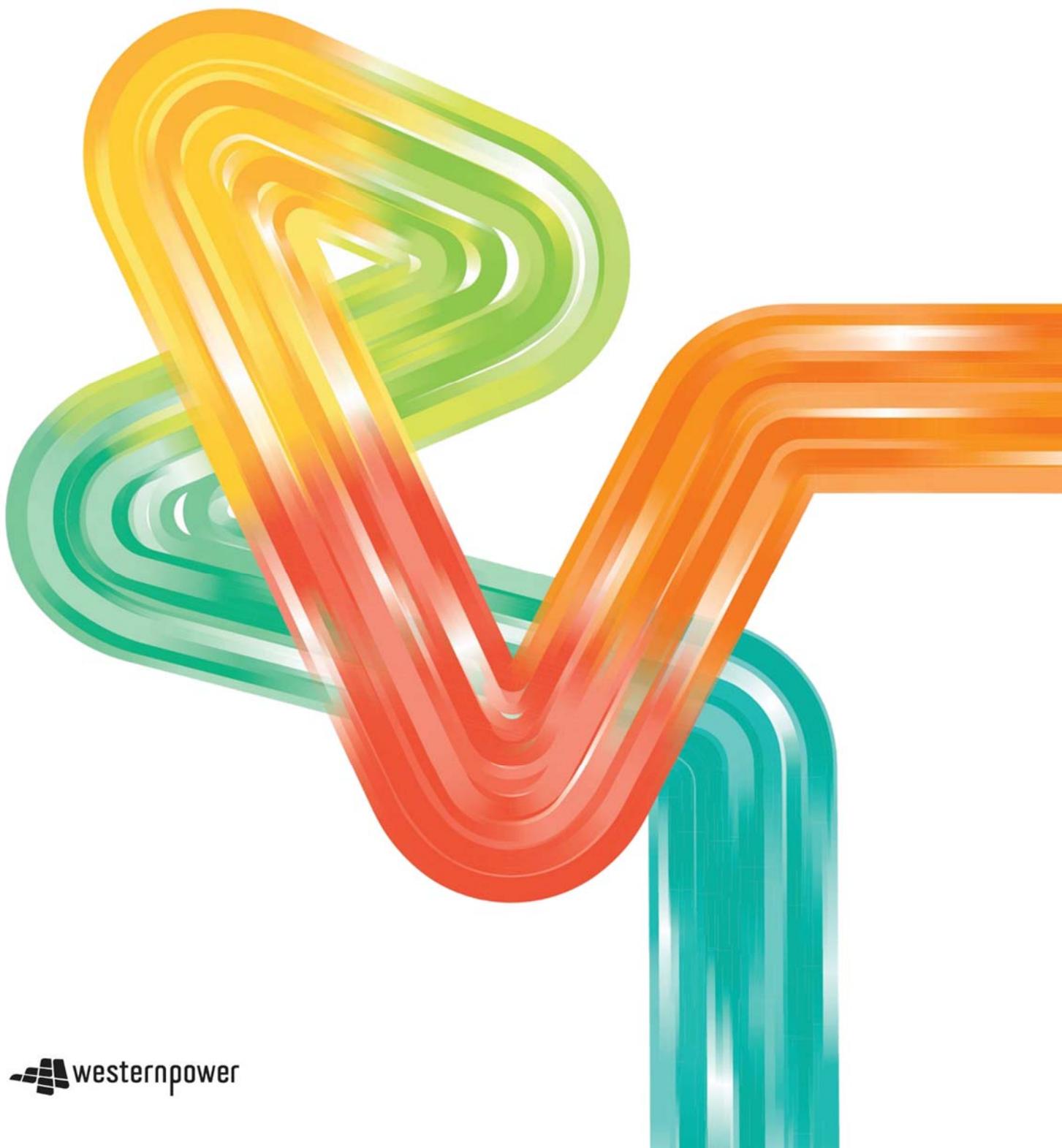


Statement of Corporate Intent

2018/2019

1 June 2018



An appropriate citation for this paper is:

Statement of Corporate Intent

Western Power

363 Wellington Street

Perth WA 6000

GPO Box L921 Perth WA 6842

T: 13 10 87 | Fax: 08 9225 2660

TTY 1800 13 13 51 | TIS 13 14 50

Electricity Networks Corporation

ABN 18 540 492 861

enquiry@westernpower.com.au

westernpower.com.au

Contents

Statement of Corporate Intent	1
About Western Power	2
The Western Power Network	2
Review of Performance 2016/17	4
Operating Environment	6
Our Strategy	8
Operational Activity	12
Performance Measures and Targets	14
Accounting Considerations	15
Nature and Extent of Community Service Obligations.....	17
Ministerial Reporting	17
Notes.....	18
Glossary of KPIs.....	19

Statement of Corporate Intent

This Statement of Corporate Intent:

1. Documents the level of performance for the 2018/19 financial year agreed between Western Power and the Minister for Energy, with the concurrence of the Treasurer
2. Is prepared in accordance with Part 5 of the *Electricity Corporations Act 2005 (WA)* ("the Act")
3. Reflects the business intentions of Electricity Networks Corporation (trading as Western Power) for the financial year 2018/19
4. Complies with Section 99 of the Act by outlining Western Power's:
 - a. objectives, functions, main undertakings and performance targets for the year
 - b. community service obligations
 - c. dividend and accounting policies
 - d. obligations to inform the Minister
5. Is consistent with Western Power's *2018/19 - 2022/23 Strategic Development Plan*

SECTION 1

About Western Power

Western Power has played an integral role in Western Australia's (WA) growth story over the last 100 years. We build, maintain and operate the electricity transmission and distribution networks in WA's south west. Our vast network connects Western Australians to a wide range of both traditional and renewable energy resources, while providing customers with a network that is safe, reliable and efficient.

Western Power is a corporation that is separate from the public sector and is governed by an independent Board of non-executive directors. As a Western Australian State Government owned corporation, Western Power has oversight from and reporting obligations to the Minister for Energy.

Western Power's network safety performance is regulated by the State's electricity and gas safety regulator, EnergySafety.

Western Power's economic performance is subject to the oversight of an independent regulator, the Economic Regulation Authority (ERA). This oversight primarily occurs through regulatory contracts (known as Access Arrangements) approved by the ERA for fixed terms regulated under the *Electricity Networks Access Code 2004* (Access Code). The Access Arrangement prescribes for Western Power both service network tariffs and charges and performance targets that are efficient and consistent with the principles defined in the Access Code.

Western Power submitted its Fourth Access Arrangement (known as AA4) to the ERA on 2 October 2017 for approval. The determination process for AA4 is public, and includes public consultation. AA4 will cover the 5 year period 2017/18 to 2021/22. The ERA has until March 2019 to provide its determination on AA4.

The Western Power Network

The Western Power Network connects more than one million customers over an area (254,920km²) that is larger than the United Kingdom, containing power lines spanning 101,634 km.

Because of Western Australia's geography, it is the only major Australian power network not interconnected with other large networks like New South Wales, Victoria, South Australian and Queensland. This means that there is no external network backup to our reliability.

The Western Power Network forms the vast majority of the networks that, together with electricity generators, comprises the South West Interconnected System (SWIS).

Western Power's core business is the delivery of safe, reliable and efficient electricity to the communities across the SWIS. Our business underpins the efficiency and competitiveness of Western Australia's development, and supports customers' demands of the energy market.



Figure 1: The South West Interconnected System (SWIS)

Increasingly we are acting as a platform for retail and residential customers to choose how they want their electricity supplied and delivered. We are committed to partnering with industry to develop and provide flexible, innovative solutions to support the economy now and into the future.

Review of Performance 2016/17

SAFE

- The **2016/17 safety initiative** focused on delivering a step change in safety performance, consistent with Western Power's vision that 'everyone goes home safe and healthy every day'. The integrated approach considers both behaviours and equipment, ensuring that the safety risks associated with the protection, operation and management of the network are understood and managed.
- **Workforce Safety Performance:** In the past 12 months, Western Power achieved its best ever safety results: a Total Recordable Injury Frequency Rate of 3.2, an improvement of 0.1 from 2016.
- **Public Safety Performance:** In 2015/16 Western Power introduced a new risk-based measure that better represents the impact of public safety incidents¹. The 2016/17 period saw Western Power make a significant improvement in public safety performance (a score of 0.3 against the target of below 0.8).
- **Wood Pole Management:** Western Power reinforced 7,204 wood poles and replaced 8,620 during the year.
- **Type 1 Compliance Breaches:** There were zero Type 1 Compliance Breaches² reported during 2016/17.

RELIABLE

- Western Power met all 17 regulatory **Service Standard Benchmarks** in 2016/17.
- **Supply availability** was maintained with an average number of supply interruption experienced annually by customers of 2.14 in 2016/17 (2.11 in 2015/16). This means that the network was available 99.9% of the time on average.
- With the majority of customers experiencing a high level of reliability, Western Power is prioritising works to improve performance in targeted areas that have characteristics that contribute to lower levels of reliability.
- The past 12 months has seen Western Power work together with its customers to explore through the following listed pilot projects the potential of innovative network technologies, which are becoming more economically viable and more reliable:
 - Partnering with Curtin University to understand the commercial implications of integrating technologies (renewable energy, battery storage, smart grid, electric vehicles) in an urban strata environment in White Gum valley
 - Using battery energy storage systems to improve reliability to the Perenjori town site.
 - Completing a trial of six stand-alone power systems in Ravensthorpe, which supplied farms with generation units powered by solar and batteries for a year to test system reliability and customer acceptance
 - Finalising detailed planning for a battery storage centric micro grid (including existing wind power) to improve reliability to Kalbarri.

¹ This risk-based Key Performance Indicator, Public impact, is influenced by intolerable third-party outcomes associated with the network (e.g. any third-party injury or third-party property damage valued at \$20,000 or more).

² This is defined as a situation that could: cause major damage, loss or disruption to customers; or endanger or threaten to endanger the safety or health of a person.



EFFICIENT

- Western Power has improved **the efficiency of its operations** through continuation of our Business Transformation Program. As at 30 June 2017, Western Power achieved recurring savings of over \$400 million. In 2016/17 Western Power's operational costs are 14.5% lower than the previous year (excluding one-off costs³ of \$61.1 million) and capital expenditure is 21.6% below the previous year (\$633 million). Through this improvement in efficiency, Western Power achieved a cost per connected customer of \$927, 9% lower than our target. This efficiency has been achieved whilst continuing to provide a safe, reliable and secure network service.
- Western Power connected 16,657 new customers to the network in 2016/17.

³ One-off costs relate to business priorities, which are not considered to be day to day operational costs

Operating Environment

Global trends continue to cause major disruptions in how electricity is generated, distributed and consumed - our energy landscape is evolving. Technological advances, higher grid electricity prices and customers seeking more control of their energy use, have fundamentally changed this value chain and eroded the natural monopoly of the centralised network model.

Western Power has highlighted five areas that will have a profound impact on our business both now and in the near future: the continuing uptake of solar PV, the emergence of energy storage, electric vehicles, the internet of energy and new regulatory frameworks. While solar PV, energy storage and electric vehicles are anticipated to have a direct impact on electricity consumption; the internet of energy and new regulatory frameworks will shape our role in the new energy landscape.



Uptake in Solar PV

Western Australia's residential and commercial rooftop solar power (PV) capacity is predicted to triple from 1 gigawatt (GW) in 2017 to 3 GW by 2030. Commercial PV systems are generally significantly larger than residential PV systems (30- 100 kilowatt (KW) compared to 3-5 KW). There is a significant risk that PV uptake by major customer segments may accelerate PV uptake by commercial customers. For example, the City of Fremantle is aiming to be 100% powered by renewables by 2050. It is preparing a proposal for a Peer-to-Peer (P2P) network encompassing 200 City-owned and private commercial solar sites, with the City of Cockburn also interested in pursuing a similar trading platform. Rising electricity prices combined with the falling cost of solar PV will further accelerate PV installation.



Energy Storage

Battery technology and the associated cost curve will continue to improve, bringing prices down, especially with the uptake of electric vehicles (EVs). The convergence of PV and storage as a new business model will further reduce grid volume. As an offset to the risk of declining network volumes, the use of 'network' batteries (larger, network-located batteries) have benefits for supply stability and may also be introduced as a new 'community storage' product to customers. Energy storage at a network level may be more cost-effective to customers than behind-the-meter batteries.



Electric Vehicles

Electric vehicles remain a small percentage of the Australian fleet, although take-up is accelerating in other countries. Government support of EVs has been integral to EV uptake in other parts of the world and, without similar support in Australia, it is likely that growth rates will remain inhibited. However forecasts of EV uptake are continually being revised and the rate of predicted uptake is constantly accelerating. EVs have the potential to defy expectation and be a disruptor to the energy sector in the same way that Solar PV has been.



The Internet of Energy

The convergence of technological innovation and socioeconomic change is also driving utilities to transform into *digital enterprises*, creating the 'Internet of Energy'. This refers to an increasingly digitised energy system becoming more interconnected, dynamic and responsive. New business models are anticipated to evolve as non-traditional participants enter the energy market, e.g. Peer-to-Peer (P2P) trading, increasing competition and opportunities for prosumer involvement. The rate at which these models will

evolve will depend on the flexibility of policies, legislation and regulations that facilitate third party access to the network.

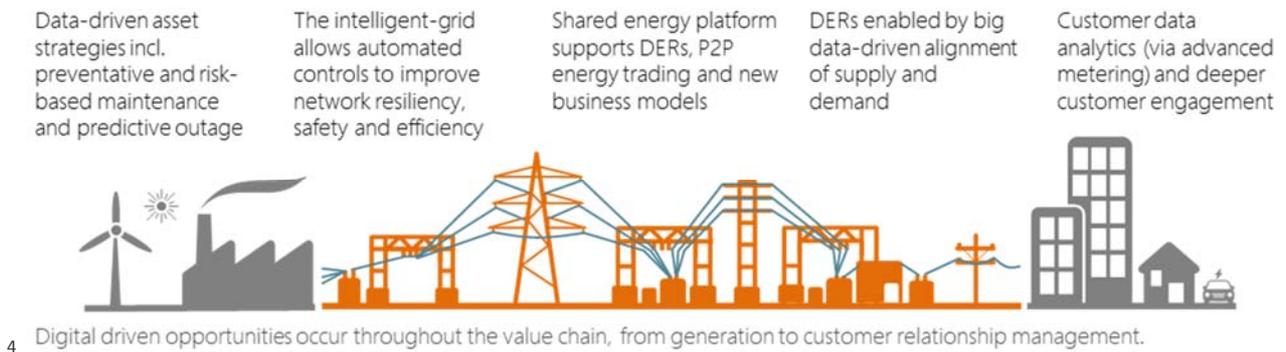


Figure 2: Digitisation of utilities across the supply chain



New Regulatory Frameworks

Legislative and regulatory frameworks for the energy market were developed before distributed energy resources existed (such as PV and battery). Reform of the regulatory framework is required to address modern expectations of consumers, support greater customer choice and enable energy providers to fully participate in the market.

⁴ DER – Distributed Energy Resource, P-2-P – Peer-to-Peer

Our Strategy

Our strategy has been recognised. In a recent independent study by Deloitte Australia Western Power was voted in the top three utilities in Australia for innovation (along with Horizon Power and Powercor from Victoria). The report noted that while all electricity network businesses have big ambitions for innovation in response to the evolving energy landscape, Western Power is leading the pack on making those ambitions a reality for our customers.

Western Power plays an integral role in Western Australia’s economy and is committed to providing services in an increasingly dynamic and customer-centric energy market.

In 2017, Western Power launched its Corporate Strategy for the period 2017 – 2022. Our Corporate Strategy aims to respond to the significant disruption to the energy sector and is designed to set the foundations of our business for the next 10-15 years.

The objectives of the Corporate Strategy are aligned with what is important to our customers:

	Western Power will sustain industry-leading safety outcomes for our employees and manage public safety and environmental impacts aligned with our customers’ and our regulators’ expectations.
	The Western Power network will meet the reliability demands of its customers, and deliver a high-quality service in line with our customers’ and our regulators’ expectations.
	Western Power will out-perform its regulatory contract where possible to minimise our contribution to electricity charges, deliver a strong financial position for our owner, respond to industry changes and be well positioned for future regulatory periods.
	Western Power will build a strong capability beyond its traditional service offering that meets customer and stakeholder expectations in the new energy environment.

The above objectives will be delivered through three strategic themes that look at the present, the potential and the future direction of our business:

- Maximise the value of today’s business
- Enhance the future value of our network
- Shape our future business

Maximise the value of today’s business

Our customers, whether they are residential or small to large sized businesses, expect Western Power to ensure that the network integrates with, and stays cost-competitive to, emerging alternatives. Therefore Western Power will continue to look at ways of providing a low cost, reliable, accessible and competitive network service that retains the community’s investment in our network.

We intend to achieve this by refining our approach to asset management, continuing to seek efficiency in our current activities through data and analytics and advanced technologies and ensuring our customers are satisfied with their experiences with Western Power.

One example of the opportunities that come from combining new technology with advanced analytics is using advanced meters and real-time data analytics to prevent electric shocks, as demonstrated by the case study (below). We intend to build on this opportunity over the AA4 period.

CASE STUDY: Use of advanced meters and real-time data analytics to prevent electric shocks

BUSINESS PROBLEM

Faulty overhead service connections were the largest contributing cause (46%) of electric shocks (79) across the Western Power network, in 2015/16. There are approximately 362,000 overhead service connections on the Western Power network.

We wanted to test whether data collected from **advanced metering infrastructure** would enable us to identify and address electrical hazards due to the deteriorating condition of overhead service connections **before** an incident occurs.

WHAT DID WE ACHIEVE?

Data collected from **11,000 advanced meters** were involved in the trial. Eight service connection faults and 13 meter faults were identified during the one month trial. Three instances of meter tampering (bypassing) were also identified and passed onto WA Police. This targeted approach to condition monitoring offers greater value for money and when fully implemented it is expected to contribute **\$5.3M** in recurring cost savings.

FAULTS FOUND



Enhance the future value of our network

Western Power forecasts that in the future the SWIS will comprise increasing amounts of distributed energy (e.g. generated from household PVs) and a much larger component of large-scale renewables and micro-grids. Accommodating this in Western Power's network requires that we transform how we think, plan, build and operate our network to keep pace with, and integrate, these industry changes.

Our customers have told us that they want to see Western Power continue to play a role in the supply of electricity in the future and that they look to Western Power to show leadership in the evolving energy market. Customers expect Western Power to be exploring the use of emerging technologies, such as installing off-grid and micro-grid solutions and the adoption of large-scale power storage, to deliver improved customer outcomes.

Western Power anticipates that a fully integrated network will no longer be the only solution available to customers in the future. A 'modular network' is the most likely future network configuration, where there are different network solutions based on the needs and economics of the local area. Figure 3 shows the known various technologies that the modular network will begin to incorporate.

Our traditional *centralised generation* system will become more disrupted over time by distributed energy resources. Although the network of the future will be *modular*; a combination of different network types dependent on customer need... **the network will remain relevant.**

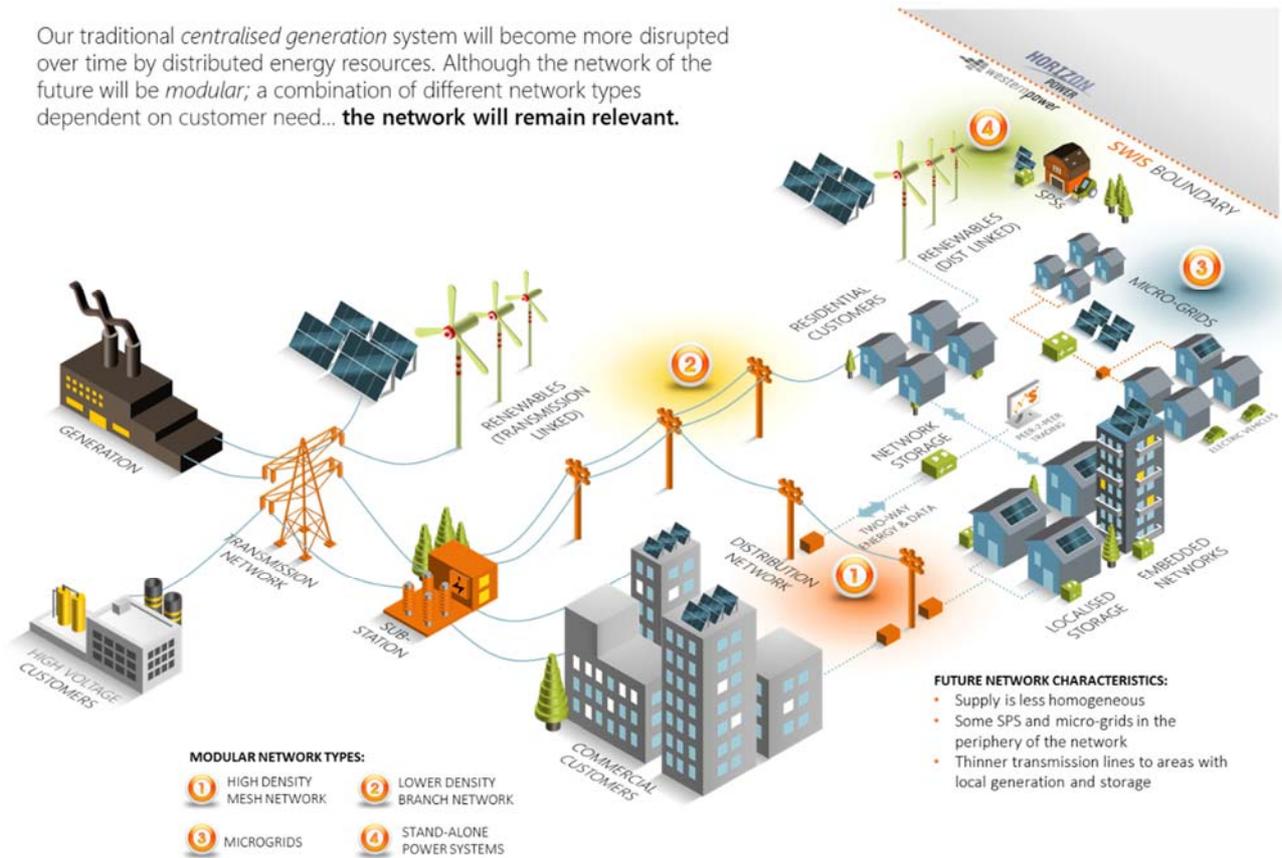


Figure 3: Evolution to a ‘Modular Network’

Work under this theme will deepen the insights gathered by Western Power’s trials of new and emerging technologies. Trials include:

- **A battery –based energy storage system in Perenjori**, focussed on innovative options to improve power reliability in rural areas at a lower network cost. In the event of an outage, the battery will switch on automatically and supply the town of Perenjori for between two and four hours, eliminating up to 80% of outages. Western Power is investigating the opportunity to expand the initial trial to include advanced network monitoring equipment, automated communication to customers and demand management activities.
- **A stand-alone power systems (SPS) trial** at edge-of-grid locations to improve supply reliability and avoid the replacement of low-density rural distribution networks.
- **A feasibility study into improving the reliability of energy supply** to the regional town of Kalbarri through the incorporation of renewable technologies (the Kalbarri windfarm and rooftop solar), and a network integrated battery.

Shape our future business

Western Power must adapt its service offerings to the new energy market. This will require Western Power to identify new opportunities linked to our core services that leverage new technology and meet emerging customer demands.

Our Capability to Deliver

Our strategic activities will focus on ongoing development of our organisational and workforce capabilities to deliver on our strategic themes designed to achieve the objectives of our strategies.

Over the past five years, Western Power has invested significantly to improve our capabilities in the areas of: customer service, data analytics, asset management, process improvement, project delivery, and safety and risk management. We will continue to invest in these capabilities. We are also making significant investments in diversity, innovation, data analytics and strategic relationships.

This strategy will build on Western Power's strong financial and operational performance and be reinforced by the parameters of our next Access Arrangement for the period 2017/18 to 2021/22.

SECTION 4

Operational Activity

In 2018/19, Western Power plans to invest approximately \$973.2 million of capital expenditure in the network. The expenditure will maintain our standards of safety, reliability and security.

The capital expenditure initiative comprises the following investment categories:

- Safety
- Security
- Growth
- Service
- Government Initiatives

Safety

Western Power continues to prioritise investment in its safety programs. The failure of network assets remains the primary source of public safety risk. Western Power utilises a risk-based approach to network asset management to prioritise investment, with our Network Risk Management Tool (NRMT) acknowledged externally as best practice within the industry.

The key safety programs are pole management, conductor management and bushfire management. Western Power plans to invest \$232.5 million of capital expenditure in these programs in 2018/19 to maintain the safety of the network. Primary activities within these programs include the treatment of over 35,000 distribution wood power poles and the replacement of over 400km of overhead distribution conductors in high population or high fire risk zones, where the consequence of failure is greater.

Security

Investment in network security improves the network's resilience to supply interruptions resulting from single outages of transmission infrastructure (e.g. bushfires, lightning strikes, storms, wildlife, human error, asset failure, maintenance on existing assets and safety reasons). Western Power intends to invest \$6.9 million of capital expenditure in 2018/19 in this category, addressing voltage stability and thermal management.

Growth

While forecasts indicate overall electricity consumption from the network has flattened, there are still areas of the network where demand projections exceed current network capacity, or an expansion is required to support large customer initiated projects. As a result, Western Power intends to invest capital expenditure of \$315 million in growth related investments in 2018/19.

The following areas exceed capacity and therefore require expansion:

- **North Country**, driven by mining businesses seeking new connections.
- **Mandurah and Bunbury**, driven by new residential estates and associated infrastructure development.
- **Western Terminal**, driven predominately by residential development and to address asset conditions.
- **East Perth & CBD**, driven by residential and commercial development.

Service

Service covers investment in regulatory compliance, reliability, asset replacement, metering, business support, IT (including Supervisory control and data acquisition) and corporate real estate. Investment is focussed on maintaining service levels of network reliability, power quality and regulatory compliance. Western Power intends to invest \$364.8 million in this category in 2018/19. Investments include:

- **Network assets and reliability compliance:** Western Power will continue to invest in its plant and equipment assets to ensure they are able to deliver committed service network reliability and power quality service levels and comply with legislative and other obligations.
- **Metering** Western Power plans to deploy advanced meters and a backbone telecommunications network to manage data across its network when a new meters is installed – either for a new connection or the replacement of a meter that is at the end of its service life. This will commence alignment of the meter population to modern specifications. Western Power will install approximately 68,000 advanced capable meters in 2018/19.
- **IT investment in Customer Service:** Western Power has upgraded its legacy contact centre platforms and is starting to build a customer service management system. Both these investments improve customer service and better integrate channels such as social media which are increasingly favoured by customers. Western Power is also continuing to respond to customer feedback to make more services self-serve online.
- **Non-network technologies:** Western Power is investing in pilot programs of non-network technologies to confirm their capacity to support network operations: It expects to move beyond pilots to deployment of these technologies in partnership with other providers, maximising opportunities to fund programs in substitution of network investments. Current pilots are discussed on page 8.
- **Corporate real estate:** Western Power's corporate real estate was largely acquired and constructed in the 1960s and 70s, with a number of buildings requiring an upgrade. Modernisation of the portfolio commenced in 2017/18 with the construction of a new depot in Vasse in the South West of Western Australia which will be operational in the first quarter of 2018/19. Western Power is also continuing to dispose of property assets identified as no longer required, and maximise revenue associated with assets that have been identified as integral to future operations.

Government Initiatives

State Underground Power Program

On 27 January 2017 the State Government announced 17 projects which will provide underground power to several suburbs under Round Six of the State Underground Power Program. The projects, which will start in 2017, are expected to be completed by the end of 2021.

The State Government has committed \$12 million to Round Six, which will cover about 18,000 properties. The projects selected in Round Six are; Floreat West, Floreat North, Floreat East, Kardinya South, Alfred Cove East, Melville North, South Perth, Collier, Manning, Victoria Park West, Victoria Park East, Carlisle North, Trigg, Menora, Maylands Central, South Lake East and Shelley West.

Operating Expenditure

The majority of Western Power's operating expenditure is for recurrent network operating and maintenance activities required to deliver service levels consistent with average historical performance. Western Power will maintain and refine its focus on operating efficiency based on reductions embedded through the Business Transformation Program and seek ongoing efficiencies through delivery of the strategic plan.

SECTION 5

Performance Measures and Targets

Table 1 details Western Power's key performance measures and targets for 2018/19. Targets may be revised following the ERA's final determination on Western Power's AA4 submission.

Table 1: Key performance measures and targets for 2018/19

Objective	Measure	2018/19 target
Safety	Total Recordable Injury Frequency Rate (TRIFR)	≤ 2.9
	Public impact	≤ 0.4
	Reportable environmental incidents	≤ 0.4
Reliable	Service Standards met	All*
	Customer supply availability	≥99.92%
	Net Promoter score	≥-3
Efficient	Capital Expenditure	≤\$973.2M
	Dividend to Government	≥ 254.8M
	Employee engagement	≥ 75%

* Service Standards are agreed as part of Western Power's next Access Arrangement (AA4). The Service Standards include measures of network and service performance such as network reliability, call centre performance and streetlight repair.

SECTION 6

Accounting Considerations

General Trading Enterprise (GTE) efficiency measures

In May 2017, Cabinet approved a range of efficiency measures applicable to Western Power including:

- State Net Debt reduction of \$61.3 million to be met by 30 June 2021 through GTE revenue, operating or capital expenditure measures
- increased dividend payout ratios from 65% to 75% for the 2016/17 financial year (with payments at this higher ratio to be made from 2017/18)
- deferral of the interim dividend payments for 2016/17, and instead pay a full dividend in 2017/18
- introduction of regulations to allow the Salaries and Allowances Tribunal (SAT) to set GTE Chief Executive Officer remuneration⁵

The financial implications of these efficiency measures (where applicable) have been included in this document.

Dividend policy

Final dividend

Section 126 of the Act requires Western Power to recommend a final dividend to the Minister for Energy (Minister) as soon as practicable after the end of the financial year. Western Power's current dividend payout ratio is 75 per cent of the audited June year-end net profit after income tax equivalent (NPAT), as agreed with our owner, the State Government.

Payment of the final dividend, once accepted by the Minister with the concurrence of the State Treasurer, is generally no later than six months after the end of the financial year to which it relates.

Interim dividend

In June 2015, the Act was amended to require state-owned energy utilities to recommend an interim dividend when given written notice by the Minister to do so (section 127A). Any interim dividend is generally calculated at 75 per cent of the budgeted final dividend and, once accepted by the Minister with the concurrence of the State Treasurer, is paid within the financial year to which it relates. Where an interim dividend is paid, the amount is offset from the final dividend payment.

Special dividend

Western Power is required to pay a special dividend when directed by the Minister with the concurrence of the State Treasurer. Since the 2015/16 financial year, Western Power has paid special dividends to cover a portion of the Electricity Market Review costs and to account for the proceeds of the sale of surplus land.

⁵ The SAT jurisdiction will not apply to Western Power until a new CEO is appointed. Our existing CEO's salary is set by the Board on recommendation by the Minister.

Dividend solvency test

The June 2015 amendments to the Act also require Western Power to satisfy a "dividend solvency" test similar to those performed by listed companies, before recommending and/or paying any dividend to the State Government (Section 127B).

Equity contribution

The State Government has historically provided Western Power with equity contribution for:

- dividends paid on capital contributions (since the 2013/14 financial year)
- dividends paid on the sale of land surplus to requirements (since the 2015/16 financial year)
- the recovery of income tax equivalent expense on residential capital contributions (since the 2015/16 financial year).

Accounting policy

Western Power is classified as a not-for-profit entity for the purpose of applying accounting standards and is required to prepare annually audited statutory financial statements. These statements and supporting accounting policies are in accordance with:

- Australian accounting standards (including not-for-profit elections), other authoritative pronouncements of the Australian Accounting Standards Board (AASB) (including Australian interpretations) and Schedule 4 of the Act
- The historical cost convention (excluding derivative financial instruments and certain employee benefit liabilities measured at fair and present values respectively) and the accrual accounting basis (except for cash flow information prepared on the cash accounting basis).

In addition, the following guidelines and standards are considered to be most relevant to Western Power's corporate governance:

- Government of Western Australia: Principles of Good Governance for Western Australian Public Sector Boards and Committees
- Australian Standard AS 8000-2003: Corporate Governance - good governance principles
- Australian Standard AS 3806-2006: Compliance Programs
- Australian Standard ISO AS/NZS 31000-2009: Risk Management
- Australian Stock Exchange Corporate Governance Council: Corporate Governance Principles and Recommendations with 2010 amendments (ASX Guidelines)

SECTION 7

Nature and Extent of Community Service Obligations

Section 99(1) of the Act defines "community service obligations" as "*obligations to perform functions or to meet performance targets that it is not in the commercial interests of the corporation concerned to perform or meet*".

In 2018/19, the State Government is expected to make payments to Western Power totalling \$7.6 million to support the State Underground Power Program.

SECTION 8

Ministerial Reporting

To meet the reporting requirements as outlined in the Act, Western Power will provide the Minister the following information.

Quarterly reporting

Western Power will provide the Minister and the Western Australian Treasurer with a quarterly report for the first three quarters of the financial year.

Quarterly reports will detail year-to-date performance of the business, provide comparisons to Statement of Corporate Intent targets and highlight any significant issues. The business will submit the quarterly reports in accordance with the requirements of section 106 of the Act.

The quarterly reports will be provided to the Minister for Energy and the Treasurer within one month of the end of the quarter.

Annual reporting

An Annual Report will be provided to the Minister, following the end of the financial year within the time specified by the Act.

In addition to the financial statements, the Annual Report will include an overview of major achievements, a comparison of performance with the Statement of Corporate Intent targets and other information required to be included by the Act.

Other operational reports

In addition to quarterly and annual reports, the Act requires that the Minister for Energy be provided with:

- A five-year Strategic Development Plan and this one-year Statement of Corporate Intent
- A report on staff compliance with any Board-issued codes of conduct
- Any information in Western Power's possession requested by the Minister.

Quarterly Network Safety reporting

Western Power will provide quarterly reports on network safety performance outcomes to the Minister and the Director of EnergySafety. The report is in accordance with regulation 32 of the *Electricity (Network Safety) Regulations 2015*.

State of the Infrastructure reporting

Western Power will provide a report to the Minister on the state of our infrastructure. The report is in accordance with one of the actions identified in the Government's Response to Report 14 of the Legislative Council's Standing Committee on Public Administration.

SECTION 9

Notes

Access to information

Copies of Western Power's major public documents (including the SCI, quarterly and annual reports) are available from its website, www.westernpower.com.au.

Network pricing and tariffs

Western Power's reference tariffs are approved by the ERA annually as required under the Access Code.

A key determinant of reference tariffs is the revenue cap defined in the access arrangement. The ERA sets the revenue cap at the beginning of each access arrangement period. The cap determines how much revenue Western Power can recover in each year of the access arrangement period and is fixed for each year. Prices are then set at a level to recover the revenue cap accordingly.

The ERA sets the revenue cap to allow Western Power to invest in new assets, operate the network to provide services to customers and earn a reasonable commercial return on its investment. The ERA oversees the performance of Western Power's business to ensure that Western Power is operating in a manner that is economically efficient and will continue to provide value for money network access services.

Government Guarantee Fee

Western Power pays a Government Guarantee Fee (GGF) of 0.7% to the Department of Treasury for the use of an implied credit rating.

The GGF is a competition neutrality measure that encourages government businesses to operate in a commercial manner and to perform comparably with private sector businesses of similar risk. The GGF serves to expose government businesses to the risk-related cost of debt they would face if they were required to borrow funds based on their stand-alone credit rating.

Glossary of KPIs

	Term	Explanation
SAFE	Total Recordable Injury Frequency Rate (TRIFR)	The number of injuries resulting in medical treatment, a lost work shift or restricted work duties per million hours worked over a 12 month period.
	Public impact	Measurement of the number of public safety incidents which resulted in an injury to a member of the public, or property damage >\$20,000.
	Reportable environmental incidents	Rolling 12 month average of the number of environmental incidents that have been reported to Regulators where the underlying cause of the incident is attributed to Network asset failure or workforce actions.
RELIABLE	Service Standards met	The number of service standard that meet their benchmark performance as defined in the Western Power's Access Arrangement.
	Customer Supply Availability	The percentage of time that the average customer experiences supply over a year. Unlike the previous measure of Supply Unavailability, this measure also includes outages due to generation or third party systems (such as customer equipment)
	Net Promoter Score	A measure of customer experience for customers who have contacted Western Power in the previous quarter.
EFFICIENT	Capital expenditure	Annual capital expenditure program in millions of dollars.
	Dividend to Government	A percentage of NPAT that is formally agreed with the State Government.
	Employee Engagement	The employee engagement survey measures the level of employee engagement and the employment experience across different aspects of the work environment