

Western Power Corporation Annual Report 2005

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OPERATIONS REVIEW 2005

Chairman's and Managing Director's Year In Review

The WA energy industry has undergone revolutionary change over the past 12 months. At the centre of that change, Western Power has been challenged to deliver safe, reliable and efficient energy services while positioning the organisation for a competitive and dynamic market. We have needed to respond quickly and positively to energy reforms while working towards restoring confidence among our customers and the Western Australian community.

In response we have:

- moved to a new level of commercial behaviour with our business units taking a more assertive role to achieve the best outcome;
- continued to build trust by becoming more open and transparent, sharing our position publicly within legal and commercial sensitivities, delivering on expectations and being more proactive with all our stakeholders;
- driven many initiatives that will improve performance and make each of our businesses a competitive force;
- improved services to customers and are continuing to do so;
- strengthened understanding of accountabilities, we will deliver what we promise; and
- made a commitment to build our capabilities, both people and systems.

With these changes and challenges, Western Power has continued to perform strongly, achieving solid profits for the eleventh consecutive year and delivering significant dividends to our shareholder, the State of Western Australia. We have approached the challenges set by the events of the previous year with enthusiasm and commitment and have successfully shown that we are able to improve our performance.

It is particularly pleasing to note that this financial performance has been maintained whilst electricity tariffs have remained unchanged. In fact our customers have enjoyed reductions, in real terms, in electricity charges over the period.

Throughout the year the people of Western Power have worked extraordinarily hard to provide our customers with the reliable and efficient service they expect from Western Power. Summer demand peaks, storms and bushfires provided further challenges in addition to the great changes occurring in the industry and the corporation. Our people have worked tirelessly to minimise disruption and improve reliability in the system for our customers.

PREPARING For Disaggregation

In August 2004, significant structural changes were implemented at Western Power in preparation for the anticipated disaggregation of the corporation. The split of Western Power into four businesses is one of the key steps in the reform process – and the beginning of a new business direction.

Whilst still operating as one integrated business, Western Power is now made up of four 'strengthened' and independent business units – Generation, Networks, Retail and Regional. Each business unit has been structured and allocated functions according to the recommendations of the Electricity Reform Task Force.

A transformation of each business unit is occurring:

Networks to a customer-focused, best-in-class regulated network service and infrastructure provider.

Regional to a customer-focused commercial entity supporting and facilitating regional development with efficient energy services.

Generation to an optimal supplier of reliable, low-cost energy.

Retail to a competitive retailer of multi-sourced energy, differentiated on customer service.

For reform to benefit customers, Western Power must compete for market share. Half of Western Power's revenue base is now contestable and new entrants are vigorously entering the market and providing very real competition. Western Power welcomes this competition and its new business units are preparing to participate in this new market. In particular, our Retail and Generation business units are bringing a renewed commercial vigour to the way they do business.

A number of projects and changes are underway including organisational structural reviews, financial management system planning and branding exercises for each new business. This will ensure that each new business is best positioned to capitalise on the opportunities in the new competitive marketplace.

BOARD Changes

Significant change occurred during the year at both Board and senior management level. In September State Cabinet formally ratified two new Board appointments. The Board welcomed Mr Mervyn Davies, the former General Manager Networks with EnergyAustralia who has more than 40 years experience in the electricity industry, and welcomed back Mr Harvey Collins, the former Chief Financial Officer of Challenge Bank, Chairman of HBF, Director of the Government Employees Superannuation Board and former interim Chief Executive Officer at Western Power.

With regret the company farewelled Ms Sue Wilson at the end of June 2005. We would like to thank Ms Wilson, who joined the Board in September 2003, for her support for Western Power and contribution to the Board during a period of considerable change and challenge and wish her well in her future endeavours.

Mr Collins came to Western Power in February 2004. During his short-term contract from February 2004 Western Power regained its focus on its core role of providing safe and reliable electricity supplies to our customers. Mr Collins finished his term as Chief Executive Officer in late-July 2004 with the thanks of the Board and people of Western Power.

Mr Tony Iannello took up the position of Managing Director in mid-July 2004 after a notable career at BankWest where he was most recently General Manager, Finance and Corporate Services. As Managing Director, Mr Iannello saw an opportunity to work with staff to meet the many challenges that the corporation faced and to rebuild Western Power's reputation and drive the corporation to success.

A new business model was established which enabled the business units to be semi-autonomous and paved the way forward for disaggregation. Vital to this new model was the formation of the Business Leaders Council (BLC), which replaced the Executive Committee and empowered the businesses to operate in an efficient and competitive manner. The BLC welcomed several new members including Ms Libby Lyons as Executive Manager Corporate Relations, Mr Greg Denton as Executive Manager Strategy, Reform and Strategic Projects and Mr Greg Monkhouse as Executive Manager of Human Resources and Organisation Development. Each brings to Western Power a wealth of experience and expertise in their respective fields.

LOOKING Forward

The situation as we have known it to date – of operating largely as the dominant generator and retailer of electricity – is changing and will continue to do so for many years. We believe that this is a good thing for the State and for the community of Western Australia. Western Power will continue to support the Government's decisions on changes to the electricity sector in Western Australia but we will also work towards being a competitive participant in this new market place.

The expectations of Western Power are clear. We must deliver safe, reliable and efficient electricity services to all Western Australians, operate in a manner that maximises the return to the State and nurture the development of a competitive market. Western Power is finding the right balance between these competing forces to meet the needs of our stakeholders.

We are committed to facing the challenges of the new reformed electricity markets in Western Australia and have progressed towards being able to do so in a commercially responsible manner.

A handwritten signature in black ink, appearing to read 'Neil Hamilton'.

Neil Hamilton
Chairman

A handwritten signature in black ink, appearing to read 'Tony Iannello'.

Tony Iannello
Managing Director

NETWORKS Business Unit

2004/05 Highlights

- 'Summer Ready' program delivers performance improvements
- Launched 'Switch on Mate' safety program
- Planning criteria for Network upgrades reviewed and updated
- Customer service to land developers upgraded
- Recruitment and training of linesmen, technicians, draftsmen and engineers boosted
- Top Up and Spill market introduction supported
- Rural Power Improvement Program commenced
- Obtained Government commitment to funding \$2.3 billion of opex and capex over the next four years

Outlook for 2005/06

- Improved reliability
- Customer service improvements continue
- Access Agreement completed with Economic Regulation Authority (ERA)
- Strategic outsourcing of large capital works
- New organisation and KPI framework established
- Capital and operating productivity improvements
- Bushfire Mitigation Initiative continues

ACHIEVEMENTS

We were summer ready!

In the lead up to summer 2004/05, the Networks business worked hard to ensure that Western Power was in a position to meet Western Australia's peak summer electricity demand. Since February 2004 Western Power has instituted a "Summer Ready" network program that has reduced the number of overload-related network faults by 90 per cent and instituted a pole-top fire mitigation strategy that will see a marked reduction in pole-top fires.

This was tested in February 2005 when Perth electricity demand hit a record 3059MW. The previous year we experienced around 55 transformer overloads causing disruptions to power supplies. This year that number was reduced to five - a figure we will continue to improve upon.

With a \$10 million upgrade to the network information systems, we are able to deal with network faults faster than ever before. The improved system also helps to identify faults more quickly and allows us to be more prepared for problems that are likely to occur.

Networks have invested in emergency response vehicles to allow us to reach hazardous situations more quickly and safely. Line crews have been increased, with further increases planned each year for the next four years. More than half the extra staff will be located in the country.

Long-term planning is currently underway to enable Networks to meet changing customer expectations, increase safety standards and manage a continually growing network in a new regulatory framework. To meet these demands and with the need to replace ageing infrastructure, Networks will invest \$1.6 billion in capital works associated with transmission and distribution networks over the next four years.

An additional \$630 million has been allocated to ongoing maintenance costs for the next four years, from which we expect a 25 per cent improvement in the reliability of the South West Interconnected System.

Pole-top fires are often the cause of network faults, which is not unusual especially given the climatic and environmental conditions that Perth experiences. This was the second year of an extensive four-year program to reduce the risk of pole-top fires. The program will see insulators on 40,000 power poles in high-risk areas of Perth and the Geraldton/Dongara region coated with silicone. Additional steps taken to reduce the number of

faults include the replacement of wooden power poles with cement power poles and a continuation of the Underground Power Program.

One Step Ahead

We are embarking on a transformational change program in our Networks business to greatly enhance the customer experience around safety, service, reliability and value for money. Launched in April 2005, the One Step Ahead program is a major organisational initiative that will review how the Networks business is currently operating and develop a framework to transform Networks into a highly efficient, externally regulated, performance driven and customer-focused business.

The program is about challenging what we do and how we do it. It is about moving from average to best practice.

The program is expected to have made significant changes to the business by the end of 2005 with full implementation in 2006.

Tenterden bushfire

The Tenterden bushfire in 2003 was a tragedy and one the corporation deeply regrets. We are doing everything we can to ensure that such a tragedy is not repeated.

As well as making significant changes in the way Western Power manages the risk of bushfires throughout the State, we have made major inroads into a number of findings raised during the Coronial Inquiry into the tragic deaths of Ms Judith Ward and Ms Lorraine Melia in the bushfire.

Western Power has developed a Bushfire Mitigation Strategy, reinforced measures which ensure that the corporation investigates and reports any notifiable incidents to the Directorate of Energy Safety and will continue to work with all investigative bodies, including the Coroner's Office, to ensure the safe operation of the electricity network and associated infrastructure.

Following the prosecution of Western Power by the Directorate of Energy Safety in March 2005 over the tragic deaths of two children in Wyndham in 2003, Western Power made several changes to its work practices and commenced an extensive replacement program of overhead service connections. In addition, all new connections in the metropolitan area and an increasing number of regional areas are being placed underground.

BENCHMARKS

Reliability Performance

The provision of a safe, reliable and efficient energy service with first-rate customer service is at the very heart of everything we do.

Our reliability performance is similar to Australian averages, unfortunately in 2004/05 we did not meet all of our self-determined targets. However with an overhead distribution network, weather conditions will continue to affect electricity services from time to time and in these situations we will continue to aim to restore power as quickly as possible.

To achieve this we have embarked on a transformation program in Networks to greatly enhance the customer experience around safety, service, reliability and value for money. In line with this our capital works program is targeted at continuing to ensure reliability of supply to customers across the state as well as reducing costs.

PERFORMANCE INDICATORS	2004/05		2003/04
	Actual	Target	Target
*Reliability and Quality			
**CBD Area			
SAIDI – Outage duration (minutes) (Total duration of interruptions/ customers per year)	10	22.7	23
CAIDI – average duration of incident (Total minutes/ average number of customers)	68	68	66

SAIFI – average number of incidents (Total customers interrupted/ average number of customers)	0.14	0.33	0.34
***Urban Area SAIDI – Outage duration (minutes) (Total duration of interruptions/ customers per year)	244	256	260
CAIDI – average duration of incident (Total minutes / average number of customers)	82	72	72
SAIFI – average number of incidents (Total customers interrupted / average number of customers)	2.97	3.56	3.61
****Rural and Country Area SAIDI – Outage duration (minutes) (Total duration of interruptions/ customers per year)	520	539	547
CAIDI – average duration of incident (Total minutes / average number of customers)	132	123	124
SAIFI – average number of incidents (Total customers interrupted / average number of customers)	3.93	4.36	4.43
SWIS Total SAIDI – Outage duration (minutes) (Total duration of interruptions/customers per year)	281	294	298
CAIDI – average duration of incident (Total minutes / average number of customers)	91	81	81
SAIFI – average number of incidents (Total customers interrupted / average number of customers)	3.09	3.64	3.70

*A new, more rigorous system was used to calculate the SWIS Reliability and Quality figures for 2004/05. For comparison purposes, the system was applied to the 2003/04 figures for this Annual Report. The Reliability and Quality figures exclude Major Event Days – as per SCNRRR Guidelines and IEEE Std 1366 (Guide for Electric Power Distribution Reliability Indices).

** CBD Area is the area supplied by the Hay Street and Milligan Street zone substations.

*** Urban Area are those components of the SWIS network that supply the following areas:

- the Perth Metropolitan area but excluding the CBD Area
- the local government district of Mandurah
- the local government district of Murray
- the town sites of Albany, Bunbury, Geraldton and Kalgoorlie.

****Rural and Country Area is the SWIS network other than the CBD and Urban areas.

Customer Service Charter

The Customer Service Charter was introduced in 1998 to demonstrate Western Power's public commitment to the service standards we offer customers. Networks developed our customer service measures based on advice from customers about the service standards of greatest importance to them.

Customer Service Charter	2004/05		2003/04	2002/03
	Actual	Target	Actual	Actual
Restoration of unplanned outages within four hours – metro and major regional (%).	93.0	85.0	96.0	96.5
Restoration of unplanned outages within four hours – rural and remote (%).	90.8	85.0	93.0	91.5
Providing at least two working days' notice of scheduled power interruptions, including metro, regional, rural and remote (%).	100.0	100.0	100.0	100.0
Completing new connections within three working days for metro and major regional, and within five days for rural and remote (%).	93.9	95.0	93.0	91.3
Replacing faulty streetlights within five working days - metro and major regional (%).	95.2	100.0	98.0	97.6
Replacing faulty streetlights within nine working days – rural and remote areas (%).	94.1	100.0	96.0	93.0

FACTS AND FIGURES

Assets	Overhead	Underground
South West Interconnected System Transmission Lines		
330 kV (km)	775	
220 kV (km)	655	
132 kV (km)	4,005	16
66 kV (km)	1,130	42
South West Interconnected System Distribution Network		
High voltage mains (km)	58,956	3,635
Low voltage mains (km)	9,727	8,830
Total transformer capacity (MVA)	5,389	
Streetlights	192,643	

SouthWest Interconnected System - Distribution & Transmission			
Sent out - GWh		14,058.3	13,140.5
Line loss - GWh		1,084.4	785.4
Sold to customers - GWh		12,973.9	12,355.1

Environmental Licenses

A summary of licences held by Networks facilities is provided below.

Environmental Licence	Total
Western Australia Department of Environmental Protection Licence	1
Department of Industry and Resources Licence to Store Dangerous Goods	3
Water and Rivers Commission Underground Water Pollution Control Area Permit	2

GENERATION Business Unit

2004/05 Highlights

- New gas transport contract with Dampier to Bunbury Natural Gas Pipeline
- Installed new wind/diesel system at Bremer Bay and Rottnest Island
- Reinstated oil firing at Kwinana power station to improve reliability of supply
- Installed low pressure turbine blades on Muja C yielding an extra 200MW capacity
- Installed inlet air cooling at Pinjar Gas Turbines
- Established CollTech Australia collagen extraction facility at Collie power station
- Upgraded the Shotts bore water system servicing Muja & Collie power stations
- Generation plant performed reliably to meet high demand for energy

Outlook for 2005/06

- Uprate of Muja D 50 MW and life extension
- Implement new control and instrumentation system of Muja C&D
- Benefits of the new coal supply arrangements become apparent
- Installation of new wind/diesel system at Coral Bay
- Facilitation of Water Corporation's Sea Water Desalination plant at Kwinana power station
- Biomass project to be commissioned at Muja power station, in liaison with Pinetec

ACHIEVEMENTS

The Generation business significantly improved capacity through the enhancement of generation equipment and fuel availability and flexibility. Steps taken to boost capacity included the installation of the Pinjar cooling sprays and the Parkeston interconnector. The measures undertaken to either free up or create extra generation capacity resulted in Western Power being able to deliver up to an additional 200MW of peaking capacity.

We put in place extra fuel arrangements, including restoring oil firing at Kwinana power station and the capability to purchase gas from Wesfarmers if required. The availability of increased quantities of fuels and, even more importantly, the greater flexibility in the mix of fuels meant that Generation was in a better position to maximise supply when required.

Our ability to meet record demand for electricity was tested in February 2005 when Perth's temperature soared to 42°C and demand reached 3,059MW - 55MW higher than the previous summer's peak demand. We were pleased that the strategies put in place after the power restrictions in February 2004 enabled us to meet this demand.

Continued planning for future summers includes 'uprating' Muja Stage D by 10 per cent during the 2006 winter. For the summer of 2005/06, the 240 MW Kemerton power station, which is a peaking dual-fuel plant, will be ready in the third-quarter of 2005 plus the maintenance programs during the off-summer period will ensure that all generating plant is available for the peak summer demand.

Securing access to gas supplies

Generation achieved a significant result from negotiations with the bidding consortium that went on to become the new owner of the Dampier to Bunbury Natural Gas Pipeline.

At stake were the long-term gas shipping capacity for Western Power, the price of that capacity and the impact the new ownership of the pipeline will have on Western Power's long term competitive position – a significant point given Western Power is now facing major competition from one of the new owners.

At the core of Western Power's approach to negotiations was the understanding that the outcome will present significant issues for the Western Australian energy industry and have an enormous bearing on the price consumers will pay for electricity in the future.

Western Power achieved a positive commercial outcome in terms of the cost of gas transport and a major commitment from the owners of the pipeline on a planned expansion of the pipeline's capacity and Western Power's access to the expanded capacity.

Coal Supply contracts

Western Power coal supply contracts expire in 2010. Generation undertook a process to reduce the price of coal by replacing existing long-term coal contracts with more sustainable agreements. The coal Request for Proposal (RFP) process invited coal companies to submit proposals to supply coal post-2010. The proposals were assessed with a view to negotiating the best commercial outcome for Western Power and its customers in the new competitive environment. It was announced on 16 August 2005 that Wesfarmers Premier Coal was the successful bidder to supply low-ash coal for the Muja C and D and Collie power stations until 2030.

Peaking Plant

The peaking power station, being constructed by Transfield Services Kemerton Pty Ltd at Kemerton north of Bunbury, is on schedule for commissioning in October 2005, in time for the 2005/06 summer.

Generation will use the dual-fuelled Kemerton power station at times of peak power demand such as the height of summer. This power station can burn gas or distillate and is similar to peaking plant Western Power owns and operates at Pinjar.

Until the new power station is connected to the Dampier-Bunbury Natural Gas Pipeline by a lateral pipeline in the second quarter of 2006, it will be fired on distillate. As a peaking plant, the Kemerton power station is expected to be used infrequently during summer.

New Renewable Energy Projects

Replacing ageing diesel power plant in regional areas with more reliable, quality power stations was a significant focus for Generation. Projects underway include the completion and commissioning of a highly advanced wind-diesel system at Hopetoun and the construction of a similar system at Bremer Bay. The system combines a single wind turbine with new diesel generator and control system technology and would supply approximately 40 per cent of each town's energy needs over the year. The Hopetoun system is expected to result in a saving of approximately 400,000 litres of distillate and replaces 1,100 tonnes of greenhouse gas emissions (the equivalent of taking 300 cars off the road each year).

BENCHMARKS

Working for a better environment

Western Power's customers expect a quality, reliable, electricity supply that is delivered in a manner that respects the environment. Their concern for the environment mirrors our own. Western Power recognises that our innovative programs and on-going management procedures must protect the rights of future generations to a sustainable and diverse natural environment.

Our environmental performance is tracked annually utilising a number of performance indicators. Our main environmental performance indicators are our greenhouse response and renewable energy use. Measuring performance against targets is an integral element of Western Power's continuous improvement process, assisting the efficient allocation of resources and helping to identify areas of weakness.

Performance Indicators	2004/05	2004/05	2003/04	2002/03
	Actual	Target	Actual	Actual
Greenhouse Response				
Carbon Intensity (kgCO ₂ e/kWh electricity sold)	0.90	0.91	0.91	0.95
Renewable Energy				
REC obligation compliance (% of obligations acquired) (based on calendar years)	152%	133%	-	-

Greenhouse Response

Western Power's total electricity sales increased by 5.3 per cent to a total of 13,677 GWh in 2004/05. Direct greenhouse gas emissions associated with the electricity supplied by Western Power amounted to 12.36 million tonnes of carbon dioxide equivalent (CO₂e). 11.74 million tonnes of this was emitted directly from Western Power operations and another 0.62 million tonnes from other entities from whom we purchased electricity to on-sell to Western Power customers.

Renewable energy generation has led to the offset of an estimated 0.072 million tonnes of CO₂e during 2004/05. A further emissions offset of 0.13 million tonnes of CO₂e is estimated to have been absorbed by Western Power's tree plantation activities in 2004/05.

The net greenhouse gas emissions associated with the corporation's electricity sales in 2004/05 was 12.34 million tonnes of CO₂e.

Renewable Energy Certificates

Western Power continues to develop renewable energy generation using wind and bio-energy technologies, while maintaining an interest in solar technologies. We are also joining new partners to meet our renewable energy obligations and to encourage the development of renewable energy resources in Western Australia.

Our Renewable Energy Certificate (REC) obligation was met and surpassed. The performance indicator measuring this is based on the number of RECs acquitted to satisfy Mandatory Renewable Energy Target REC liability and our Natural Power REC liability and only includes RECs created up to 2004.

In 2004/05 Western Power generated enough renewable energy from our own renewable energy generators including the Albany, Denham, Esperance (Ten Mile Lagoon and Nine Mile Beach), Hopetoun and Exmouth wind farms to create over 72,000 RECs. We also sourced 106,000 RECs from other renewable energy generators.

FACTS AND FIGURES

Generating Plant	Fuel	Capacity (kW)	Acquired or Commissioned	Energy Generated 2004/05 (GWh)
South West Interconnected System				
Collie	Coal	330,000	1999	2,457.0
Cockburn	Gas	240,000	2003	1,415.7
Muja A & B	Coal & Heavy Fuel Oil	240,000	1965	1,080.7
Muja C	Coal & Heavy Fuel Oil	400,000	1981	2,489.6
Muja D	Coal & Heavy Fuel Oil	400,000	1985 - 86	2,674.8
Kwinana A & C	Coal, Gas & Fuel Oil	640,000	1970 - 78	1,858.2
Kwinana B	Gas & Fuel Oil	240,000	1970 - 73	220.9
Kwinana Gas Turbine	Gas & Distillate	21,000	1972	0.7
Geraldton Gas Turbine	Gas & Distillate	21,000	1973	0.7
Kalgoorlie Gas Turbines	Distillate	62,000	1984 - 90	6.4
Mungarra Gas Turbines	Gas	112,000	1990 - 91	269.0
Pinjar Gas Turbines	Gas & Distillate	586,000	1990 - 96	474.7
Wellington Dam	Hydro	2,000	1992	-
Worsley (50% Joint Venture Share)	Gas	60,000	2000	521.3
Tiwest	Gas	36,000	1999	147.2
Albany Wind Farm	Wind	22,000	2002	62.1
Bremer Bay	Wind	600	2005	-
		3,412,600		13,679.2

Production and Distribution	2004/05	2003/04
Electricity Generation		
Generation (thermal, diesel, wind) - GWh	13,875.10	13,310.0
Used in works - GWh	839.1	943.5

Purchased - GWh		1782.5	1,425.4
Sent out - GWh		14,818.2	13,791.9
Cold weather maximum demand	MW generated	2,586	2,406
Hot weather maximum demand	MW generated	3,059	3,004
Peak load interconnected system	MW generated	3,059	3,004
Interconnected generation capacity	Winter capability MW	3,518	3,412
Thermal efficiency for kWh generated - %		32.2	32.0
Fuel Consumption Used for generation:			
Coal - '000 tonnes		4,914	4,747
Distillate and other fuel oils - tonnes		86,008	62,982
Gas - TJ		43,684	41,870

Environmental Licence

A summary of licences held by Generation facilities is provided below.

Environmental Licence	Total
Western Australia Department of Environmental Protection Licence	13
Department of Industry and Resources Licence to Store Dangerous Goods	9
Water and Rivers Commission Groundwater Well Licence	5

Atmospheric Emissions

Western Power's emission details are provided annually to the National Pollutant Inventory (NPI). This information can be accessed via <http://www.npi.gov.au>. The following tables provide information on the main atmospheric emissions from our major power stations.

SULFUR DIOXIDE EMISSIONS (Kgs emitted per MWh of electricity sent out)

	2004/05	2003/04	2002/03	2001/02
Collie	5.3	5.2	5.3	5.3
Muja	6.0	6.1	6.0	6.0
Kwinana	2.8	2.7	2.1	1.4
Pinjar Gas Turbine	0.0	0.0	0.0	0.0
Mungarra Gas Turbine	0.0	0.0	0.0	0.0
Regional Power Stations	1.2	1.2	1.2	1.3
Cockburn	0.0	0.0	-	-

NITROGEN OXIDES EMISSIONS (Kgs emitted per MWh of electricity sent out)

	2004/05	2003/04	2002/03	2001/02
Collie	3.1	3.2	3.3	3.2
Muja	3.8	3.9	3.9	3.8
Kwinana	3.5	3.4	3.2	3.1
Pinjar Gas Turbine*	2.8	1.9	2.1	2.1
Mungarra Gas Turbine	3.0	1.9	2.2	2.2
Regional Power Stations	18.1	15.8	15.7	15.9
Cockburn	0.3	0.3	-	-

*Increase in NO_x emissions for Pinjar due to increase use of distillate.

PARTICULATE (COAL ONLY) EMISSIONS (Kgs emitted per MWh of electricity sent out)

	2004/05	2003/04	2002/03	2001/02
Collie	0.2	0.2	0.2	0.2
Muja	7.7	7.8	9.0	6.9
Kwinana	0.1	0.1	0.1	0.0
Pinjar Gas Turbine	-	-	-	-
Mungarra Gas Turbine	-	-	-	-

Regional Power Stations	-	-	-	-
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RETAIL Business Unit

2004/05 Highlights

- Finalisation of the Renewable Energy Certificate (1 and 2) programs
- Successful roll-out of the Peak Demand Saver Program during summer
- New organisational structure for Retail business with improved focus on the customer
- HOA signed with Simcoa – State's largest customer
- Successful penetration of the WA gas market

Outlook for 2005/06

- Launch of new Retail corporation
- Enhance customer services
- Develop strategic alliances to provide better and broader services
- Participate in the new electricity wholesale market
- Develop business case for new customer management system
- Develop wholesale market capabilities

ACHIEVEMENTS

Peak Demand Saver Program

A Retail business initiative significantly contributed to Western Power's ability to meet the peak summer electricity demand. Further emphasis was placed on the Peak Demand Saver program, which encourages large business customers to reduce electricity consumption during periods of high demand in the South West Interconnected System in return for payments for participating in the program and reducing load when required.

Western Power had 61 customers on the Peak Demand Saver program, providing 81MW of additional reserve capacity - double the 40MW target. The program significantly contributed to peak demand management over the 2004/05 summer and reduced the risk of power interruptions to customers. We are continuing this initiative.

Communication

Another key change in getting ready for summer was the way Western Power communicated with its customers. From the beginning of November 2004 through to early March 2005, Western Power published weekly supply and demand graphs in the press and on our website. These graphs were aimed at keeping our customers and the wider community up-to-date with the expected electricity demand and available supply for the coming week as well as a six-month outlook.

This information helped provide customers with the means to manage their power needs and to encourage demand management in periods of high demand or limited supply. All business units contributed to the complex process required to produce these graphs.

Power procurement

Western Power's SWIS Power Procurement Process Stage Two being for 300-330MW of baseload capacity short-listed three of the companies which submitted proposals. The bids included both gas-fired and coal-fired proposals. These were evaluated against a range of criteria with the intention of selecting the bid that minimises the total delivered cost of electricity, while maintaining the safety and reliability of electricity.

Wambo Power Ventures Pty Ltd was declared the successful bidder on 16 August 2005 and will construct a 320MW gas-fire combined-cycle power station in Kwinana, expected to be in operation by December 2008.

Dual fuel success

Western Power has continued to establish itself as a strong competitor in the Western Australian gas market since entering the market in 2003. Western Power is able to offer gas services to customers with a need greater than one terajoule per annum. We have secured large commercial customers against tough competition, exceeding customer numbers and sales targets and look forward to being able to provide dual fuel options to the broader energy market in the future.

BENCHMARKS

Customer Service Charter

These customer service measures are based on the service standards most important to customers.

	2004/05		2003/04	2002/03
Customer Service Charter	Actual	Target	Actual	Target
Answering phone calls to our Customer Service Centre within 30 seconds (%).	82.8	100.0	89.0	92.2
Acknowledging the receipt of, or replying to, letters within five working days (%).	100.0	100.0	100.0	100.0
Acknowledging the receipt of, or replying to, e-mails within two working days (hrs).	52.5	48.0	31.0	30.2

FACTS AND FIGURES

	2004/05	2003/04
Customer Accounts at 30 June	888,103	867,067

REGIONAL Business Unit

2004/05 Highlights

- Launched new Regional business model
- Funding agreed for the Aboriginal and Remote Communities Power Supply Project
- Commenced Town Reserves Regularisation Project
- Extension of the State Underground Power Project to Port Hedland
- Commenced undergrounding of Roebourne
- 12 months free of Lost Time Injuries

Outlook for 2005/06

- Creation of the new Regional business and achieving integrated power supply license
- Commencement of work to normalise Coral Bay and upgrade power infrastructure in the town
- Identification of preferred bidder for the Carnarvon Power Purchase Agreement (PPA)
- PPA and commercial operation of Exmouth Power Station
- Start of construction on power stations in five West Kimberley towns as part of the West Kimberley Power Procurement Project
- Completion of \$500,000 Kununurra Network Reinforcement and Upgrade Projects

ACHIEVEMENTS

Supporting regional development

As we work towards improving our operations across Western Australia and in preparation for the disaggregation of Western Power in 2006, our regional operations were restructured. A new Regional business unit confirmed its structure in March 2005 with a vision to provide excellent customer service and help facilitate development and economic growth within regional Western Australia.

To achieve this, the Regional business has taken steps to increase its presence in regional areas and will continue to maintain a strong customer and operational presence in the Pilbara in recognition of that region's importance to the State's economy.

The new Regional business brings together the previous Regional, Pilbara and Business Development branches. It will pursue cost effective management strategies, leverage its existing commercial arrangements and develop programs to ensure it retains and expands its workforce to deliver the right outcomes.

Improving Infrastructure

Almost \$250 million in improvements to electricity infrastructure in regional areas will be made through partnerships and commercial arrangements, with a key goal being to replace ageing diesel power plant with more reliable, quality power stations.

Projects already underway include:

- Five new power stations in Marble Bar, Nullagine, Menzies, Laverton and Gascoyne Junction. StateWest Power Pty Ltd, in a \$20 million agreement with Western Power will build, own and operate the new power stations which will use modern diesel generating technology which is cleaner, quieter and more fuel efficient. The power stations are due for completion by the end of 2005. Western Power will upgrade the networks in each of these towns to connect to the new power stations.
- Five new power stations in Broome, Derby, Fitzroy Crossing, Halls Creek and Camballin/Looma, to be constructed and operated by Energy Developments Limited. These power stations will also be significantly more efficient, cleaner and quieter than the current diesel facilities. The power stations are due for completion in late 2006/ early 2007.
- Work has been carried out in Derby, Camballin/Looma and Fitzroy Crossing to upgrade the network in preparation for the new power stations and to improve the reliability of the power system.

- A new power station, to be built and operated by Burns and Roe Worley, in Exmouth is expected to start operation in mid-2006.
- Expressions of interest were called for in December 2004 to build, own and operate a new power station in Carnarvon. The network in the town will also be upgraded before connection to the new power station, which is scheduled to be operational in early 2007. With the expectation that the power station will be gas-fired, it will be more efficient, reliable and environmentally-friendly than the current power station.
- The completion and commissioning of a high advanced wind/diesel system at Hopetoun and the start of construction of a similar system at Bremer Bay.

BENCHMARKS

Reliability Performance

Performance Indicators	2004/05		2003/04
	Actual	Target	Actual
Regional			
SAIDI - Outage duration (minutes) (Total duration of interruptions / customers per year)	289	264	304.2
CAIDI – average duration of incident (Total minutes / average number of customers)	33.8	48	44.0
SAIFI – average number of incidents (Total customers interrupted / average number of customers)	8.5	5.5	6.9
Pilbara			
SAIDI - Outage duration (minutes) (Total duration of interruptions / customers per year)	95	172	43.0
CAIDI – average duration of incident (Total minutes / average number of customers)	61.0	101	93.0
SAIFI – average number of incidents (Total customers interrupted / average number of customers)	1.6	1.7	0.4

FACTS AND FIGURES

Non-Interconnected System*	Fuel	Capacity (kW)	Acquired or Commissioned	Energy Generated 2004/05 (GWh)
Broome	Distillate	18,060	1976	59.1
Camballin	Distillate	888	1976	2.2
Carnarvon	Gas or Distillate	15,265	1981	43.0
Denham	Wind	690	1998	1.6
Denham	Distillate	1,994	1973	3.1
Derby	Distillate	10,180	1973	32.1
Esperance	Wind	5,625	1993,2003	1.8
Exmouth	Wind	60	2002	0.0
Exmouth	Distillate	6,984	1977	19.0
Fitzroy Crossing	Distillate	2,856	1976	11.5
Gascoyne Junction	Distillate	280	1973	0.6
Halls Creek	Distillate	3,204	1970	9.7
Hopetoun	Wind	600	2005	0.6
Hopetoun	Distillate	1,176	1976	2.8
Kununurra	Distillate	12,400	1970	0.1
Lake Argyle	Distillate	180	1985	0.0
Laverton	Distillate	1,724	1994	3.4

Marble Bar	Distillate	1,168	1973	2.2
Menzies	Distillate	350	1977	0.5
Nullagine	Distillate	643	1973	1.2
Wittenoom	Distillate	228	1975	0.1
Wyndham**	Distillate	1,920	2000	0.0
		86,475		195.1
Total		3,499,075		13,875.1

* Western Power purchases electricity from independent power producers in Esperance, Cue, Meekatharra, Mt Magnet, Leonora, Onslow, Sandstone, Wiluna and Yalgoo and the NWIS.

** Wyndham stand-by generating capacity provided with hire plant.

Non Interconnected System and Pilbara - Distribution & Transmission		2004/05	2003/04
Sent out - GWh		760.0	651.4
Line loss - GWh		33.9	19.1
Sold to customers - GWh		726.1	632.3

Pilbara Interconnected System Transmission Lines	Overhead	Underground
220 kV (km)	200	
132 kV (km)	71	
66 kV (km)	149	
33 kV (km)	26	
Pilbara Distribution System		
High voltage mains (km)	352	49
Low voltage mains (km)	169	104
Total transformer capacity (MVA)	158	
Streetlights	3,774	
Regional Distribution System		
High voltage mains (km)	4,376	94
Low voltage mains (km)	536	162
Total transformer capacity (MVA)	256	
Streetlights	7,498	

Environmental Licences

A summary of licences held by Regional facilities is provided below.

Environmental Licence	Total
Western Australia Department of Environmental Protection Licence	3
Department of Industry and Resources Licence to Store Dangerous Goods	16

REVIEW OF FINANCIAL PERFORMANCE

Western Power's net profit after tax for the year to 30 June 2005 was \$206.1 million, which is \$35.4 million lower than last year. Net profit is expected to continue to fall in 2005/06, as we experience the impact of increased competition, higher fuel prices and greater expenditure on the network.

Total revenue was \$1,874.6 million, representing growth of 5.7 per cent above last year. Increased revenue from the sales of electricity was a major driver of this result. Unit sales were 5.5 per cent above the previous year. This is mainly because of strong growth in all sectors and the favorable impact of weather conditions. The year again set new highs for both summer and winter peak demand for energy.

Other revenue was also significantly higher than the previous year, mainly in the areas of Developer and Customer Contributions, State Government tariff migration reimbursements, and external chargeable works. During the year enhanced information systems enabled the Corporation to more accurately estimate the actual percentage of completion for the developer and customer funded activity in the electricity distribution network and resulted in \$30.1 million of revenue being deferred to future accounting periods to be matched with construction progress. This has had an impact on financial performance, and is contrast to previous years where all developer and customer funded capital activity was estimated to be completed within a financial year.

Total expenditure excluding interest and income tax was \$1,430.9 million. Increased energy demand resulted in higher costs for fuel and electricity purchases. Higher fuel prices compared to last year are a major contributing factor and in the last quarter there was a significant increase in consumption of more expensive liquid fuel due to a shortage of gas capacity and unavailability of coal plant.

Labour and materials were higher than last year. Significant materials expenditure was incurred to ensure the company was in the best position for the 2004/05 summer period. Increased external works and large overhaul programs also contributed to the increase.

Total debt has increased by \$124.7 million from the prior year as a result of increased capital expenditure. Capital expenditure was \$430.0 million for the year, an increase of \$119.7 million from the previous year. Major components of this year's program included summer ready initiatives, increased system reinforcement to upgrade transformers to prevent customer outages, and customer funded works.

Gross payments to the State Government for the 2004/05 year totalled \$215.7 million.

FINANCIALS AT A GLANCE

	30/06/05
Sales Revenue	1,615,888
Other Revenue	
Developer and Customer Contributions	109,839
State Government Tariff Migration Reimbursements	8,620
External Chargeable Works	38,525
Total Revenue	1,874,626
Fuel Purchases	
Coal	269,719
Gas	158,624
Fuel Oils	75,406
Capital Expenditure	430,000
Total Debt	2,450,569
Payments to Government	215,652

*Unit - \$'000

ELECTRICITY REFORM

Market reforms are aimed at establishing a new market framework and structure, to support new entrants into the industry and to create more competition to lead to better services and lower prices.

These include:

- An independently regulated and operated wholesale market where retailers and generators can buy and sell electricity due to start on 1 July 2006;
- A new Independent Market Operator will be appointed to run this market and ensure we have sufficient capacity – Western Power generation will retain this role for the next two summers (till 06/07);
- A code of conduct to protect small retail customers has been introduced;
- An electricity ombudsman to be set up in August 2005.

One of the key changes in the new market is that the economic regulator will be responsible for regulating the services and standards delivered by the networks business. This is a big change and one we strongly support.

Western Power's capital and operational expenditure programs will be subject to external scrutiny and challenge, and standards will be set for which the Networks business will be accountable.

Contestability thresholds have been lowered. Some 12,000 electricity customers with a power bill of around \$8,000 or more per year are now able to choose their supplier of electricity.

The disaggregation of Western Power is vital to the reform process. The separation of Generation, Networks and Retail is a key part of the Government's reform agenda. Western Power currently has almost 60 per cent of generating capacity in the State or about 80 per cent of total capacity on the SWIS. However in April 2005, Western Power was directed to reduce, with planned retirements, and hold its generating capacity to 3,000MW as a means of encouraging new private sector entrants into the generation market (a copy of the Ministerial Direction can be found on page 23).

The State Government renewed its commitment to disaggregate Western Power as part of its overall electricity reform program by introducing the Electricity Corporations Bill 2005 into State Parliament, which passed through the lower house in June 2005.

The bill is the last piece of legislation in the State Government's reform package. The Opposition's decision to support the bill has created a level of confidence that the legislation will be enacted to create four separate, stand-alone businesses by 2006, these being: Networks, Generation, Retail and Regional Power.

In anticipation of the passing of the legislation, a comprehensive reform business program has been initiated by Western Power to ensure that each of the new businesses is ready to operate as independent entities by a target date of 31 March 2006.

This program has included a review of current business and operational processes as part of developing new frameworks and organisational structures for each new business.

Much has happened in the past twelve months in relation to the future structure of Western Power and this has provided a much needed clarity and focus for all staff. The corporation is committed to fulfilling the Government's aim to create a competitive electricity market by ensuring that the four new businesses are equipped to be more performance-driven and customer-focused for the electricity market of the future.

OUR COMPANY IN 2005

Western Power is Western Australia's leading energy company and has traded as a corporatised entity since 1995, following our establishment under the Electricity Corporation Act 1994. The Board of Directors is the governing body, reporting to the Minister for Energy, while the Managing Director is responsible for the Corporation's day-to-day operations.

With operations across the State, Western Power owns five major power stations and 23 smaller power stations with a total generating capacity of nearly 3,500 MW. Included in this generation portfolio are seven wind farms, owned and operated by Western Power.

We operate and maintain all except one of our major power stations. Collie Power Station is operated and maintained by a private company.

Western Power's 888,103 industrial, commercial and residential customers are supplied with electricity via two major interconnected networks, the South West Interconnected System (SWIS) and North West Interconnected System (NWIS). Smaller distribution networks supply power to customers in 28 regional towns. Western Power owns and operates power stations in 15 of these towns and purchases power in the others. In addition, Western Power purchases electricity from Independent Power Producers in the Pilbara.

Western Power owns about 56 per cent of electricity generation capacity in Western Australia with the remaining 44 per cent owned by private industry.

Western Power is a valuable State asset with an equity level of \$1.70 billion, assets of \$4.84 billion and an annual revenue of \$1.87 billion.

Western Power pays to the State Government dividends, local government rates and charges and the equivalent of Commonwealth income tax.

Cash payments to government have totalled more than \$1,475 billion since 1995.

Electricity prices have fallen by an average of nearly 20 per cent in real terms over the past decade, with further assurances by the Government at the start of 2005 that there would be no increase in tariff charges for the next four years.

The corporation is focused on the future and that focus includes a strong commitment to sustainable practices and to the development of renewable energy sources.

STATEMENT OF CORPORATE PRIORITIES

Our Statement of Strategic Intent was revised early in the year in line with the new direction and the pending disaggregation of Western Power. Our new Statement of Corporate Priorities provides a focus for our efforts in the immediate future and assists in setting priorities for programs.

Our Seven Corporate Priorities

1. *Demonstrate Operational Strength*
 - a. Improve the reliability, safety and quality of electricity.
 - b. Ensure there is adequate generation capacity to minimise risk of supply interruptions.
2. *Deliver Solid Financial Returns*
 - a. Deliver satisfactory financial return to the shareholder, in line with agreed projections, and which incorporate impacting factors such as the extent of market reform and the agreed supply risk position.
 - b. Invest in the future of our new businesses.
3. *Be Competitive and Customer Focused*
 - a. Develop capabilities to trade successfully in the new market.
 - b. Resolve the commercial issues affecting competitiveness and develop strategies to enhance customer position.
4. *Provide full support for Reform*
 - a. Support the Government in the implementation of its electricity reform program and the development of a competitive electricity market in WA.
5. *Nurture an environment for opportunity and success*
 - a. Shape the organisational structure and business model to allow fast and positive response to the electricity reform program.
 - b. Develop the people capability to tackle a competitive market.
 - c. Ingrain a proactive business culture based on achievement, customer focus and responsibility.
6. *Build market and community respect*
 - a. Build the reputation of Western Power and develop quality relationships with all its key stakeholders.
7. *Maintain strong corporate practices*
 - a. Enhance governance and risk management practices with the new business model.

<<Our organisational structure (graphic layout to be inserted in web version) >>

Corporate Result Areas

Western Power measures its performance against the targets set out in its Statement of Corporate Intent, which is tabled in State Parliament each year.

The targets, while taking into account the company's commitments, are deliberately set higher than expected performance levels to challenge Western Power's people.

Increasing efficiency

Western Power has undergone a period of continued change and significant challenge in the past 12 months including increased competition and restructure in the State's electricity market and the implementation of major changes to the corporation's internal structure.

Electricity tariffs remain unchanged again this year, with average electricity prices reducing by nearly 20 per cent in real terms since 1995.

We have continued to perform well financially, with return on assets, return on equity and our debt to equity ratio all meeting targets set for the year.

Performance Indicators	2004/05		2003/04	2002/03
	Actual	Target		Actual
Benchmark Performance *				
Average unit cost (cents) (Total expenditure before tax / kWh sold)	11.5	10.9	10.7	10.8
Return on capital employed (%) (EBITDA / average non-current assets)	15.6	14.8	17.4	17.2
Debt to Equity Ratio (Capital structure geared to debt)	59/41	60/40	59/41	62/38
Return on equity (Net profit after income tax / total equity)	12.1	11.2	15.1	15.3

* Performance measures are inclusive of significant items which impact on financial results.

Innovative customer service

Listening to our customers is the key to being effectively responsive. Our ultimate success depends upon the enthusiasm and dedication of our own team of people and our people remain the "key ingredient" of our customer service. Every day we service an average of 14,000 of our 888,000 customers across Western Australia, whether by phone, fax, internet or self-service. We also have account managers in daily contact with our larger customers making sure that we satisfy their energy needs.

Performance Indicators	2004/05		2003/04
	Actual	Target	Actual
World Class Customer Satisfaction			
Average customer satisfaction (score out of five)	3.55	3.95	3.8

Listening to our community

Western Power touches the lives of thousands of people every day in communities throughout the State.

We believe we should have more than one role in these communities. Clearly we have our business role, but we have also chosen to contribute where we educate our young people about science, energy and the environment, work with landcare groups to preserve our environment, cultivate the development of sports, and support the arts.

Some of our major community partnerships include:

- Western Power Parkland
- Starlight Children's Foundation
- The Royal Life Saving Society Australia

- Regional Junior Cricket and Netball Programs
- West Australian Symphony Orchestra
- Charity Link

A key education initiative that Western Power has supported since its inception in 1996 is the World of Energy. The World of Energy is an education centre based in Fremantle that provides information about all aspects of Western Australia's energy industry, through the use of interactive displays and multimedia.

The centre offers a range of hands-on, curriculum-based educational programs for primary and secondary students, and has a strong focus on promoting an awareness and understanding of a variety of energy and environmental issues. These programs are offered on-site at the World of Energy and also on request at schools throughout the metropolitan and regional areas.

Caring for our people

The welfare of our people is paramount and we integrate safety in all we do. We manage the risks inherent in the generation, transmission and distribution of electricity to provide a safe and healthy working environment for all our people.

We have more than 2,700 people working for us around the state, including small depots in remote locations, power stations in country towns and head office in the city. To improve the quality of working life and business performance, reduce the risks of illness and injury and to boost well-being, we drive a number of programs and initiatives.

Performance Indicator	2004/05		2003/04	2002/03
		Target	Actual	Actual
Lost Time Injury Frequency Rate (LTIs / million hours worked)	4.5	<5.0	4.1	5.2

Consistent with safety as our core value, in everything we do we first consider the safety of our people, contractors and the public. Our safety performance is reflected in our Lost Time Injury Frequency Rate, which is 4.5, against a target of <5.0. It has been a year of consolidation with the number of medical treatment incidents holding steady, despite additional workloads and pressures placed upon the corporation.

Following the tragic electrocution of a Networks employee in August 2004, safety procedures around the job risk assessment process have been reviewed and strengthened. The SWITCH ON MATE education program, which focuses on the key aspects of safety communication and keeping minds focused on the job, has been delivered to all employees in Networks.

During the year business units have participated in safety audit programs, including an external assessment of Western Power's safety management systems conducted by minRISK Pty Ltd. The four strengthened business units have been working to improve their safety management systems in readiness for disaggregation. Generation has established an integrated Health, Safety, Security and Environment Management System as part of this process.

Facts and figures

State Records Act 2000

Western Power maintains and supports quality recordkeeping practices in its day-to-day business activities. All records are managed according to the requirements of the *State Records Act 2000* and Western Power's approved Recordkeeping Plan. Regular reviews are conducted of the corporate recordkeeping systems and practices to ensure their efficiency and effectiveness. New employees and contractors are provided with information on the recordkeeping 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 requirements.

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 Corporation during the financial year ended 30 June 2005 is disclosed as follows:

Advertising Agencies: \$1,305,788.68 – 303 Advertising, The Brand Agency Pty Ltd, Marketforce Production, Shearman Communications (WA) Pty Ltd, Hermes Precisa Pty Ltd and TMP Worldwide Pty Ltd.

Market Research Organisations: \$1,319,268.71 - Data Analysis Aust. Pty Ltd, Market Equity Pty Ltd and Neo Knowledge.

Media Advertising Organisations: \$2,418,428.56 - Marketforce Production and Media Decisions WA

Total expenditure was \$5,043,485.87

Western Power Workforce

	At 30 June 2005	At 30 June 2004	At 30 June 2003
Generation	523	N/A	N/A
Networks	1,565	N/A	N/A
Regional Power	149	N/A	N/A
Retail	211	N/A	N/A
Shared Services	139	N/A	N/A
Corporate Services	187	N/A	N/A
Total	2,774	2616	2590

*Changes in Western Power's organisation structure required to facilitate the disaggregation of the corporation in 2006 has meant that we are unable to compare yearly employee numbers for each business unit accurately. We have included a comparison of total numbers.

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 value of practical environmental care at all times.

Environmental due diligence in Western Power is provided by a corporate Environmental Management System (EMS) which is driven by an intranet based documentation and management tool (EMISWeb) to facilitate the process of environmental governance and management in the corporation.

Although the EMISWeb has been split to independently service each new entity (after 31 March, 2006), Western Power's environmental due diligence will be maintained up to that point through corporate EMS documentation and reporting to ascertain overall environmental performance.

Environmental due diligence audits were undertaken by internal and external accredited auditors to assess the effectiveness of processes that manage environmental compliance and identify potential liabilities or gaps in these processes. The results of this work revealed that overall environmental performance was high in terms of implementation of specific elements of the EMS and compliance with environmental licences and permit conditions.

ESAA Code audit

As a signatory to the Energy Supply Association of Australia's (ESAA) Environmental Code of Practice, Western Power is committed to the promotion of sustainable development, social responsibility and environmental and resource management in the production and delivery of electricity.

Internal auditors completed the biennial audit of our performance in November 2004. The company's overall score was 4.3 (based on a scale of 0 to 5) compared to the national average score across the industry of 3.8.

Our results indicate that on average, environmental management practices in Western Power have improved to a point where aspects of the corporation's performance demonstrate leadership or industry best practice implementation and functioning of Code actions.

Policy	ESAA overall average score 2004	Western Power Score 2004	Western Power Score 2002
A – Sustainable Development	3.9	4.4	4.2
B – Social Responsibility	3.8	4.5	4.3
C – Environmental Responsibility	3.7	4.2	4.1
D - Resource Management	3.6	4.2	4.2
All Policies	3.8	4.3	4.2

Environmental Incidents

To enable effective corrective and preventative action to be taken, all environmental incidents in Western Power are recorded in our Environmental Management System. In 2004/05, there were no environmental incidents that caused pollution or any significant environmental harm. However six incidents, including three minor licence departures, were reported to the Department of Environment in accordance with the conditions of the operating licences.

Glossary

CAIDI	Total outage duration minutes/average number of customers.
CO₂	Carbon Dioxide.
CO₂e	Carbon Dioxide equivalent The amount of carbon dioxide that has the same global warming effect as a mixture of greenhouse gases.
EMS	Environmental Management System.
EMISWeb	Electronic environmental management information system.
GW	Gigawatt. A measure of electrical power. Equivalent to one million kilowatts.
GWh	Gigawatt-hour. One Gwh = 1000 MWh or one million kilowatt-hours.
ISO 14001	International Standards Organisation 14001. The international standard for environmental management systems.
IEEE	The Institute of Electrical and Electronic Engineers, Inc.
kV	Kilovolt One kV = 1000 volts. A volt is the unit of potential of electric pressure.
kW	Kilowatt. One kW = 1000 watts. A watt is the rate at which electrical energy is produced or used.
kWh	Kilowatt-hour. The standard unit of energy, equivalent to the consumption rate of one kilowatt for one hour. Commonly used as the 'unit' of electrical energy.
MVA	Megavolts-ampere. The product of the voltage rating (kV) and the current rating (kA). Used to represent the rating of electrical equipment such as transformers.
MW	Megawatt One MW = 1000 kW or one million watts.
MWh	Megawatt-hour. One MWh = 1000 kWh.
NO_x	Nitrogen Oxides. A term used for a mixture of nitrogen oxides.
SAIFI	Total customers interrupted/average number of customers.
SO₂	Sulfur Dioxide
Spinning Reserve	The amount of instantly available spare generation capacity on the system at any one moment.
SWIS	South West Interconnected System
SCNRRR	Steering Committee on National Reliability Reporting Requirements
TJ	Terajoule. One TJ = one million, million joules, or 10 ¹² joules. Used to indicate the energy content of gas.

ELECTRICITY CORPORATION ACT 1994

MINISTERIAL DIRECTION

I, Alan Carpenter MLA, acting in accordance with section 66 of the *Electricity Corporation Act 1994*, direct that the corporation must:

- (a) not establish any new or additional generating works (as defined in section 3 of the *Electricity Industry Act 2004*) if those new or additional generating works will cause the aggregate maximum electricity generation capacity (as specified by the manufacturer of each generating works and taking into account any capacity upgrades to those generating works) of all generating works owned by the corporation for the provision of electricity to the South West interconnected system, to exceed, or be likely to exceed, 3000 megawatts in any year, other than:
 - (i) upgrades to existing generating works which are scheduled to commence operations before 1 January 2007;
 - (ii) generating works that generate electricity solely using renewable energy sources; or
 - (iii) generating works which will provide electricity capacity to an electricity system other than the South West interconnected system (as defined in section 3 of the *Electricity Industry Act 2004*); and
- (b) apply for a generation licence (as defined in section 3 of the *Electricity Industry Act 2004*) for each of the Muja A/B generating works, the Kwinana A generating works and the Kwinana B generating works, the duration of which is not to exceed the date of the planned retirement of each generating works (in accordance with a retirement program to be determined by the corporation prior to the date that the corporation applies for a generation licence for the relevant generating works).

Alan Carpenter MLA

MINISTER FOR ENERGY