Addendum to 2010/11 Annual Report

This is an addendum to the 2011 Annual Report of Western Power.

Page six of the Chairman’s Review discusses Western Power’s commitment to ensuring the safety of the community through steadily increasing the rate of investment to replace certain parts of the network, in particular wood poles. The Managing Director’s Review also alludes to this issue (see page ten).

This addendum is intended to clarify and expand on these statements.

Addendum to the Operational Performance review

The following is by way of addendum to the Managing the Network section of the Operational Performance review.

Western Power recognises the importance of ensuring that the scale of future investment to address the condition of wood pole network is such that it will meet public safety requirements and stakeholder expectations. Specifically, it is currently an imperative for the company to replace or reinforce, as soon as practicable, any pole that no longer has a sufficient safety margin of strength as a result of deterioration. This is evidenced by the material increase in investment in replacing and reinforcing wood poles, particularly since 2008/09 as indicated in the graph below. The company’s plans for investment in replacements and reinforcements in 2011/12 is also as depicted below.

Wood pole replacement and reinforcement volumes

Note: 2006/07 and 2007/08 figures exclude transmission replacement and reinforcement numbers

Wood poles have an estimated average service life of approximately 40 years. Western Power’s Network comprises approximately 630,000 poles, of which more than 200,000 are over this age. Most of these poles are approaching the end of their safe and useful life and will require replacement or reinforcement in the near future. This will require a material investment escalation. The above graph shows Western Power has already been acting in earnest in dealing with this deteriorating pole population, by almost doubling the number of wood poles replaced or reinforced from 12,555 in 2007/08 to 23,838 in 2010/11.
Notwithstanding this increased level of investment, Western Power proposes to further increase its wood pole programme in the forthcoming AA3 submission to reduce the incidence of unassisted pole failures.

Western Power is preparing to lodge its AA3 submission with the Economic Regulation Authority which sets out the Company's proposed investment plan for the next five years as required under the Electricity Networks Access Code. This submission will propose a total investment of $8.523 billion over the five years commencing 1 July 2012 comprising capital expenditure of $5.810 billion and operating expenditure of $2.714 billion. This includes $1.222 billion relating to safety, comprising:

- $748 million to replace and reinforce 164,000 wood poles across the network, which reflects Western Power's sense of urgency in addressing the risk of unassisted failure of wood poles.
- $474 million addressing other high risk public safety issues, including power line failures, mitigating bush fires and replacing service lines connecting homes and businesses.

The replacement and maintenance of wood poles is a continuous investment challenge for all network companies. Moreover, as pole audit and inspection standards are improved and refined in conjunction with the respective safety regulators, this challenge may require even greater attention and investment in future years for the Western Power network.

The ERA is expected to provide its draft decision in the first quarter of 2012.

Addendum to the Directors' Report

The following is by way of addendum to the Likely Developments section of the Directors' Report (see page 57).

- The Directors note that Western Power's AA3 submission seeks a substantial increase in investment to support increasing rates of replacement and reinforcement of aging wood poles in use across the network. This is a significant, but necessary investment that reflects Western Power's sense of urgency in addressing the risk of unassisted failure of wood poles. Further details are provided in the Managing the Network section of the operations performance review contained within this Annual Report.

Electricity Networks Corporation (Western Power)

This addendum was issued on 26 June 2012 (see Board resolution no. 042/2012/BD)

For further information contact:

Signed

John Cahill
Acting Board Chair & non-executive director
Email: john.cahill@westernpower.com.au

Signed

Paul Underwood
Non-executive director
Email: paul.underwood@westernpower.com.au