of the year's planned works is an excellent result, especially in the current Western Australian economic climate of rising costs and a skilled labour shortage. It suggests that the business is well placed to meet customer and community commitments.

While we have seen some improvements in our safety performance in 2007/08 in targeted areas, our overall performance has plateaued. We recognise that, as the business continues to drive towards safety excellence, regular and significant shifts in performance will be essential and this will be a key focus in 2008/09.

I sincerely thank my colleagues on the Board for their commitment and effort this past year.

I would also like to acknowledge the tremendous effort of Western Power people – both management and employees – and thank them for their ongoing commitment to the continual evolution of this energy solutions business.

We are well on the way to developing a business that will deliver sustainability, security and prosperity for individuals, the State and beyond. We are making the decisions today to influence and shape the business of tomorrow.

A handwritten signature in black ink, appearing to read 'Peter Mansell'. The signature is fluid and cursive, with a large initial 'P'.

**Peter Mansell**  
Board Chair

## ECONOMIC PERFORMANCE

For the 12 months to 30 June 2008

Earnings before tax	\$120.9 m
Net profit after tax	\$85.9 m
Revenue	\$938.8 m
Interim dividend	\$26.4 m
Expected final dividend	\$16.6 m
Capital investment	\$804.8 m

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# highlights 2007/08

Our highlights for the year included:

### Safety

- / our employees' Lost Time Injury Frequency Rate (LTIFR) of 4.3 (against a target of <4.5) and All Medical Frequency Rate (AMFR) of 12.7 (against a target of <18)

### Operational excellence

- / in 2007/08, we achieved 86 per cent of Western Power's works program, a significant improvement on previous years
- / all critical distribution capacity expansion works were completed in time for the summer 2007/08 peak
- / more than 95 per cent of planned Rural Power Improvement Program work was completed
- / we reached a significant milestone of 47 per cent of properties in the Perth metropolitan area being connected to underground power, under the State Underground Power Program

### Customer focus

- / a comprehensive customer satisfaction survey was conducted with 79 per cent of respondents rating Western Power's performance favourably
- / over 30,000 new customer connections in 2007/08, an increase of 15.4 per cent from the previous year
- / a Black Spot partnership was formed with Main Roads, to support safer roads for the benefit of the wider community
- / a new streetlight business model for improved data management and fault reporting

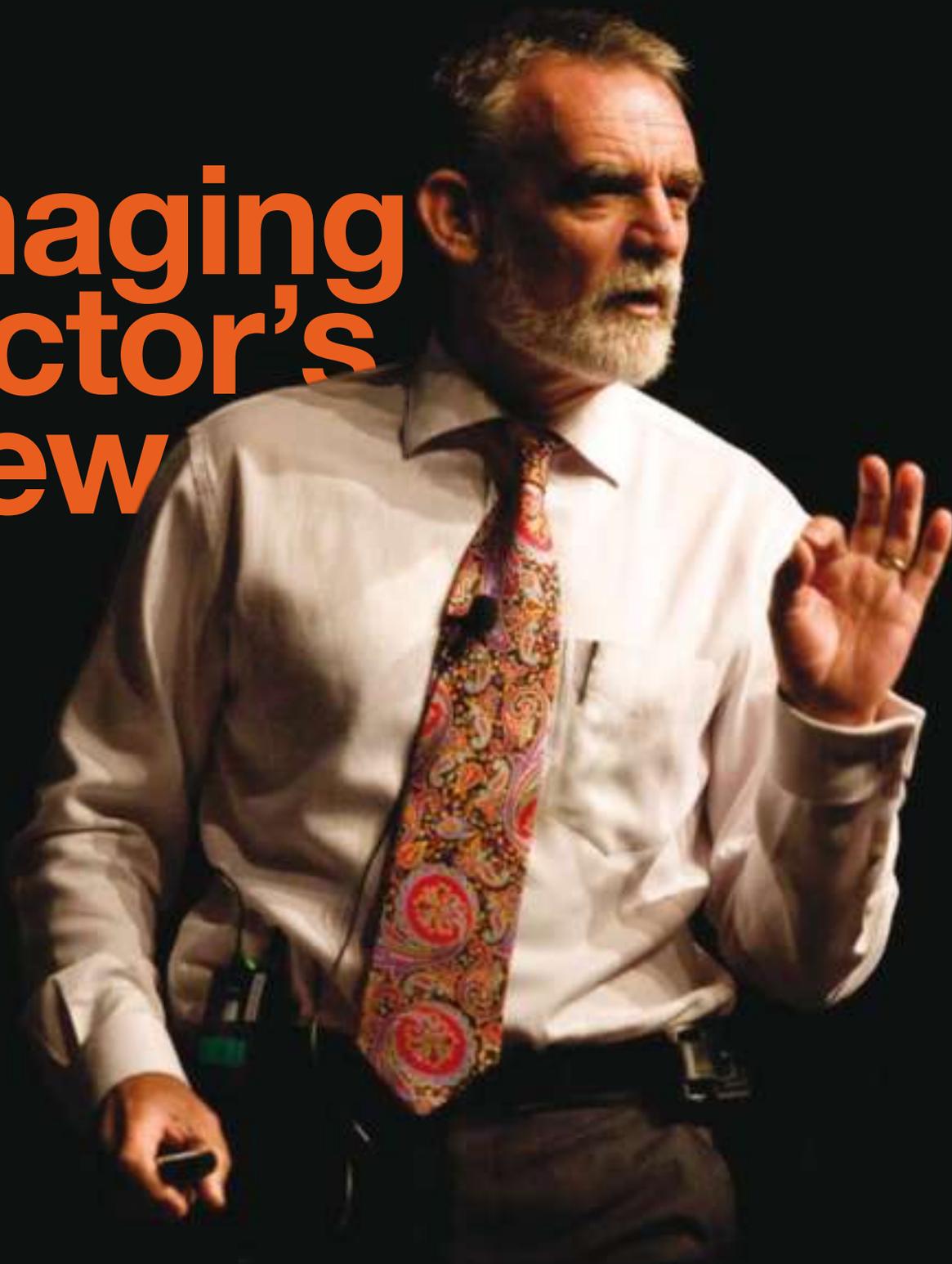
### Enhanced community engagement

- / positive feedback received from affected communities on the community consultation process for new transmission line route decisions
- / Working Together policy commenced, to improve the way we go about our business in rural Western Australia, in particular with our on-farm inspection and maintenance processes

### Environmental commitment

- / this year we planted 150,000 native seedlings to offset carbon emissions through the Carbon Neutral Program
- / the launch of the Cool Community – Clean Future initiative, is one of several programs being trialled to address peak demand, energy efficiency and emission reductions

04  
managing  
director's  
review



**In mid 2007 we embarked on a bold, expansive strategy to transform ourselves into an energy solutions business focussed on a sustainable future. As we enter our second year of the strategy, we are beginning to see major changes in the way we deliver our core business, as well as the introduction of different solutions. All of this is underpinned by developing better connections between us, and with our customers and the communities in which we operate.**

As we continue to deliver on Western Australia's current and future electricity needs we are committed to doing so in a way that is sustainable. We are already making progress on this front by focusing on long term economic performance, delivering environmental excellence and increasing our social contribution. The sustainability policy we are developing provides direction for our efforts and will support our involvement with the wider energy industry in shaping the debate on the appropriate energy future for our state.

Western Power's progress towards thinking beyond traditional solutions is now a reality. We saw the establishment of two landmark alliance agreements that will assist in the delivery of our \$3.5 billion works program. In 2007/08 we achieved 86 per cent of the year's planned works, a significant improvement on previous years. This occurred despite the challenge of our largest capital works program ever at just over \$800 million (a 10 percent increase on the previous year) and a climate of constantly escalating input costs and resource constraints and the demands of meeting customer expectations.

While significant storms in May and June reversed a positive trend in overall network reliability, our efforts to improve saw substantial work completed on our Distribution Automation, Feeder Upgrade and 40 Worst Feeder projects with direct impacts of up to 24 percent reduction in customer outage time in targeted areas.

We have continued broad engagement with residential and commercial stakeholders and we are making significant improvements to our community consultation process during the planning, construction and operational stages of our major infrastructure projects such as transmission lines supporting developments in the Great Southern and Mid-West regions.

We have responded to our customers' questions about how to reduce their environmental footprint. The highly successful 'Beat the Peak' campaign has, for the second year in a row, been effective in changing behaviours resulting in a reduction in energy usage, particularly at peak times. During the next 12 months we will continue to develop and trial initiatives encouraging smarter usage of energy.

We understand that our ability to connect externally with the wider community is inextricably linked to the 'connection' we experience within the business. To this end we have embarked on an exciting journey of cultural transformation which will unlock our potential and capability and develop strong leadership skills for the future.

The safety of everyone at work and outside of work continues to be a top priority for myself and the executive team and I am pleased to report that we have had a reduction in our Medical Treatment Injuries for 2007/08. We introduced the 'body fit' program addressing health and safety for our people working in physically demanding roles and announced our participation in a safe driving initiative, in conjunction with the Road Traffic Authority, concentrating on motor vehicle and driver safety. We will continue to work on embedding a safety culture within our business, and will not be satisfied until we have zero harm in our workplace.

Western Power is being forged through the effort, skills and commitment of everyone in the business and I would like to thank them for their contribution over the past 12 months. Their unwavering commitment to meeting the electricity needs of Western Australians and continually looking for new ways to contribute to the energy solutions business has us well placed for a sustainable and achievement driven future.



**Doug Aberle**  
Managing Director

# our business - what we do

Western Power is responsible for the 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 and upgrading the electricity network.

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

While our sole shareholder is the Western Australian Government, 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.

## our values

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### **PUT SAFETY FIRST**

In everything we do, we are committed to putting safety first.

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### **RESPECT OUR CUSTOMERS**

We stay connected to our customers to achieve the best energy solutions.

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### **WORK TOGETHER**

We work collaboratively to achieve consistent results that are in Western Power's and the customers' collective interest.

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### **MAKE A POSITIVE DIFFERENCE**

We are focused on being innovative and creative when adding value to customers and accept accountability for delivering results.

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### **EARN TRUST**

We work to earn the trust of others and deliver on commitments.

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### **ACT LIKE IT'S OUR OWN BUSINESS**

Western Power is our business and our actions will always reflect this.



# executive team

08

## **Ken Brown**

General Manager System Management

Since 2006, Ken has been responsible for Western Power's planning and market operations, network operations, system operation control and network information systems. His division also takes a leading role in all emergencies that affect the power system.

Ken has over 35 years in the electricity industry. A member of CIGRE since 1993 and Chairman of Australian Panel C2, Power System Operations and Control, since 2001, Ken is also a member of the WA Market Advisory Committee and its predecessors that helped establish the new Wholesale Electricity Market for Western Australia. Ken is also Western Power's representative on the Commonwealth Government's Energy Infrastructure Assurance Advisory Group (EIAAG) advising on Western Australia's power system security issues. Ken has a Bachelor of Engineering.

## **Anne-Marie Clark**

General Manager Service Delivery

Anne-Marie joined Western Power in 2006 and is responsible for network construction, communication and maintenance services, as well as operational support and training for both Western Power and external customers.

Having several years' experience in senior management roles in the energy and health industries, Anne-Marie is a member of the Australian Institute of Company Directors and The Executive Connection.

Anne-Marie has a Graduate Certificate in Management Administration and a Bachelor of Health Science.

## **Greg Monkhouse**

General Manager Human Resources

Since 2006, Greg has been responsible for Western Power's recruitment, employment relations, safety and health, human resources operations and organisational development.

With over 32 years' experience in senior HR leadership roles in both the private and public sectors, Greg has worked in Australia, South East Asia, the USA and New Zealand. Greg has a Diploma of Business studies and a Master of Business Administration.

## **Malcolm Peacock**

Chief Financial Officer

Malcolm joined Western Power in 2006 and is responsible for business analysis, accounting and taxation, information technology, risk management, treasury and commercial management of the organisation's operations.

With over 20 years' senior management experience, Malcolm is also a member of the Institute of Chartered Accountants and a Fellow of the Institute of Company Directors. Malcolm has a Bachelor of Accountancy.



**Ken Brown**  
General Manager  
System Management

**Mark de Laeter**  
General Manager  
Customer Services

**Greg Monkhouse**  
General Manager  
Human Resources

**Phil Southwell**  
General Manager  
Strategy & Corporate Affairs

**Anne-Marie Clark**  
General Manager  
Service Delivery

**John Pease**  
General Counsel & Company Secretary  
Legal & Governance

**Malcolm Peacock**  
Chief Financial Officer

**Doug Aberle**  
Managing Director

**Mark de Laeter**

General Manager Customer Services

Since 2006, Mark has been responsible for managing Western Power's customer relationships with generators and retailers, network planning and development, standards, policy and data quality, network performance, delivery of major projects and environment and land management.

With over 20 years experience in the electricity industry, Mark has held senior management positions encompassing field, technical and commercial aspects of transmission and distribution networks and regional generation.

Mark has a Master of Business Administration, Master of Engineering Science and a Bachelor of Engineering. He is a Chartered Professional Engineer and a member of the Institute of Engineers.

**John Pease**

General Counsel and Company Secretary, Legal and Governance

John joined Western Power in 2006 and is responsible for the internal legal team, as well as compliance and internal audit functions. He also provides governance advice and support to Western Power's Board and various committees, as well as to the Executive.

Having practised law for over 20 years, John has substantial commercial and litigation experience in a broad range of subject areas.

John has a Master of Laws and is a member and former President of the Australian Corporate Lawyers Association, Fellow of the Chartered Institute of Company Secretaries Australia and is a member of the Society of University Lawyers, the Law Society of Western Australia and the Institute of Credit Management Western Australia.

**Phil Southwell**

General Manager Strategy and Corporate Affairs

Since 2006, Phil has been responsible for Western Power's company-wide strategic development, internal and external communication support, regulation and pricing and sustainability.

Phil is the Chair of the Australian Panel C1 of CIGRE and in August 2008 will take over as Chair of the CIGRE International Committee C1 that covers world development in power system planning, asset management and economics. Phil has over 30 years experience in the electricity industry, particularly in relation to power system development and regulation. A member of the Institute of Engineers Australia, Phil is also a member of WA Market Advisory Committee, board member of the Australian Power Institute and a Member of the University of Western Australia Industry Advisory Council. Phil has a Bachelor of Engineering and a Graduate Diploma in Management.

# the board



**Peter Mansell**  
Board Chair, independent,  
non-executive director

Peter Mansell has practiced as a business lawyer for 34 years, and has a wide range of experience in corporate matters. He was a corporate and resources partner of legal firm Freehills from 1988 to 2004 and at various times was the Freehills National Chairman (1995-2000), Managing Partner of the Perth Office (1992-2002) and a member of the firm's National Board (1989-2002).

Peter has a Bachelor of Commerce, Bachelor of Laws, and a Higher Diploma in Tax Law and is a member of the Australian Institute of Company Directors and the Law Society of Western Australia.

#### Other current directorships

West Australian Newspaper Holdings Ltd  
(Board chair)

OZ Minerals Limited

Great Southern Ltd

Ferngrove Vineyards Ltd (Board chair)

ThinkSmart Ltd (Board chair)

Bunnings Property Management Ltd, the responsible entity for the Bunnings Warehouse Property Trust

Nyrstar NV

#### Former directorships in last three years

Foodland Associated Ltd until November 2005

Progressive Enterprises Holdings Ltd until November 2005

JDV Limited until August 2005

Tethyan Copper Company Ltd until May 2006

The Hoyts Corporation Pty Ltd until December 2006

Hardman Resources Ltd until December 2006

Zinifex Ltd until August 2008

Western Power Corporation until March 2006

#### Special responsibilities

Member of the People and Performance Committee



**Jenny Seabrook**  
Board deputy chair, independent,  
non-executive director

Jenny Seabrook has practised as an investment banker, capital markets advisor and chartered accountant for over 25 years. She is currently a Special Advisor to Gresham Partners Limited and a non-executive director of a number of listed and unlisted corporations. She is also member of the Federal Government's Takeovers Panel and the Markets Policy Group for the Financial Services Institute of Australasia.

With a Bachelor of Commerce from the University of Western Australia, she is an Associate Member of the Institute of Chartered Accountants Australia, Fellow of the Australian Institute of Company Directors and a Senior Fellow of Financial Services Institute of Australasia.

#### Other current directorships

West Australian Newspapers Holdings Limited - non-executive director (from February 2006)

MG Kailis Holdings Pty Ltd - non-executive director (from 25 January 2008)

BWA Managed Investments Limited - non-executive director (from 1 January 2008)

St Andrew's Superannuation Services Limited - non-executive director (from 1 January 2008)

Iluka Resources Limited - non-executive director (from May 2008)

IRESS Market Technology Limited (from 20 August 2008)

#### Former directorships in last three years

Western Power Corporation - non-executive director and deputy chair until March 2006

Gresham Advisory Partners Limited - executive director (until January 2008)

Gresham Partners Limited - executive director (until January 2008)

#### Special responsibilities

Chair of the Finance and Risk Committee  
Member of the People and Performance Committee



**Doug Aberle**  
Managing Director

Doug Aberle has a detailed knowledge of all aspects of the electricity industry having formerly filled the positions of General Manager for Networks, Chief Operating Officer, General Manager for Generation and General Manager for Transmission within the old Western Power Corporation. He was also Chairman of Integrated Power Services, a company jointly owned by Western Power Corporation and Halliburton, and was CEO of the South West Development Commission during a six-month secondment and is currently Deputy Chair of the Australian National Committee for CIGRE.

With a Bachelor of Engineering (Hons) and a Master in Engineering Science, Doug is a Chartered Professional Engineer, a Fellow of the Institution of Engineers Australia and a Fellow of the Australian Institute of Company Directors. He is also a qualified psychotherapist and a clinical member of the Australian Association of Relationship Counsellors and a College Member of Gestalt Australia and New Zealand.

#### Former directorships in last three years

South West Counselling Inc (not for profit) (until December 2006)

Bright Telecommunications Pty Ltd (until December 2006)



**Mervyn Davies**  
independent, non-executive director

Mervyn Davies has worked in all areas of electricity distribution and has extensive experience in managing both the financial and technical performance of the business. He has held senior management positions at Energy Australia, Australia's largest electricity distribution company and is formally qualified in both Engineering and Economics with experience at the business level in implementing the National Competition Reform Agenda for electricity. Since leaving Energy Australia, Mervyn has established and operated an engineering consultancy practice, specialising in electricity distribution system management. He has worked for electricity distributors in New South Wales and Queensland, the Independent Pricing and Regulatory Tribunal in New South Wales and for the Australian Competition and Consumer Commission.

Mervyn has a Bachelor of Engineering (Hons), Masters in Engineering Science and a Bachelor of Commerce

**Other current directorships**  
Anrig Pty Ltd (Board chair)

Girna Engineering Management Services Pty Ltd (Board chair)

**Former directorships in last three years**  
Western Power Corporation - non-executive director (until March 2006)

**Special responsibilities**  
Member of the Finance and Risk Committee



**Sally Farrier**  
independent, non-executive director

Sally Farrier commenced her career as a consulting engineer before moving on to general management consulting and corporate advisory. In recent years she has focused on design, evolution and implementation of economic regulation, risk allocation and strategic decision making, particularly in relation to the utilities and infrastructure sector. She is a member of the Victoria Water Trust Advisory Council and a member of the Gippsland Water Technical Review Committee. With a Bachelor of Engineering (Hons), Masters of Business Administration and a Post Graduate Diploma in Finance and Investment Analysis, Sally is a Member of the Institute of Company Directors and a Fellow of the Financial Services Institute of Australasia.

**Other current directorships**  
Farrier Swier Consulting Pty Ltd (from June 1999)

Hydro Electric Corporation (Hydro Tasmania) (from December 2004)

**Special responsibilities**  
Member of the Finance and Risk Committee



**Karen Field**  
independent, non-executive director

Karen Field has spent more than three decades in the mining industry and has a strong background in human resources and project management. She has held executive roles in a variety of mining industry sectors throughout Australia and in South America. Prior to returning to Australia to develop consultancy and directorship roles she was President of Minera Alumbra Ltd, an Argentine based management company established to develop and operate a large scale copper/gold mining project in north western Argentina. Karen has a Bachelor of Economics.

**Other current directorships**  
Sipa Resources Ltd

Water Corporation

Perilya Limited

Centre for Sustainable Resource Processing

Amana Living Incorporated (formerly Anglican Homes Inc.)

**Special responsibilities**  
Chair of the People and Performance Committee

# business performance

## Improving the network

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### Western Power's works program

The first year of our largest ever works program was completed in June 2008, achieving 86 per cent of planned works, a significant improvement on previous years. More than \$709 million was invested in upgrading and expanding the South West Interconnected System. This expenditure formed part of Western Power's four-year, \$3.5 billion capital investment program.

Major transmission works completed included the Landwehr Terminal (in the Wagerup area) Bluewaters Terminal Stage 1 (near Collie), technical completion of the 330,000 volt transmission works at Kwinana and the establishment of four new zone substations and six additional transformers and associated bays.

In the 2008/09 financial year, \$947.9 million will be invested in projects. This includes a total of \$454.1 million to be spent on transmission works, of which \$263.5 million will be spent on customer driven works and \$190.6 million for new capacity, asset replacement, public safety work and other regulatory compliance programs.

The major projects being undertaken in 2008/09 include construction of 330,000 volt powerlines from Pinjar to Geraldton; the reinforcement of the Eastern Goldfields region; and Neerabup Terminal substation construction.

### 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.

Transmission lines are used to transmit high-voltage power from various generators (such as power stations and wind farms) to more than 140 major Western Power-owned substations, as well as 40 privately owned substations. Current transmission line projects include:

- / Margaret River to Busselton
- / Muja to Southdown
- / Kojonup to Albany
- / Boddington Gold Mine expansion
- / Pinjar to Eneabba
- / Eneabba to Geraldton
- / Guildford terminal – Midland junction
- / Milligan Street (Perth CBD)
- / Belmont-Kewdale-Welshpool

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.

Presently, Western Power has substation projects under development in suburbs throughout Perth's metropolitan area including Cottesloe, Kewdale, Neerabup and Wembley Downs.

Summer Preparedness Program  
In December 2007, Western Power's summer preparedness program was announced, highlighting our unprecedented \$112 million works program, including the construction of five new substations and six new transformers.

Under our works program, all critical distribution capacity expansion works were completed in time for the summer 2007/08 peak.

Our major work completed this summer included:

- / new substations at Rangeway (\$13 million), Henley Brook (\$11.1 million), Waikiki (\$8.9 million), Bibra Lake (\$13.3 million) and Bentley (\$15.7 million)
- / new transformers at Morley (\$3.1 million), Yokine (\$3.6 million), Padbury (\$2.85 million), Amherst (\$3 million), Byford (\$3.7 million) and Katanning (\$2.3 million)
- / upgrade of Southern Terminal in Jandakot (\$800,000)
- / new feeders at Padbury, Morley, Waikiki, Kalamunda, Henley Brook, Northam and Bibra Lake
- / network reinforcement at Mullaloo, Yanchep and Denmark
- / upgrade work at Nedlands, Southern River, Gosnells and Canning Vale
- / replacement of 214 distribution transformers (\$6.7 million)

## Planning advances for the largest transmission line project in 20 years

### Case Study

Western Power's largest transmission line project in 20 years, the proposed 330,000 volt transmission line between Perth and Geraldton has received preliminary approval from the Economic Regulation Authority. The project will help meet the growing demand for power in the Mid-West and provide a connection point for new generation including wind farms and other renewable and established energy projects.

The new line will be approximately 370 kilometres long. It will increase the network's capacity to deliver power to the Mid-West by up to six times - that's enough power for 330,000 new homes.

Based on the selected corridor, which was determined in consultation with impacted landowners, we have now confirmed a line route. The line will be located within a 60 metre-wide easement. Consulting appropriately with the community throughout this process was our highest priority.

This is the first time Western Power has adopted an approach involving the community, from the start of the process, in choosing the best location for the line. Construction is expected to commence in late 2008, working towards having the line in service by 2010/11.

### Capital Contributions Policy

Western Power, together with the Office of Energy and an Industry Working Group, developed a headworks scheme as part of its Capital Contributions Policy.

The scheme provides a solution to funding power capacity upgrades to network infrastructure in rural and regional areas. It is a fairer and more equitable approach that allows the cost of network reinforcements to be shared by all future users.

Under the previous approach, the customer who first triggered the need for the network upgrade incurred the full cost of the work. Western Power recognised that in some instances, costs could have been prohibitive and impeded development.

Western Power administers a rebate scheme, which is applied automatically. The total headworks charge quoted to individual applicants includes any applicable government rebate. Finalising the scheme took several months and included a six-week public comment period. To date, the government has provided over \$80,000 in rebate assistance to customers in the South West Interconnected System.

### Major milestones in underground power program

The State Government and Western Power reached two significant milestones in May 2008 as part of Australia's biggest underground power program. In the Perth metropolitan area, 350,000 properties are now serviced by underground power and the number of households and businesses with retrospective underground power connections exceeds 60,000.

This brings the number of households with underground power to 47 per cent of the greater metropolitan area and we are on track to reach the target of 50 per cent by 2010.

So far, the State Government, Western Power and local governments have spent almost \$200 million in 33 underground power projects around Perth and regional centres. Another \$28 million has been allocated in the 2008/09 State Budget. The cost of the program is shared between the State Government, Western Power and each local council.

Electricity Network Management and Control (ENMAC) country take-up Access to Western Power's entire distribution network is now managed centrally from the East Perth Control Centre, using the ENMAC distribution management system. This allows system operators to remotely view and manage the distribution network in all metropolitan and country areas serviced by Western Power, enabling safer management of the network.

The centralisation of network management is imperative as the business moves to engage third parties to conduct work on Western Power's network. The final country operational areas of Picton, Waroona and Collie went 'live' on ENMAC at the beginning of December 2007. This formally completed the ENMAC country take-up project that began in October 2005.

### Network performance

Improvement in network performance was experienced in the third quarter of 2007/08, where reliability strategies were implemented in the South West Interconnected System. However, four significant storms during May and June 2008 impacted the network, contributing to a decline in overall network performance for the 2007/08 financial year.

Planned outages enabling network maintenance and upgrade work contributed to network performance. Overall, there has been a reduction in the impact of pole-top fires and bushfires, along with outages caused by animals and lightning.

The System Average Interruption Duration Index (SAIDI) tracked at 298 minutes, above our financial year performance target of 259 minutes.

We have implemented three key programs to improve reliability:

- / automation project – the installation of hundreds of automated protection devices in targeted areas to reduce the impact on customers of unplanned interruptions, including reducing the time taken to locate faults.
- / targeted upgrading of distribution feeders – upgrading the first few kilometres of powerlines from substations to improve reliability. This is important as faults close to substations can affect all the customers on a line.
- / 40 Worst Feeder Program – a program directing reliability maintenance work to the 40 poorest performing feeders in the network. This impacts 120 feeders over a three year period: 60 in metropolitan areas and 60 in regional areas



We are also taking steps to reduce the occurrence of pole-top fires with 19,000 pole-tops silicone-coated and 30 major transmission lines washed in summer 2007/08.

**Bushfire Management Plan and summer fires**

Western Power’s Bushfire Management Plan for summer 2007/08 was part of a record \$128 million three-year program, with \$38.76 million committed to bushfire mitigation activities in 2007/08.

The plan included risk reduction strategies for public safety and aerial network inspections by helicopter. Under the plan in 2007/08, an emphasis was placed on strengthening stakeholder and community partnerships to improve bushfire mitigation strategies. In addition, Western Power also sponsors volunteer bushfire brigades and fuel reduction programs in the Perth hills.

**The Rural Power Improvement Program**

A \$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.

In 2007/08, as part of the project \$23 million was spent and completed more than 95 per cent of the year’s planned work.

Projects completed in 2007/08 include:

- / commissioning of a Dongara to Rudds Gully three-phase distribution line
- / converting wooden poles to steel poles in the Moora and Kalbarri regions
- / further installation of automation devices across rural areas
- / line improvements in areas including Watheroo, Dandaragan, New Norcia, Latham, Kalbarri and Northampton

Western Power has committed a \$21.1 million budget for 2008/09, with major projects including:

- / Toodyay–Bolgart line rebuild
- / Dandaragan line rebuild
- / converting wooden poles to steel poles in Bruce Rock, Corrigin and Wadderin
- / automation devices in rural areas throughout the South West Interconnected System
- / Pemberton line upgrade
- / Walpole line upgrade

**Beat the Peak: managing increasing peak demand**

During the 2007/08 summer Western Power, together with Synergy and the Office of Energy, supported a public education advertising campaign encouraging more efficient use of energy.

‘Beat the Peak’ ran from early January to mid-March 2008. 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 that 92 per cent of respondents acknowledged the importance of the campaign’s message. This is an increase on the already high benchmark of 83 per cent last year.

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

**Alliance arrangements**

Western Power is taking an innovative approach to delivering part of our \$3.5 billion works program by entering into two landmark alliance agreements with industry.

Western Power has signed a five-year alliance agreement with Downer EDI Engineering and Tenix Alliance, creating Power Alliance WA. We have also entered into a similar alliance agreement with Transfield Services.

The alliances will focus on the construction of transmission lines and substations, and customer-funded distribution works. Importantly, these alliance relationships will add to our existing capacity and enable us to meet the requirements of our works program, while delivering cost benefits and operational efficiencies.

# customer focus

At Western Power, we are committed to providing energy solutions to all of our customers, who range from households to large industry. We do this by actively engaging with our customers and listening to their needs. By doing this we are able to make business decisions that are tailored to our customers' energy needs, both current and future.

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## **Customer survey**

Western Power undertook a comprehensive customer satisfaction survey in the March quarter 2008.

Overall, the results were positive with 79 per cent of respondents indicating that they rated Western Power's performance favourably.

The survey feedback is being incorporated into a range of targeted initiatives and strategic projects throughout the next 12-18 months.

## **Smarter energy use in Denmark/Walpole**

Western Power has established its first community working group as part of a more collaborative approach to addressing power capacity needs and energy efficiency.

The South Coast Power Working Group (SCPWG), which was formed in mid-2007 with key Great Southern community stakeholders, including the Shires of Denmark and Manjimup, is examining options to support growth in Denmark and Walpole.

Western Power is committed to a \$14 million program of works to improve power quality and increase the amount of capacity available in Denmark and Walpole.

The SCPWG will introduce a range of initiatives including household appliance auditing, replacing traditional light globes with energy efficient globes and educating the local community and visitors about ways to help better manage their electricity use.

## **Planned outage management**

A new approach for planned outages commenced in November 2007. We engaged large corporations throughout the South West Interconnected System to better understand their business processes and work with them to mutually determine the best way to manage planned outages, especially in industrial areas such as Kwinana.

## **Black Spot Project**

In 2007/08, Western Power has been working with Main Roads to gain a better understanding of the support required to address black spot risk areas on roads. A project team has been established to:

- / develop an alternative approach to timely relocation of electricity infrastructure in black spot areas
- / improve communications, timeliness and delivery of service
- / better coordinate work and share forward planning between the two organisations
- / provide contacts within Western Power, with a dedicated project manager
- / explore alternative delivery solutions and prioritise black spot project work over general maintenance work

Working in partnership with Main Roads, Western Power aims to support safer roads for the benefit of the wider community.

## **Streetlights**

In the second quarter 2008, Western Power's new streetlight team implemented a new business model providing a single point of contact for streetlight fault repairs for business and residential customers. The team has established a new contract with two external service providers to improve streetlight maintenance and repair times, and has made significant changes to technical systems that will improve data management and fault reporting.

## Working towards a Cool Community

### Case Study

The 2007/08 air conditioner trial, 'Cool Community – Clean Future' commenced in November 2007.

The first of several demand management initiatives, the aim of the project was to reduce summer peak demand in the trial catchment area, which included parts of Nedlands, Claremont and Dalkeith.

Western Power received registrations from more than 1000 volunteers, which involved having a switching device attached to their air conditioners. On days when the temperature exceeded 36°C, the devices turned off

participating air conditioners' compressor units for seven to fifteen minutes every hour. The air conditioners' fans continued to operate as normal, circulating cool air.

The trial was successful in reducing peak demand with each participant reducing their power use by 1.4 kilowatts on average for each day their air conditioners were switched. In individual cases the reduction was up to 3.5 kilowatts depending on the size of their air-conditioner. This is equivalent to two pool pumps or four microwave ovens, and represents a substantial saving for our first trial.

The trial is one of several programs Western Power will implement to address peak demand, energy efficiency and emission reductions.

Trial Volunteer Michael Saleeba with Laurie Curro, Network Planning and development Branch Manger

# our people

Western Power employs more than 2500 employees and over 800 contractors across 29 sites. We value the contribution our people make and are committed to ensuring they are safe, motivated and engaged. We achieve this by rewarding and recognising outstanding achievement and providing development opportunities to support the career progression of our people

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## **Safety and health**

Western Power is committed to our Safety and Health vision of 'conducting work in a manner where people are free from injury and harm'. The potential hazards of our industry require the highest standards of safety and health. We will never undertake work, unless it can be done safely. No activity is permitted to come before the safety and health of people.

## **Our safety performance**

Despite a sustained focus on safety, our injury rates over the past 12 months have shown only small improvements. Our employees' Lost Time Injury Frequency Rate (LTIFR) and All Medical Frequency Rate (AMFR) are two important measures of safety performance. In the past year our LTIFR has improved slightly from 4.4 to 4.3 and our AMFR improved from 17.0 to 12.7. Although these figures mean that we have had fewer incidents resulting in injuries to our people, we recognise further work is required to drive improved safety. (See Key Performance Indicators on page 33).

Western Power's new Guardian hazard and incident reporting system, operational from August 2008, will provide additional tools and information for assessing safety and health performance. This will include generating lead safety indicators such as the number of safety hazards identified and addressed and the percentage of in-field assessments completed successfully.

In the past year, achievements in the safety and health area include:

### ***Fitness for work education***

Our new Alcohol and Drug Management Standard, which aims to ensure people are free from alcohol and other impairing drugs when performing work for Western Power, came into effect from 1 July 2008.

### ***Contractor safety and health***

A contractor safety project commenced in September 2007 to identify and address critical safety issues and risks and reviewing the end-to-end contractor safety management process.

### ***Driver safety***

In March 2008, a driver safety awareness campaign was delivered throughout Western Power in response to several vehicle incidents that occurred in early 2008. In 2008/09 we will be partnering with the Office of Road Safety to deliver the 'Towards zero' program which will facilitate road safety initiatives and education to create positive road safety outcomes.

### ***Workplace Electrical Safety Initiative (WESI)***

The Workplace Electrical Safety Initiative aims to reduce electrical incidents at Western Power by engaging with people exposed to electrical hazards and risks. Workshops have commenced and all employees will participate in the program in 2008/09.

## **Recruitment**

Western Power remains committed to recruiting talented and skilled people in all areas of the organisation. We recognise that continued strong economic growth in Western Australia, and the ageing demographic of the Australian utilities workforce has put pressure on the labour market and we need to be innovative in our recruitment approach. Outlined below is the range of recruitment initiatives we have undertaken in 2007/08.

### ***Employer branding project***

The employer branding project commenced in June 2007 with the aim of attracting employees through effective recruitment marketing and consistent messaging about 'what it is like to work at Western Power'. This included a new advertising campaign featuring Western Power people, careers website, and promotional material for use at international, national and local levels.

### ***Staff referral program***

In 2008, we launched a referral program to tap into our peoples' network of friends, family and ex-colleagues. When a Western Power employee refers someone for an externally advertised position on our employment website, and the candidate is successfully placed and completes their probationary period, the referring employee is eligible to receive \$4,000. To date, we have had 113 candidates referred and two senior candidates have been placed as a result of the referral program.

1 Please note: in Western Power's 2006/07 annual report our employee LTIFR was reported as 3.7. Subsequent to the reporting of this figure, three incidents that were originally recorded as medical treatment cases required further medical attention that resulted in a period away from work and reclassification as a Lost Time Injury. This reclassification resulted in our LTIFR for 2006/07 increasing to 4.4.

## BodyFit – A catalyst for change in safety and health behaviour

### Case Study

Reducing incidents and soft tissue injury, is an essential component of Western Power's commitment to providing a safe workplace, and the driving force behind the BodyFit program which commenced in September 2007.

BodyFit is not a one-off initiative, but rather an ongoing process that includes a series of workshops which act as a catalyst for change in safety and health behaviour.

The interactive nature of the workshops allows employees in high-risk roles, such as prolonged overhead work common among linesmen, to see and feel which movements and tasks can be hazardous to the body.

The focus is on key groups throughout Western Power, including operational employees who perform high-risk tasks, their formal leaders, safety consultants, the Work Practices team and employees who influence the choice and/or design of equipment.

Through employees paying greater attention to factors such as state of mind, fatigue, biomechanical and environmental issues the possibility of risk and injury is significantly lower.

The approach creates an atmosphere in which employees can be confident that the risks which they identified will be investigated for potential solutions.

More than 900 employees will have completed the BodyFit program by the end of 2008.





#### ***International recruitment***

An increasing number of candidates are being sourced from overseas as a result of Western Power having a presence at international careers expos and partnering with internationally based recruitment consultancies. To support this initiative, we offer international candidates generous relocation packages and assistance and support to help them settle in after they arrive in Western Australia.

Additional activities designed to complement the recruitment process include vacation work experience by university students and various scholarship programs (outlined on page 21).

Apprentices, trainees and graduates Western Power employs and develops apprentices, trainees and graduate engineers to maintain the skills needed to support Western Power's role in managing electricity transmission and distribution in the state. Our workforce currently includes 127 trainees, 54 apprentices and 45 graduate engineers.

#### ***Graduate engineer program***

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

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 45 graduates, sourced mainly from The University of Western Australia and Curtin University of Technology, are paired with mentors across the business for the duration of the program.

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 committed to keeping the Western Australian community safe and adding value through partnerships with community organisations, which support the communities in which we operate.

## Engaging in our rural communities

Western Power has been developing an initiative for improving how we conduct our business in rural Western Australia, in particular our on-farm inspection and maintenance processes.

The Working Together Policy, will provide a framework to improve the way we communicate and work with rural landowners, providing guidelines on what they can expect when interacting with Western Power.

In April 2008, a stakeholder workshop was held to seek input to a draft discussion paper, for further review at regional community workshops to be held in August 2008. The Working Together Policy will be implemented in June 2009.

## Sponsorships and the community

Western Power is proud to support a range of important community, environmental, sporting and cultural activities and events throughout Western Australia. In 2007/08 we invested more than \$1.5 million in community and environmental sponsorships and charitable donations.

Some of the community partnerships and sponsorships that Western Power has supported in 2007/08 include:

- / Solar Model Challenge
- / Regional Junior Cricket Program
- / Netball WA
- / Charity Link Winter and Christmas appeals
- / Kalgoorlie-Boulder Urban Landcare Group
- / Fire and Emergency Services Authority of WA
- / Scitech
- / Department of Environment and Conservation - water bomber aircraft
- / Royal Life Saving
- / Artrage

## Scholarships

As part of our commitment to supporting young Western Australians, in 2007/08, Western Power committed over \$75,000 to a range of scholarships and university prizes.

### *Bruce Kirkwood Memorial Scholarship*

The Bruce Kirkwood Memorial Scholarship is offered each year to a Western Australian university student enrolled in the second year of a Bachelor of Engineering course or a combined degrees course that includes electrical power engineering. In 2007, the Scholarship was awarded to two recipients - Ryan Ragno, an electrical engineering student at Curtin University and David Reilly, an electrical and electronic engineering student at The University of Western Australia.

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

### *Stuart Morgan Scholarship*

Western Power offers the Stuart Morgan Scholarship to students from rural Western Australia who are studying engineering or commerce at a Western Australian university. In 2008, the Scholarship was awarded to Elisha Clifton.

The Scholarship honours the contribution of Stuart Morgan, the former Chairman of the State Energy Commission of Western Australia.

### *UWA - Western Power Electrical Engineering scholarships*

Western Power has partnered with The University of Western Australia to provide scholarships to 20 electrical engineering students each year until 2012. The scholarships are available to second year electrical engineering students specialising in power engineering within the School of Electrical, Electronic and Computer Engineering.

## World of Energy

Western Power's education facility in Fremantle, World of Energy, offers a range of curriculum-based programs for primary and secondary students as well as school holiday activities. It provides information about all aspects of Western Australia's energy industry through the use of interactive multimedia displays.

In 2007/08 we held 400 classes, with 11,000 students, who attended the centre's programs as well as 8,000 members of the public who visited the centre, most during school holidays.

World of Energy's 'ShockProof!' in school program informed 39,404 primary and secondary children in 159 schools about electricity safety.

## Public safety

Western Power is committed to the safety of our customers and the general public and has a number of plans, systems and policies in place to manage public safety, including:

- / safety and health policy and management system: managing safety and health issues in the business, including public safety
- / Asset Management Report: addressing the public safety risk for our network assets
- / Bushfire Management and Implementation Plan: reducing the risk and impact of bushfires
- / Crisis Management Plan: identifying 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
- / Public Safety Management Framework: providing an overview of how Western Power manages public safety through its processes, policies and strategies.
- / Public Safety Management Implementation Plan 2007/2008: translating the objectives of the Framework into specific, measurable outcomes. In particular, the plan defines the annual public safety management program of work to be monitored and reported as a dimension of the overall Approved Works Program
- / Public Safety Awareness Plan: outlining activities Western Power undertakes to increase the public's awareness and understanding of the risks from electricity and our network

## Disability Access and Inclusion Plan

In 2007, Western Power developed a Disability Access and Inclusion Plan to take a proactive approach to meeting the needs of all our customers.

Our Disability Access and Inclusion Plan (DAIP) 2007 – 2010 formalises our commitment to customer service excellence and engaging with our community, and was developed following extensive consultation with our staff, disability service providers and the Western Australian community. The Plan provides a framework for identifying and overcoming barriers that restrict access to our services, events, buildings and facilities, information, complaint mechanisms and consultations.

In 2007/08, as part of our DAIP, we implemented the following:

### Services

Contractors undertaking customer-facing work must commit to adhering to the guidelines set out in our DAIP as part of their contract. We are also working with our existing contractors to ensure that they are familiar with the objectives of our DAIP.

### Events

Staff information sessions were run with information gained forming the basis of an access and inclusion fact sheet providing practical tips for coordinating accessible events. All community-focused events sponsored by Western Power must also adhere to the Disability Services Commission's 'Creating Accessible Events' checklist.

## Buildings and facilities

A comprehensive review of our buildings and facilities has commenced, including accessibility audits for those with public access. We would like to acknowledge Ben Keely, an electric wheelchair user, who volunteered to review the wheelchair accessibility of our World of Energy museum. As a result of Ben's feedback, five new access ramps have been installed ensuring all ground floor areas are easily accessible.

### Information

Our Customer Service Centre staff can provide information to customers in alternative formats such as large print, audio (CD or cassette), electronic (disc or emailed) and Braille.

In line with best practice, closed captions are now provided on all Western Power television commercials. Our public website continues to meet the necessary web accessibility guidelines, ensuring that our website contains plain English and is easy for users to resize or reformat to suit screen reader software.

In December 2007, we updated our corporate brand style guide ensuring adherence to standards set out in the State Government Access Guidelines for Information, Services and Facilities.

### Complaints

An updated complaint handling process now allows us to receive complaints and provide outcomes in a variety of formats. This change is promoted on the Customer Complaints page of our public website.



**Building stronger community links and reducing the impact of bushfire season**

**Case Study**

Our three year, \$300,000 commitment to volunteer bush fire brigades and the Fire and Emergency Services Authority (FESA) commenced in November 2007.

The sponsorship allows local volunteer bushfire brigades to apply for up to \$5,000 worth of equipment from a pool of \$80,000 every year, for three years.

Applications were received from brigades throughout the SWIS, from Toodyay to Geraldton and places in between with brigades applying for all types of equipment, from GPS navigation systems to water tanks and trailers.

By the end of June 2008, 40 brigades had received equipment under the sponsorship.

By providing this sponsorship, Western Power is actively involved in improving the bush fire-fighting capacity of the volunteer brigades in regional areas.

# our commitment to a sustainable future

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**Sustainability represents a fundamental challenge to humanity. Sustainability drivers, particularly climate change and subsequent global action to reduce carbon emissions will directly influence Western Power's energy solutions into the future.**

Key themes include increasing generation from renewable sources, more decentralised and embedded power generation, technological developments in energy transport and storage, changing climate conditions and infrastructure adaptation and changing stakeholder expectations.

## **Environmental partnerships**

Western Power is proud to be involved in a range of environmental partnerships, which promote environmental awareness and provide an opportunity to reduce our environmental footprint.

### ***Bibbulmun Track Foundation Partnership***

Western Power has committed to sponsoring the Bibbulmun Track Foundation, a not-for-profit organisation formed in July 1997 providing community support for the maintenance and promotion of the Bibbulmun Track.

This sponsorship is significant, as our electricity supply network intersects with the Bibbulmun Track in more than 70 locations, resulting in potential impacts upon the track's visual amenity.

Western Power's three-year sponsorship will improve the provision of training and resources to Foundation staff and volunteers and ensure the Bibbulmun Track remains a quality walking trail of international standard.

## **Sustainability policy**

Western Power is committed to embedding sustainability into the way we do business. A key step in this process is the development of Western Power's sustainability policy.

A cross-business working group was formed in late February 2008 to develop a draft policy, with Dr Ray Wills, Chief Executive Officer of the WA Sustainable Energy Association, facilitating three workshops.

It is intended that a sustainability policy will be adopted by Western Power early in the 2008/09 financial year, following comprehensive cross-business consultation.

The policy will provide clarity as to what sustainability means to Western Power and act as a road map for our future direction.

## **Sustainability assessment**

Sustainability assessment is a key component of Western Power's corporate commitment to sustainability and the integration of sustainability principles into its business practices.

In 2007/08, we used the sustainability assessment on six transmission capital projects this financial year including the 330,000 volt transmission line between Eneabba and a new terminal substation at Moonyoonooka.

The sustainability assessment process ensured the preferred corridor for this transmission line was selected by applying the social, economic, environmental and technical criteria rather than the traditional process driven primarily by economics.

Western Power is committed to a responsible approach to environmental management. We do this by working together with community groups and stakeholders including environmental regulators to ensure we design, construct and operate our electricity network in a way that is both sustainable and where possible, goes beyond standard environmental compliance.

## Western Power supports sustainable winery

### Case Study

In an effort to support sustainable environmental practices, Western Power is working with Random Valley Wines to reduce its carbon footprint.

Western Power recently installed a meter with an in-house display in the new sustainable wine cellar of Random Valley Wines, based in the Margaret River region. The meter will allow the winery to view a real time read-out of its electricity use and the associated carbon emissions each hour.

The in-house monitoring of electricity usage and carbon emissions enables the winery to implement reduction measures to improve the sustainable practices of its business.

Random Valley Wines is also excited about the prospect of educating customers about sustainable electricity use by demonstrating the variations in electricity consumption when electrical devices are turned on and off.

In 2006, Random Valley Wines won a grant for sustainable energy use from the Minister for Energy, the Hon. Francis Logan, to monitor the internal temperature of its wine cellars using thermal imaging techniques. This includes the walls of its sustainable wine cellar being lined with 13,750 water-filled recycled wine bottles to regulate the building's internal temperature.

### **Our environmental policy**

As part of our commitment to operating the network safely, reliably and efficiently, Western Power's Environmental Policy outlines our objective of ensuring that at all times our operations have minimal impact on the environment and the natural surroundings of the communities in which we operate.

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 programs**

As part of our commitment to continually improve our environmental performance, we have implemented a range of innovative environmental initiatives to protect the natural surroundings of our local communities, preserve biodiversity and minimise adverse affects on the environment.

#### ***Carbon Neutral Program***

In 2007/08, the second year of this innovative program, Western Power planted 150,000 native seedlings in the State's southwest to offset 40,000 tonnes of greenhouse gas emissions produced by our fleet vehicles, mobile generating facilities and other business activities.

The native seedlings planted for the Carbon Neutral Program will help absorb greenhouse gas emissions and directly benefit the environment by restoring biodiversity and addressing the problems of salinity and land degradation. These native trees will be protected under a carbon covenant for 100 years and are planted according to Kyoto protocol requirements.

Western Power employees are now able to offset the emissions from their personal consumption of energy, food and goods through an employee carbon offsetting program.

#### ***Greenhouse Challenge Plus Program***

Western Power is a proud member of the Greenhouse Challenge Plus Program, a voluntary cooperative partnership between industry and the Australian Government. The program aims to adopt appropriate, practical and cost-effective actions to meet the challenges of climate change and reduce greenhouse gas emissions.

As a member, Western Power has developed an action plan outlining its commitment under the Greenhouse Challenge Plus Program which includes investigating opportunities to abate greenhouse gas emissions from business activities and encouraging staff and external stakeholders to implement their own actions.

#### ***Waste Minimisation and Recycling Program***

A Waste Minimisation and Recycling Program was adopted in head office in June 2007.

The program successfully achieved its goal with Recycle @ Work awarding Western Power a Zero Hero Award in recognition of our leadership to reduce waste through improved recycling.

Additional waste minimisation and recycling programs have been established at our metro depot sites with ongoing program expansion planned for 2008/09.



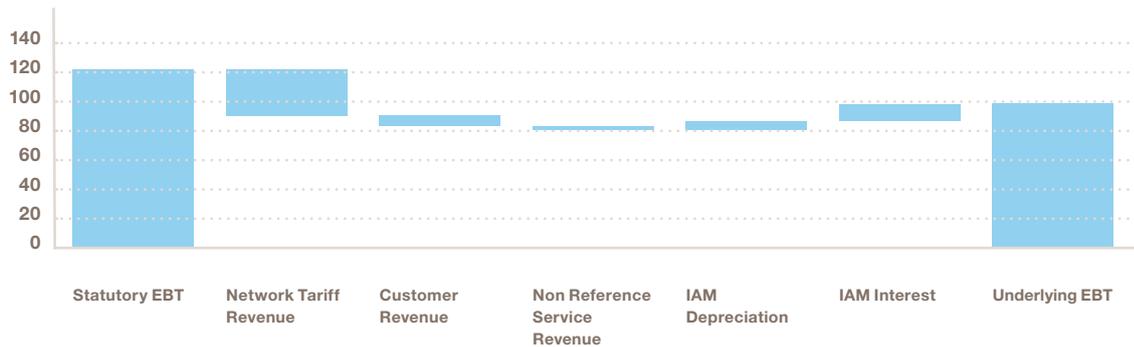
# economic performance

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<b>FINANCIAL SUMMARY (\$M)</b>	<b>2007/08</b>	<b>2006/07</b>	<b>% CHANGE</b>
Revenue	<b>938.8</b>	802.2	17%
Earnings before tax - Statutory	<b>120.9</b>	99.3	22%
Earnings before tax - Underlying	<b>99.9</b>	122.9	-19%
Net profit after tax	<b>85.9</b>	69.4	24%
Net accruals to Government	<b>83.8</b>	69.8	20%
Capital Expenditure	<b>804.8</b>	727.4	11%
<b>Return on Assets</b>	<b>7.3%</b>	6.7%	9%

<b>REVENUE CLASSIFICATION (\$M)</b>	<b>2007/08</b>	<b>2006/07</b>	<b>% CHANGE</b>
Network Tariff Revenue	<b>622.8</b>	528.0	18%
Capital Contributions	<b>150.5</b>	147.5	2%
Other Operating Revenue	<b>56.3</b>	59.1	-5%
<b>External Revenue</b>			
Supply Chain	<b>74.9</b>	50.5	48%
Fleet	<b>6.9</b>	9.1	-24%
Other	<b>24.3</b>	0.5	4758%
Other Non Operating Income	<b>3.1</b>	7.5	-59%
<b>Total Revenue</b>	<b>938.8</b>	802.2	17%

## Underlying 2007/08 EBT position



### Financial highlights

Western Power faced some significant financial challenges in the year through to 30 June 2008. With no end to the State's resource boom anticipated, cost and volume pressures are continuing to have an impact. Low unemployment and high labour force participation rates in the State continue to present a key challenge for Western Power, with cost increases due to the shortage of skills locally. New connections increased to a new record level of 30,000, and an unprecedented level of capital investment in our network was reached this year.

Total revenue for the year was \$938.8 million, with regulated revenue for the year reported as \$792.7 million – just marginally below Western Power's Statement of Corporate Intent 2007/08 forecast levels. The full year shortfall (\$4.8 million) was caused by lower than expected distribution capital contributions due to project delays. Tariff revenue was higher despite the conscious reduction in energy consumption in June due to the energy crisis caused by the explosion at Varanus Island. Lower regulated revenue was offset by higher unregulated revenue for the year.

Operating expenditure of \$500.5 million was higher than anticipated largely due to unanticipated cost and volume pressures which resulted in higher maintenance costs. Our cost reduction program was successful in minimising the full impact of higher than expected vegetation management, pole maintenance and corrective emergency expenditure.

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 (\$120.9 million) for the higher than forecast regulated revenue (\$39.9 million) and higher than forecast depreciation and interest costs (\$18.8 million), resulting in an underlying Earnings Before Tax (EBT) of \$99.9 million.

### Shareholder returns

The final proposed dividend for the year is \$16.6 million, which with the interim dividend of \$26.4 million paid on 30 June 2008, takes the full year dividend to \$43.0 million. This, combined with tax contributions of \$35.0 million and \$5.8 million of local government rate equivalents, has provided a total year Net Accrual To Government of \$83.3 million.

## The works program

The works 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 works program submission.

This year, we again managed record levels of capital investment (\$804.8 million compared to \$727.4 million in 2006/07), reflecting an increase in state-wide demand growth, and cost pressures resulting from the continued strong growth in the Western Australian economy. 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 network assets, maintaining Western Power's vehicle fleet and essential investment in refreshing our information technology platform.

As previously mentioned, the maintenance program of work was overspent this year due to a number of factors. Key areas of overspend were preventative condition and routine and corrective emergency. Higher than forecast corrective works, including the replacement of 2334 wood poles (emergency and deferred works) as well as unplanned involvement in vegetation clearing to assist with some safety and reliability related priorities have prompted higher than expected spend.

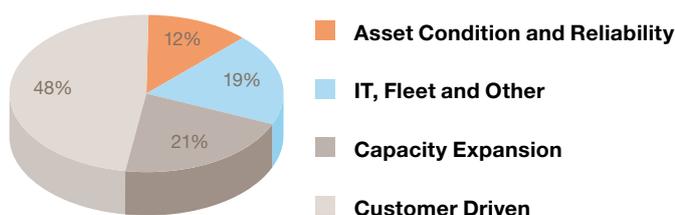
## Financing

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 regulatory framework that our business operates under. Consistent with our policy, the business has 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 \$561.9 million to fund the capital program resulting in gross debt of \$3,081.8 million. The increased level of debt resulted in an increase in the organisation's gearing ratio from 75 per cent to 77 per cent in line with long-term capacity forecasts.

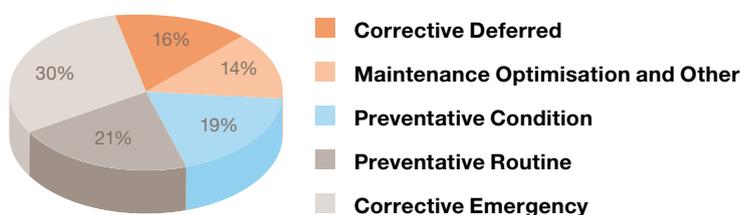
CAPITAL INVESTMENT (\$M)	2007/08	2006/07	% CHANGE
Capacity Expansion	170.9	194.1	-12%
Customer Driven	381.2	303.2	26%
Asset Condition and Reliability	98.4	50.5	95%
IT, Fleet and Other	154.3	179.6	-14%
<b>Total Capital Ex</b>	<b>804.8</b>	<b>727.4</b>	<b>11%</b>

## WESTERN POWER CAPITAL INVESTMENT SUMMARY 2007/08



MAINTENANCE EXPENDITURE (\$M)	2007/08	2006/07	% CHANGE
Preventative Condition	37.5	41.8	-10%
Preventative Routine	41.5	37.9	9%
Corrective Emergency	60.5	54.1	12%
Corrective Deferred	32.1	28.9	11%
Maintenance Optimisation and Other	29.0	22.2	31%
<b>Total Maintenance</b>	<b>200.6</b>	<b>184.9</b>	<b>8%</b>

## WESTERN POWER CAPITAL INVESTMENT SUMMARY 2007/08



Gross interest expense was \$172.6 million which was \$1.7 million below forecast. This was primarily due to borrowings for the financial year being \$24.7 million less than forecast. The weighted average interest rate for the year was 6.4 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 \$4,000.0 million facility limit. At 30 June 2008, the Corporation was \$918 million within the limit of the facility. This was \$163 million lower than the level of debt agreed with the Department of Treasury and Finance for 2007/08. The Department of Treasury and Finance has approved a borrowing limit of \$4,092.1 million for 30 June 2009 to meet the funding requirements of the 2008/09 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.

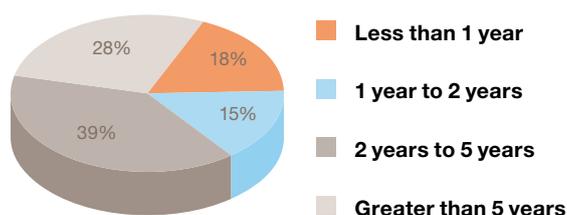
#### Working capital

We continue to place a strong emphasis 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. 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 2007 and 30 June 2008, 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.

DEBT PORTFOLIO STRUCTURE (\$M)	2007/08	2006/07
Less than 1 year	541.7	478.0
1 year to 2 years	471.5	326.7
2 years to 5 years	1,198.2	958.2
Greater than 5 years	870.4	757.0
<b>Total Debt</b>	<b>3,081.8</b>	<b>2,519.9</b>

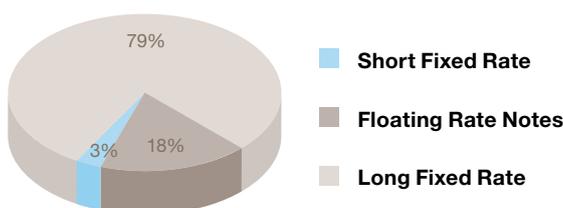
#### DEBT PORTFOLIO STRUCTURE 2007/08



#### DEBT PORTFOLIO

INTEREST RATE STRUCTURE (\$M)	2007/08	2006/07
Floating Rate Notes	563.3	173.3
Fixed Rate Short	100.0	198.0
Fixed Rate Long	2,418.5	2,148.6
<b>Total Debt</b>	<b>3,081.8</b>	<b>2,519.9</b>

#### DEBT PORTFOLIO INTEREST RATE STRUCTURE 2007/08



WORKING CAPITAL (\$M)	2007/08	2006/07	% CHANGE
Current Assents	207.5	163.9	25%
Current Liabilities	(429.1)	(308.6)	38%
Net Working Capital	(221.6)	(144.7)	53%
Add back: Deferred Capital	236.6	158.6	49%
Net Current Assets	15.0	13.9	13%

# summary of statement of financial performance

Year To June 30 2008  
\$'000

Most of our revenue was earned from our core electricity-related services	
Revenue earned from annual service and usage charges and from developers	<b>932,361</b>
Revenue received from interest on our investments, miscellaneous fees and charges, rents, sale of assets	<b>6,410</b>
<b>Revenue from operations</b>	<b>938,771</b>
The total cost of operating our business comprised:	
Operations, maintenance and administrative costs associated with providing services	<b>500,541</b>
Borrowing costs and other financial expenses	<b>172,630</b>
Depreciation and amortisation of system assets, land and buildings, plant and equipment and computer software	<b>144,718</b>
<b>Cost of operations</b>	<b>817,889</b>
Revenue less costs left an operating profit before tax of	<b>120,882</b>
We provided for income tax expense of	<b>34,977</b>
Which left us a profit after income tax of	<b>85,905</b>
We had retained reserves from 30 June 2007 of	<b>58,649</b>
We made distributions to equity holder of	<b>43,973</b>
Leaving us with retained profits available to fund future growth	<b>100,581</b>

## Key Performance Ratios

Earnings before interest, tax and dividends	<b>293,512</b>
Return on Assets	<b>7.3%</b>
Return on Equity	<b>9.4%</b>
Interest Cover	<b>1.7</b>
Gearing	<b>77.3%</b>

As At June 30 2008  
\$'000

Our total assets are comprised of both 'current' and 'non-current' as follows:	
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	
	<b>207,491</b>
Non-current assets are those we are yet to realise beyond 12 months, including:	
Network assets such as distribution and transmission lines, poles, plant and equipment	<b>3,340,373</b>
Land and buildings	<b>125,752</b>
Intangible assets	<b>34,095</b>
Works in progress	<b>789,814</b>
Trade and other receivables, future income tax benefits and derivative instruments	<b>1,148</b>
<b>Non-current assets total</b>	<b>4,291,181</b>
Current assets together with non-current assets give us total assets of	<b>4,498,672</b>
Liabilities are also 'current' and 'non-current'	
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	
	<b>429,065</b>
Non-current liabilities include:	
Long-term borrowings	<b>3,118,398</b>
Provisions for liabilities including employee entitlements and restoration costs and other liabilities	<b>37,271</b>
<b>Non-current liabilities total</b>	<b>3,155,669</b>
Current liabilities, together with non-current liabilities gives us total liabilities of	<b>3,584,734</b>
Deducting total liabilities from total assets leaves us with net assets of	<b>913,938</b>
These have been funded by:	
Contributed equity, which is the value of net assets of Western Power Corporation transferred to Electricity Networks Corporation	<b>813,371</b>
Monies held in reserves from hedging activities	<b>(14)</b>
Profits earned in the current prior years and retained in the business to fund future growth	<b>100,581</b>
Which represents total equity in the business of	<b>913,938</b>

# 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 performance targets cover the operating period from 1 July 2007 to 30 June 2008.

Indicator description	Strategic result area	2007/08 Full Year Actual	2007/08 Full Year Target
Lost Time Injury Frequency Rate (LTIFR) <sup>1</sup> (LTIs / million hours worked - employees)	Safety	4.3	<4.5
All Medical Frequency Rate (AMFR) <sup>2</sup> (AMs / million hours worked - employees)	Safety	12.7	<18
System Average Interruption Duration Index (SAIDI) (Total duration of interruptions / customers per year)			
- South West Interconnected System (SWIS)	Reliability	298	259
- Urban	Reliability	256.6	226
- Rural	Reliability	543.6	476
System minutes interrupted (mins)	Reliability	10.4	7.8
Corporate reputation (%) (Respondents' rating reputation as 'good', 'somewhat good' or 'very good')	Reliability, Efficiency	63	63
Enquiries responded to within 10 days (%)	Reliability, Efficiency	93	100
Complaints responded to within 20 days (%)	Reliability, Efficiency	99	100
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) (\$M)	Efficiency	440.4	461.8
Earnings Before Tax (EBT) (\$M)	Efficiency	121	133.9
Return on Asset (%)	Efficiency	7.3	7.3
Net Accruals to Government (\$M)	Efficiency	83.8	87

<sup>1</sup> LTIFR data does not include statistics from Western Power contractors.

<sup>2</sup> AMFR data does not include statistics from Western Power contractors.

# corporate compliance disclosures

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## 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 the organisation. 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](http://www.westernpower.com.au)

## Electricity licences

The licensing framework under 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.

The Economic Regulation Authority granted Western Power a transmission and distribution licence 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 and provision of information.

## 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 under delegated authority, assign accountability through the Chief Executive Officer to formal leaders in the organisation to ensure observance of the standards of conduct and integrity by members of staff.

As at 30 June 2008 there were no reported incidents of staff members 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 came into effect on 1 July 2003. The Act facilitates the disclosure of public interest information and provides protection for those who make disclosures and those who are the 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.

There were no public interest disclosures made in the financial year ended 30 June 2008.

### 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 2007 to 30 June 2008 is disclosed as follows:

- / **Advertising agencies:** \$860,663.89  
– 303 Advertising Pty Ltd, Cogent, Icon Illustrations, Mindfield Group Pty Ltd, TMP Worldwide Pty Ltd, Trademark Graphics
- / **Market research organisations:**  
\$572,159.50 – Synovate
- / **Direct mail organisations:** \$580,236.69  
– Hermes Precisa Pty Ltd
- / **Media advertising organisations:**  
\$1,122,012.50 – Marketforce Advertising, Marketforce Advertising Productions and Media Decisions WA

Total expenditure was \$3,135,072.58

### Environmental licence

One Western Australia Department of Environmental Protection licence is held by Western Power's facilities.

### 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 company. 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 incidents

During the period 1 July 2007 to 30 June 2008, Western Power reported four environmental incidents to regulatory bodies of these:

- / In three cases, Western Power has fully remediated the affected areas to the satisfaction of the relevant regulatory bodies; and
- / In the most recent incident, Western Power is working cooperatively with the relevant regulatory body to resolve the matter.

### 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.

Western Power is now undertaking a staged investigation for those sites requiring contamination status to be confirmed, enabling appropriate final site classifications, and the planning of any future remediation.

# glossary

<b>AA</b>	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.
<b>ACCESS CODE</b>	Electricity Networks Access Code 2004. The code under which access to the South West Interconnected Network (SWIN) is regulated by the ERA.
<b>AMFR</b>	All Medical Frequency Rate
<b>EMS</b>	Environmental Management System
<b>ENERGYSAFETY</b>	Part of the Department of Consumer Protection. EnergySafety licenses electrical contractors and sets technical guidelines for the electricity network in relation to safety.
<b>ERA</b>	Economic Regulation Authority - 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.
<b>IAM</b>	Investment Adjustment Mechanism
<b>IMO</b>	The Independent Market Operator controls the supply and trading of energy and electricity capacity in WA's Wholesale Electricity Market.
<b>kV</b>	Kilo volt - a measure of energy transfer
<b>LTIFR</b>	Lost Time Injury Frequency Rate
<b>MARKET RULES</b>	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.
<b>OFFICE OF ENERGY</b>	This body sets the guiding rules for the ERA and sets overall energy policy for Western Australia.
<b>SAIDI</b>	System Average Interruption Duration Index - or the total duration of interruptions per customer over a 12 month period.
<b>SCI</b>	Statement of Corporate Intent - Western Power's annual strategic planning document.
<b>SWIS</b>	South West Interconnected System
<b>WEM</b>	Wholesale Electricity Market, introduced on 21 September 2006.





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**contact**