

**RESPONSE TO QUESTIONS FROM THE BUDGET ESTIMATES COMMITTEE****Monday 10 February 2014****Horizon Power***Question number C1: The Hon Martin Aldridge asked-*

- (1) *Your financial report for 2012-13 was tabled in Parliament. Did you also table your annual report? I guess the next question is why are they separate?*

Answer:

As required by the Electricity Corporation's Act, Horizon Power provided our Annual Report and the Financial Report to the Minister for Energy on 19 September 2013. The Parliamentary website indicates Horizon Power's Annual and Financial Reports were tabled in the Legislative Assembly on 26 September 2013 and the Annual Report tabled in the Legislative Council on 15 October 2013.

The reports were separated in 2010/11 for ease of reading and based on design principals. From 2014 the reports will be combined.

Question number C2: The Hon Martin Aldridge asked-

1. *Page 48 of your annual report lists two special advisors to the board –Mr David Powell and Mr Ian Fletcher. Could you advise the level of remuneration for specials advisors to the board?*

Answer:

The annual remuneration for the 2012/13 financial year for Mr David Powell and Mr Ian Fletcher is \$63220 and \$60957 respectively.

Question number C3: The Chair asked-

- (1) *Can we get a breakdown of each of those benefits and what the value is?*

Answer: The benefits of the Pilbara Underground Power Project have been quantified at Table A1 below and are;

- Reduced time on cyclone Red Alert;
- Increased property values;
- Improved network reliability;
- Reduced vegetation management costs;
- Avoided vehicle collisions;
- Reduced network losses; and
- Avoided capital and maintenance costs.

Table A1 shows the net present values (NPV) of the benefits, and of the project as a whole, including an allocation of the benefits to the project partners. It shows that, overall, new work to be undertaken to complete PUPP has a positive NPV of \$7.5 million.

In addition to the quantitative benefits calculated for PUPP, there are also a number of qualitative benefits for the project such as:

- The upgrade to the Karratha distribution system from 11kV to 22kV if PUPP does not proceed, which will be required if future projects such as the Karratha Health Campus and the Karratha CBD revitalisation are to proceed;
- Improved safety through a reduction in electrical accidents from fallen wires and from live-wire contact with overhead conductors, especially during severe weather events, such as cyclones ;
- Reduced bushfire risk, identified by the 2009 Victorian Bushfire Royal Commission as a significant risk factor associated with overhead power systems;
- Improved nighttime safety for residents through the installation of modern lighting systems with street lights that can be positioned to optimise the lighting of footpaths;
- Improved electricity supply quality with fewer electrical appliances damaged by supply fluctuations and less flickering of lights; and
- More attractive streetscapes with the removal of poles and wires and the planting of more trees.

Table A1

Discounted Cash Flow Analysis

Amounts are NPVs in \$m as at July 2014 using a pre-tax nominal discount rate of 8.0% pa

	Reduced Red Alert time	Increased property values	Improved network reliability	Reduced pruning	Reduced vehicle accidents	Reduced network losses	Avoided O&M	Total benefits	Capital cost	NPV
Karratha	\$31.724	\$27.377	\$8.097	\$0.268	\$0.410	\$0.987	\$17.208	\$86.071	-\$77.908	\$8.163
Roebourne	\$0.286	\$0.245	\$0.073	\$0.002	\$0.004	\$0.009	\$0.151	\$0.770	-\$3.133	-\$2.364
Shire of Roebourne	\$32.010	\$27.621	\$8.170	\$0.270	\$0.413	\$0.996	\$17.359	\$86.840	-\$81.041	\$5.799
Onslow	\$3.040	\$2.638	\$0.776	\$0.026	\$0.040	\$0.095	\$1.674	\$8.289	-\$6.621	\$1.667
Total	\$35.050	\$30.259	\$8.946	\$0.296	\$0.453	\$1.091	\$19.033	\$95.129	-\$87.663	\$7.466

Allocation of benefits

Amounts are NPVs in \$m as at July 2014 using a pre-tax nominal discount rate of 8.0% pa

	Reduced Red Alert time	Increased property values	Improved network reliability	Reduced pruning	Reduced vehicle accidents	Reduced network losses	Avoided O&M	Total benefits	Capital cost	NPV
Shire of Roebourne	\$2.401	\$13.811	\$4.085	\$0.270	\$0.000	\$0.000	\$0.000	\$20.567	-\$18.929	\$1.638
Shire of Ashburton	\$0.228	\$1.319	\$0.388	\$0.026	\$0.000	\$0.000	\$0.000	\$1.961	-\$1.682	\$0.279
Horizon Power	\$0.876	\$0.000	\$0.000	\$0.000	\$0.000	\$0.109	\$1.903	\$2.889	-\$1.699	\$1.190
Royalties for Regions	\$31.545	\$15.130	\$4.473	\$0.000	\$0.453	\$0.982	\$17.130	\$69.713	-\$65.353	\$4.360
Total	\$35.050	\$30.259	\$8.946	\$0.296	\$0.453	\$1.091	\$19.033	\$95.129	-\$87.663	\$7.466

Question number C4: The Hon Alanna Clohesy asked-

(1) Is it possible to get the list of those communities?

Answer: The town-based communities in Horizon Power's service area which have not been regularized are as follows;

Bilgungurr
Emu Creek
Gidgee Gully
Gillaroong
Iragul
Jinparinya
Joy Springs
Karnparri
Koongie Park/Lamboogunian
Mallingbar
Mardiwah Loop
Marmion Village
Nillir Irbanjin
Parnpajinya
Parukupan
Pipunya
Punju Njamal
Tkalka Boorda
Woodgamia

Question number C5: The Chair asked-

(1) Can you tell me how much you actually spent in the 2012-13 financial year on developing renewable and sustainable energy options?

Answer: Horizon Power spent \$401,312 in the financial year 2012-13 on developing renewable and sustainable energy options including the renewable energy buy-back scheme and the high value solar campaign.

Question number C6: The Chair asked-

(1) Do you have figures on how much energy is currently generated within your total networks by renewable energy sources?

Answer

In the financial year 2012/13 Horizon Power generated 3,108,665 KWH of wind and solar power and imported 4,480,000 KWH of solar power into the network. In addition Horizon Power purchased 62,083,063 KWH of Hydro electricity in Kununurra.

Through Independent Power Purchase (IPP) arrangements, Horizon Power obtains generation from wind farms in Esperance, Coral Bay and Hopetoun but does not

have generation data. Further, it should be noted that Horizon Power purchases output, through the Renewable Energy Buy-back Scheme (REBS), energy exported onto the network. REBS system owners would utilise some portion of the renewable energy generated, however Horizon Power does not have visibility of this generation data.

Question number C7: The Chair asked-

- (1) *Can you, on notice, check your records and see whether you have done any risk assessments around it (road trains going into and out of Exmouth)*

Answer:

Horizon Power has not conducted a risk assessment on road trains into and out of Exmouth, though an assessment may have been completed as a part of the original procurement process which pre-dated Horizon Power's establishment. However, under the Power Purchase Agreement the Exmouth Power Station operators are required to ensure it has in place Risk Management Plans which would incorporate transport aspects of its fuel delivery chain.

Question number C9: The Hon. Peter Katsambanis asked-

- (1) *Are you able to provide on notice information as to the exact number of houses in Karratha and the level, job title or designation of the person who has that house allocated to them?*

Answer: See below table

Address in Karratha (Leased by Horizon Power)	Job Title of tenant
Baynton Drive	Horizon Power Controller (works in Control room in Karratha)
Bowerbird Close	Distribution Worker (fixed term)
Ganbar Street	Distribution Worker (fixed term)
Bettong Bend	Works Delivery Coordinator
Jadura Cres	Distribution Worker
Kallama Pde	Access Controller
Lee Avenue	Horizon Power Controller
Matebore Street	Access Controller
Parker Close	Site Supervisor Pilbara Underground Power Project
Rodrigo Court	Horizon Power Controller
Treetop Cres	Site Supervisor Pilbara Underground Power Project
Trevally Court	System Operations Manager
Yirrawari Street	Networks Officer
Cox Close	Manager North West Interconnected System
Murija Ramble	Logistics Officer

Address in Karratha (Owned by Horizon Power)	Job Title of tenant
Austen Loop	Horizon Power Controller
Caporn Way	Power Systems Officer
Collett	Horizon Power Controller
Crockett Way	Horizon Power Controller
Dalton Close	Distribution Worker
Haddon Way	Horizon Power Controller
Hyde Street	Power Systems Officer
Melak Street	Distribution Worker
Middleton Way	Crew Leader
Nelson	Distribution Worker
Snook	General Manager North West Interconnected System
Stanbridge Way	Horizon Power Controller
Stewart Court	Distribution Worker
Wedge Street	SCADA Communications Officer

Question number C10: The Hon. Peter Katsambanis asked-

(1) How can I find this report about complaints on your website. Perhaps you can take it on notice and provide us the information.

Answer: The report can be found on the Horizon Power website under the "about us" section under Governance and Corporate Documents and then clicking on the 2013 code report – Network Quality and Reliability of Supply or by clicking on this link;

http://www.horizonpower.com.au/documents/2013_code_report_Network_Quality_and_Reliability_of_Supply.PDF

In addition, under the same section of the website, Horizon Power publishes performance against obligations under the Code of Conduct for Supply of Electricity to Small Use Customers. This report contains a more comprehensive list of complaints as the Network Quality and Reliability of Supply report only covers complaints as to performance as a Network Operator. This report can also be found by clicking on the following link:

http://www.horizonpower.com.au/documents/2013_code_report_Code_of_Conduct_for_the_Supply_of_Electricity_to_Small_Use_Customers.PDF

Media Release

Horizon Power announces Managing Director Elect

Horizon Power has announced its intention to appoint Frank Tudor as Managing Director following the resignation of Rod Hayes from the role in December 2010.

Frank joined Horizon Power in 2006 as General Manager Commercial and Strategy, after a long and successful career in the oil and gas industry with BP and Woodside.

Frank has been the National Chairman of the Board and National President of the Australian China Business Council since November 2008, and a lecturer at UWA on oil and gas economics and law for the last 10 years.

Frank will report directly to Chairman Brendan Hammond. Frank's permanent appointment to the role is subject to various legislative requirements the business is working through with government.

'Frank's breadth of experience will prove invaluable in his new role,' Mr Hammond said.

'The Board and I look forward to working with Frank and the Horizon Power team to create intergenerational asset wealth in regional Western Australia what is undoubtedly one of the most exciting times in the State's economic history.

Frank will work closely with senior management across the business to continue to improve the way it services its customers through a focus on the reliability and safety of power supplies in regional Western Australia.

-ends-

Media contact

David Tovey, 1800 799 745

Notes to editors

About Frank Tudor

Frank Tudor has held various executive management roles over the last 25 years in the European, Asian and Australian oil, gas and power industries. Before joining Horizon Power he worked with BP managing commercial issues to develop gas interests in PNG for the Chinese energy market. He also worked for Woodside where he was responsible for managing business development activities.

Frank, for the last 10 years, has also been a part-time lecturer in oil and gas economics, and oil and gas legal frameworks at the University of Western Australia and is also the Vice Chairman of the Chamber of Commerce & Industry's (CCI) Energy & Resources Forum.

Frank holds first class degrees in engineering, economics and business administration from Curtin University (WA), London School of Economics (UK) and the AGSM (University of NSW). Frank also completed the eight week Advanced Management Program at Harvard Business School in September and October 2008.

Frank is Chairman of the Board and National President of the Australia China Business Council.

About Horizon Power

Horizon Power is the pre-eminent supplier of energy solutions to remote and regional Western Australia. We are a State Government-owned, commercially-focused power company that provides quality, reliable power supplies to more than 43,000 residents and businesses across regional Western Australia. We are responsible for generating, procuring, distributing and retailing electricity.

Horizon Power manages one major interconnected system, the North West Interconnected System (NWIS), and 36 non-interconnected or islanded systems in regional towns and remote communities.

Our service area, everything outside of the south west corner of the State, is 2.3 million square kilometres and covers the Kimberley, Pilbara, Gascoyne, Mid West and southern Goldfields (Esperance) regions.

Horizon Power operates from a head office in Karratha in the Pilbara region and has additional offices in Kununurra, Broome, Port Hedland, Carnarvon, Esperance and Perth.

We believe our corporate responsibility is to contribute lasting economic, social and environmental value to the communities we serve and we do this by working in a professional, agile and engaged manner.