STATEMENT OF CORPORATE INTENT

This Statement of Corporate Intent (SCI) is prepared in accordance with Part 5 of the 
Electricity Corporations Act 2005.

This document reflects the business intentions of the Regional Power Corporation, trading as 
Horizon Power, for the 2012/13 financial year.

Consistent with the requirements of section 99 of the Act, this SCI outlines the objectives, 
functions, main undertakings and performance targets for the year, the community service 
obligations required of the business, the dividend and accounting policies to apply and the 
information to be provided to the Minister.

The SCI is consistent with the Corporation's Strategic Development Plan (SDP) 2012/13 to 
2016/17. The SDP sets out Horizon Power's economic and financial objectives and 
operational targets over the medium term, and the commercial strategies and initiatives it will 
pursue.
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1. CHAIRMAN AND MANAGING DIRECTOR’S INTRODUCTION

Horizon Power is Western Australia’s leading regional power supplier and occupies a pivotal role in the continued development of regional infrastructure to support the State’s booming primary industry growth. Horizon Power’s 2012/13 Statement of Corporate Intent (SCI) has been prepared in accordance with the Electricity Corporations Act 2005 (the Act) and covers the period 1 July 2012 to 30 June 2013. The SCI outlines key business strategies to address Horizon Power’s risks and opportunities.

The business strategies and supporting processes have been developed to maximise long-term environmental, social and economic value provided to regional communities by Horizon Power’s people and assets.

In delivering on our commitments, Horizon Power has identified the following key challenges facing the business over the next year:

- Continuing to maintain our safety and reliability standards against a backdrop of regular extreme weather events and remote access challenges;
- Keeping our cost of supply at efficient levels and hence minimising the impact to costs and State funding burden;
- A firm commitment to delivering Government efficiency targets in spite of hyper-inflationary cost pressures in the North West; and
- Coordinating and facilitating provision of emergent energy needs in the North West where there are extreme supply and demand variables.

Horizon Power is committed to delivering the Government’s cost efficiency targets and to continue to work productively with our key stakeholders to deliver the best outcomes for the State and for our customers.

Horizon Power’s corporate values provide a set of principles which guide behaviour and business operations. At Horizon Power we value:

- Safety;
- Empowerment;
- Quality relationships;
- Leadership;
- Integrity; and
- Delivery on Commitments.

Brendan Hammond
Chairman

Frank Tudor
Managing Director Elect

29 June 2012
2. OUR BUSINESS

Horizon Power is the leading regional vertically integrated energy business providing energy solutions to residential, business and industrial customers living and operating throughout regional Western Australia. Horizon Power's service area is vast, covering 2.3 million square kilometres outside the South West Interconnected System, serving over 43,000 customers, more than 100,000 residents and 8,000 businesses extending from Kununurra in the north to Esperance in the south.

The rapid growth in the North West of the State has put unprecedented pressure on Horizon Power to accelerate through a "step-change" in order to meet rapid resource expansion as well as continue to improve services to our remote communities, some with fewer than 100 people.

Horizon Power manages a diverse set of power systems, ranging from the large North West Interconnected System to a number of small non-interconnected systems fuelled by diesel, gas, liquefied natural gas, compressed natural gas and diesel/wind and diesel/solar hybrids.

Horizon Power sources most of the power it supplies from independent power producers (IPPs). These contracts represent in excess of 90% of Horizon Power's cost base which presents challenges in managing IPP contracts to ensure that the right social, environmental and economic outcomes are achieved.

Horizon Power's electricity network currently comprises 36 interconnected and isolated networks (with 33 managed by IPPs), over 44 transmission, zone and distribution substations connected by 7,173 kilometres of underground and overhead transmission and distribution lines.

Horizon Power has regional offices located in Perth, Esperance, Carnarvon, Karratha, Port Hedland, Broome and Kununurra which allows us to provide expertise and responsive service delivery to our customers in communities throughout regional Western Australia.

Our Board of Directors
- Brendan Hammond (Chairman)
- Lynne Craigie
- Ian Mickel
- Ron Johnston

Advisors to the Board
- David Powell (Chairman of the Audit and Risk Committee)
- Ian Fletcher

Our Corporate Executive Team
- Frank Tudor (Managing Director Elect)
- Ziggy Wilk
- Ted Brereton
- Steve Devon
- Ben Hamilton
- James Deacon
- David Tovey
- Pete Feldhusen
3. CORPORATE STRATEGY

This SCI addresses the priorities for the 2012/13 year. Horizon Power’s strategic planning framework is based on a five-year period, encompassing the Strategic Development Plan period of 2012/13 to 2016/17 and a longer-term business outlook. This ensures that business objectives are developed based on what is required to deliver energy solutions for current and future generations of regional Western Australians.

Horizon Power will maximise social value through better understanding and anticipating customer needs and will work closely with customers to provide them with an energy service that is cost efficient, safe and reliable.

Horizon Power will continue to work with customers and stakeholders to reduce greenhouse gas emissions and decrease the cost of electricity by managing customer usage during peak demand periods.

Achieving business excellence in asset management and further enhancing the network will enable Horizon Power to better provide a cost efficient, safe and reliable service for our customers.

Horizon Power continues to have a strong focus on delivering safe, reliable, efficient and cost effective services to our customers while building stakeholder value. In line with this commitment, Horizon Power is committed to achieving the efficiency savings target set by the Western Australian State Government.

3.1. Major Projects and Business Priorities for 2012/13

Horizon Power has assessed its business objectives based on what is required to deliver energy solutions for current and future generations of regional Western Australians. Horizon Power undertakes to complete its current projects which include:

- Risk Management Strategy, encompassing the Asset Management Plan: This project addresses the safety and regulatory obligations of an asset manager with ongoing asset replacement that will significantly affect the reliability of networks and Horizon Power’s ability to service its customers. The Asset Management Plan incorporates the provision of electrical infrastructure to support the development and enhancement of communities with regional Western Australia by addressing safety issues, ensuring regulatory compliance, reliability and capacity of all Horizon Power’s networks and the continued management and maintenance of Horizon Power's commercial and residential properties to ensure safe, fit-for-purpose properties with sufficient capacity to meet business requirements throughout Western Australia.

- Pilbara Undergrounding Power Project: replaces overhead networks with underground networks in Karratha, South Hedland, Onslow and Roebourne. The project will increase the reliability of power supply in the Pilbara and will dramatically reduce outages during and after adverse weather events.

- Karratha Temporary Generation Project: temporary generation solution to meet the forecast load requirements in the Pilbara and will deliver an additional 20 megawatts of generation in the North West Interconnected System (NWIS) located in Karratha.

- Horizon Power is also working with the Government on the Pilbara Power Procurement Project to meet a longer term solution to the growing demand from customers in the Pilbara Region.
• Aboriginal Remote Community Power Supply Project: regularisation of remote communities under this program will be completed in 2012 after the construction of power stations in Kalumburu and Yungngora. The new networks and power stations greatly improved safety, health, wellbeing and economic outcomes for remote communities and Horizon Power continues to explore funding options to continue supporting regional development.

• Mungullah Power Station in Carnarvon: The power station will be able to incorporate renewable energy in future years and has been designed to continue operation during adverse weather events.

• Wood Pole Management: The ongoing state-wide program to reinforce and/or replace ageing wood poles. The program has commenced in the Esperance and Gascoyne/Mid West regions and since 2006, Horizon Power has replaced 2,000 wood poles with steel poles as part of the Esperance Network Rural Upgrade Program; replaced 1,690 wood poles with steel poles as part of the Esperance Single Phase Program; and will be replacing 2,229 wood poles with an age greater than 40 years by 30 June 2013. In addition, Horizon Power will be reinforcing in excess of 6,000 poles with an age greater than 25 years.

• Renewable Energy: Horizon Power is investigating the economic feasibility of including alternative energy sources, such as wind, hydro and solar, into its long-term energy strategies.

• Square Kilometre Array: Construction of a hybrid diesel/solar photovoltaic power station for the Murchison Radio-astronomy Observatory Power Station project, in partnership with the CSIRO, and with funding from the State Government ($15.5M, of which $10M is provided through the Royalties for Regions Mid West Investment Plan).

• Onslow Network Connection Assets: Horizon Power will be upgrading the electricity distribution network in the town of Onslow during 2012/13 and 2013/14. These upgrades are essential to connect the new power station to provide essential infrastructure to accommodate the forecast population growth in Onslow.

• Fuel procurement strategy: Horizon Power continues negotiations with gas suppliers for supply post the expiration of contracts in 2016.

• Business Transformation: Horizon Power continues the implementation of the program to remove legacy IT systems and replace them with systems better suited to the integrated regional operations.
3.2. Corporate Objectives

For 2012/13, Horizon Power's corporate objectives are to:

- Set and meet customer expectations for service delivery while delivering social and environmental value to the community.
- Be a high performing and commercially focused organisation delivering economic value within a sound corporate governance framework.
- Where practicable improve network performance across security, quality, reliability and availability of supply.
- Deliver the works program on time and on budget through innovation, technology, standardisation, design and packaging.
- Further improve productivity and efficiency through continuing to embed and enhance the new organisational structure.
- Target zero injuries with our workforce and the wider community.

4. PERFORMANCE MEASURES

Horizon Power has established a balanced set of key critical business outcomes to measure our success in delivering its social, environmental and economic benefits. The performance targets contained within this SCI are consistent with the organisation's Strategic Development Plan. These are not the only indicators that will be measured by the organisation but represent the key strategic measures of success.

<table>
<thead>
<tr>
<th>Critical Business Outcomes</th>
<th>2011/12 Target</th>
<th>2012/13 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost to Supply Unit Cost (cents / kWh)</td>
<td>33.4</td>
<td>35.2</td>
</tr>
<tr>
<td>Operational Unit Cost (cents / kWh)</td>
<td>NA</td>
<td>12.5</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Survey Rating (%)</td>
<td>80</td>
<td>70</td>
</tr>
<tr>
<td>Reliability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reliability Performance of each system</td>
<td>32 / 38</td>
<td>33 / 40</td>
</tr>
<tr>
<td>Employee Safety</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lost Time Injury Severity Rating</td>
<td>58</td>
<td>58</td>
</tr>
<tr>
<td>Public Safety</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total number of Notifiable Public Safety Incidents</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>Regularised Towns</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Remote and Indigenous Communities regularised per year</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Emissions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greenhouse Gas Intensity (kg CO2-e / kWh sent out)</td>
<td>0.65</td>
<td>0.65</td>
</tr>
<tr>
<td>Return on Assets (%)</td>
<td>NA</td>
<td>-11.1</td>
</tr>
<tr>
<td>NPAT ($M)</td>
<td>NA</td>
<td>-198.0</td>
</tr>
<tr>
<td>Excludes operating subsidies including Government subsidies and subsidy from the Tariff Equalisation Contribution collected from SWIS customers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Efficiency Dividend</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Incorporates the Minister's 5% Efficiency Dividend (2011/12) plus the GTE Efficiency in 2012/13</td>
<td>6.2</td>
<td>9.6</td>
</tr>
</tbody>
</table>
5. COMMUNITY SERVICE OBLIGATIONS

Section 99(1) of the Act defines 'community service obligations' (CSO) 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'.

Horizon Power receives payments or subsidies for a number of services or obligations including:

- Remote Service Extensions such as ARCPSP Stage 1 and Stage 2: ensures regularised communities receive the same quality, reliability and cost of power as customer in the South West and other regional areas. Horizon Power receives funding for the operating shortfall for regularising these communities.
- Air Conditioning Allowance: provided to eligible customers to assist with the costs of air conditioning from August to May depending on the town.
- Coral Bay Electrical Supply: Horizon Power receives a subsidy for the operating shortfall for the community of Coral Bay.
- Dependent Child Rebate: Supports customers who receive concessions with the increased energy cost of raising children.
- Cost of Living Payment: Replaces the Supply Charge Rebate and assists concession card holders in paying their electricity bills.
- Feed-In-Tariff (FiT): Horizon Power administers the scheme on behalf of the State Government via the Public Utilities Office and receives a subsidy from Government to compensate for the operating cost of the scheme.
- Tariff Adjustment Payment: compensates Horizon Power for the difference between the cost-reflective price of electricity in the South West Interconnected System (SWIS) and the uniform tariff paid by customers.
- Tariff Migration: The A2 subsidy compensates Horizon Power for the difference between charging Caravan Park residents the residential tariff (A2) instead of the commercial rate while the L2 subsidy relates to the supply of State Government departments at reduced commercial rates equivalent to those paid by Government departments in the SWIS.

<table>
<thead>
<tr>
<th>Operating Subsidies</th>
<th>2012-13 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aboriginal and Remote Communities Project – Stage 1</td>
<td>9,827</td>
</tr>
<tr>
<td>Aboriginal and Remote Communities Project – Stage 2</td>
<td>5,109</td>
</tr>
<tr>
<td>Air Conditioning Allowance</td>
<td>421</td>
</tr>
<tr>
<td>Coral Bay Electricity Supply</td>
<td>2,246</td>
</tr>
<tr>
<td>Dependent Child Rebate</td>
<td>430</td>
</tr>
<tr>
<td>Cost of Living Assistance</td>
<td>824</td>
</tr>
<tr>
<td>Feed-In Tariff</td>
<td>38</td>
</tr>
<tr>
<td>Tariff Adjustment Payment</td>
<td>36,605</td>
</tr>
<tr>
<td>Tariff Migration – Movement to L2 and A2 Tariff</td>
<td>1514</td>
</tr>
<tr>
<td>Total</td>
<td>57,037</td>
</tr>
</tbody>
</table>

Horizon Power is committed to working with the government to minimise the cost to government arising from CSO payments while achieving the best outcomes for our customers and shareholders.

6. FINANCIAL PLAN

Horizon Power is in the process of transitioning itself from a purely government regulatory service provider to a more commercially viable and economically sustainable
business. This transition involves the management of a more commercial Balance Sheet, to ensure that the business has the required asset base to create lasting shareholder value - economically, environmentally and socially. The benefits of building an economically sound asset base to be able to respond and adhere to the current and future legislative, safety and capacity issues facing the business is a critical step to solidifying the continued success of Horizon Power in the future.

All financial information provided in this document aligns to the approved financial position as reflected in the State Budget Forecast.

6.1. Operating Expenditure
Horizon Power's operating expenditure over the period is forecast to increase, driven primarily by price escalations, which are offset by reduced maintenance and faults costs as the benefits of the Pilbara Undergrounding Power Project are realised. The operating expenditure for the period is shown in the table below.

<table>
<thead>
<tr>
<th>Labour and Materials</th>
<th>2012-13 ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour</td>
<td>65.1</td>
</tr>
<tr>
<td>Materials and Services</td>
<td>76.8</td>
</tr>
<tr>
<td>Total</td>
<td>141.9</td>
</tr>
</tbody>
</table>

6.2. Capital Investment Plan
Horizon Power's capital expenditure program for 2012/13 is forecast at $258.2M, as shown in the table below.

<table>
<thead>
<tr>
<th>Major Projects</th>
<th>2012-13 ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Asset Management Plan</td>
<td>65.1</td>
</tr>
<tr>
<td>Non-Energy Asset Management Plan</td>
<td>4.8</td>
</tr>
<tr>
<td>Mungullah (Carnarvon) Power Station</td>
<td>29.5</td>
</tr>
<tr>
<td>Karratha Temporary Generation Project</td>
<td>36.4</td>
</tr>
<tr>
<td>Murchison Radio-Observatory Power Station</td>
<td>14.5</td>
</tr>
<tr>
<td>Pilbara Underground Power Project</td>
<td>53.3</td>
</tr>
<tr>
<td>Knowledge and Technology projects</td>
<td>9.7</td>
</tr>
<tr>
<td>Port Hedland Road Crossings Project</td>
<td>5.3</td>
</tr>
<tr>
<td>Aboriginal and Remote Communities Project Phase 2</td>
<td>13.2</td>
</tr>
<tr>
<td>Town Reserves Regulation Project Phase 3</td>
<td>3.6</td>
</tr>
<tr>
<td>Cape Lambert Transmission Towers</td>
<td>7.8</td>
</tr>
<tr>
<td>Onslow Power Station Network Connection Assets</td>
<td>3.7</td>
</tr>
<tr>
<td>Minor customer driven works</td>
<td>10.1</td>
</tr>
<tr>
<td>Other minor projects</td>
<td>1.2</td>
</tr>
<tr>
<td>Total</td>
<td>258.2</td>
</tr>
</tbody>
</table>

Funded by

| Borrowings                                      | 228.3    |
| Externally Funded                               | 29.9     |
| Total                                          | 258.2    |

6.3. Loan Guarantee Fee
As a part of the 2012/13 Budget the Loan Guarantee Fee has been increased by 0.5%. This increase has been applied to all current and future borrowings from the West Australian Treasury Corporation (WATC) and is effective from 1 July 2012.
7. DIVIDEND POLICY

Horizon Power endeavours to comply with the Government's dividend policy of 65%, to be paid from after tax profits, subject to cashflow. Dividends are typically declared in consultation with the Minister, and paid in the following year based on previous year actual results.

8. ACCOUNTING POLICIES AND GOVERNMENT STANDARDS

Horizon Power's accounting policies are applied consistent with of the Electricity Corporations Act (2005) WA. Financial statements adopt the historic cost convention and reflect the accrual basis of accounting. Consistent with the State Budget, the projected financial outlook is in accordance with the International Financial Reporting Standards.

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

- Government of Western Australia: Corporate Governance Guidelines for Western Australian Public Sector CEOs.
- Public Sector Commission Good Governance Guidelines; and
- OECD Principles of Corporate Governance.

Although Horizon Power is not obliged to comply with the ASX Guidelines, the business has committed to adopt best practice principles and practices that are in the best interests of its stakeholders.

9. MINISTERIAL REPORTING

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

9.1. Quarterly Report

Horizon Power will provide a report on performance for each three month period to the Minister for Energy and the Western Australian Treasurer. These quarterly reports will detail actual quarterly and year-to-date performance of the business, provide comparisons to SCI targets, and highlight any significant issues. The business will submit the quarterly reports in accordance with the requirements of section 106 of the Electricity Corporations Act 2005.

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

9.2. Annual Report

Horizon Power will prepare and deliver an annual report on its performance for the full year to the Minister for Energy. The report will follow the end of the financial year and will be provided to the Minister for Energy in accordance with the requirements of section 107 of the Electricity Corporations Act 2005. The report will include:
• Consolidated statutory financial statements and other statutory information required of any company under the Corporations Law;

• An overview of major achievements and an appraisal of future prospects;

• A comparison of performance with Statement of Corporate Intent targets; and

• Other information required by the Act to be included, such as the particulars of any directions given by the Minister for Energy.

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; and

• Any information in Horizon Power’s possession requested by the Minister.