Statement of Corporate Intent
2015/16
STATEMENT OF CORPORATE INTENT

This Statement of Corporate Intent (SCI):

1. is prepared in accordance with Part 5 of the *Electricity Corporations Act WA* (Act)
2. reflects the business intentions of the Electricity Networks Corporation, trading as Western Power for the 2015/16 financial year
3. complies with section 99 of the Act by outlining Western Power’s 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
4. is consistent with Western Power’s Strategic Development Plan (SDP) 2015/16 to 2019/20. The SDP sets out Western 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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SECTION 1
WESTERN POWER OVERVIEW

BACKGROUND

Western Power is a publicly owned State Government Trading Enterprise (GTE) governed by an independent Board that reports through the Minister for Energy to Parliament. Western Power is responsible for the safe, reliable and affordable transmission and distribution of electricity in the south west of Western Australia.

This Statement of Corporate Intent (SCI) documents the level of performance for the 2015/16 financial year agreed between Western Power and the Minister for Energy, with the concurrence of the Treasurer. It is prepared in accordance with the requirements of the Act.

This SCI has been prepared with respect to the Western Power Strategic Plan 2012/13 – 2016/17.

WESTERN POWER OVERVIEW

Western Power builds, maintains and operates the electricity network throughout the majority of south Western Australia. It provides safe, reliable and affordable access to electricity to over one million connected customers including homes, businesses, schools and hospitals.

The South West Interconnected Network (SWIN)

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

Western Power has a uniquely large, remote and low density population catchment for a stand-alone network. Western Power’s line length is approximately 98,000kms. With one million customer connections, the network is less dense than OECD\(^1\) peers. This presents challenges for continuing to deliver a safe and reliable customer service as efficiently as possible.

Western Power's commitment is to connect customers with electricity today and in the future, in turn, continuing to provide an essential service which supports the living standards of the Western Australian community and the economic development of the State.

\(^1\) Organisation for Economic Co-operation and Development
Western Power’s Strategic Framework outlines the fundamental building blocks of its Strategy; Orientation, Purpose, Values, Objectives and KPIs.

**Figure 2: Western Power’s Strategic Framework**

Customer-orientation is the cornerstone of the Strategic Plan with three primary objectives; connecting people with electricity in a safe, reliable and affordable way. Success will be measured by the experience Western Power customers receive at every interaction.

**VALUES**

Western Power’s values are a key component of its culture. Western Power’s values are:

- **Safety:** In everything we do, we are committed to putting safety first
- **Delivery:** We deliver on our promises
- **Integrity:** We are open, honest and consistent
- **Service:** We are a service business
- **Respect:** We respect ourselves, others and the environment

**OBJECTIVES**

Western Power’s objectives are aligned to what is important to our customers. Delivery of these objectives is underpinned by investment in the State’s infrastructure of approximately $1.7 billion in 2015/16.
SECTION 2
BUSINESS CONTEXT

The Western Power Network has undergone significant expansion since disaggregation in 2006, primarily in capacity (to meet an increase in peak load) but also in “reach” to accommodate new suburbs and new businesses. The Network was largely built prior to 1965, suggesting many of our assets are at least 50 years old. Following several periods of growth the Network is now going through an asset replacement cycle. The challenge for Western Australia is to balance the need for this investment to enable safe, reliable and affordable electricity to customers with the current State Budget fiscal constraints. A significant and sustained effort is required by Western Power to manage this replacement cycle in a changing environment impacted by the emergence of new technologies, whilst meeting customer expectations.

Ongoing electricity price rises remain a concern to customers, governments and regulators, who play key roles in balancing economic and community impacts while ensuring security of electricity supply.

KEY ACHIEVEMENTS

**OUR STAFF**

- **Safety first**: Western Power continues to invest in sustaining a positive safety culture that is inherent in everything we do. Lost Time Injury Frequency Rate (LTIFR)\(^2\) of 0.8 (target of 1.8). Total Recordable Injury Frequency Rate (TRIFR)\(^3\) was 7.6 (target of 9.0) at the end of 2013/14. Unfortunately, a tragic incident occurred on 4 April 2014 resulting in a fatal injury to a Downer Engineering employee at a Downer site on the Mid-West Energy Project. Workforce safety has improved in 2014/15 with TRIFR of 7.3 (target 8.1) at March 2015.

**OUR CUSTOMERS**

- **Mobile outages app** launched to keep customers informed about restoration times and progress during planned (e.g. maintenance) and unplanned outages (e.g. storms).
- **Corporate reputation maintained** for residential customers (‘good’) RT&T Corp Reputation research, March 2015.
- **New customer service strategy** developed to support our orientation of serving customers.

**OUR REGULATORS**

- **Record operational performance**: Treatment of 91,352 wood poles in 2013/14; a 36% increase in replacements and a 40% increase in reinforcements compared to 2012/13. Forecast to treat 75,820 wood poles during 2014/15, of which 53,024 has been delivered as at March 2015 YTD.

**OUR OWNERS**

- **Successful delivery of the annual works program in full** of $1.427 billion in 2013/14 and delivery of $939.6M as at March 2015 YTD\(^4\).
- **Embedding the new operating model** to drive increased efficiency and a more accountable and responsive culture.
- **ERA Efficiency Target**: Lower operating expenditure year-on-year reduction for two consecutive years. In 2013/14 operating expenditure (excluding restructuring costs) 27.4 million lower compared to 2012/13. These reductions enabled Western Power to meet the ERA operating efficiency target for a second consecutive year.
- **Net profit after tax (NPAT)** for 2013/14 of $202.9 million, 6% higher than previous year. March 2015 YTD $273.1M
- **Return on assets** of 2.4% outperforms the target of 1.8% in 2013/14. March 2015 YTD 2.1%

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2 LTIFR is a measure of total workforce lost time injuries per million hours worked and is an accepted measure of organisation safety performance for benchmarking purposes

3 TRIFR is a Key Performance Indicator that measures the number of injuries resulting in medical treatment, a lost work shift or restricted work duties per million hours worked

4 March YTD figures are from unaudited internal management reports
OPERATING ENVIRONMENT

The operating environment presents a number of challenges and opportunities for both Western Power and its stakeholders. The key factors influencing the business are as follows:

Electricity Market Review (commenced by the Public Utilities Office in 2014)

The Electricity Market Review has the potential to reshape Western Power’s future operating environment, depending on the outcomes. Western Power made a submission which highlighted the challenges of an ageing network facing a phase where significant asset replacement is required. In a shifting electricity paradigm, a healthy network will remain a key requirement for the market to operate effectively and efficiently. Western Power supports changes to the current electricity market operating model where there are benefits across the market supply chain to improve affordability of electricity for the customer.

Western Power is currently considering the impacts of the EMR on the next Access Arrangement (AA4) process.

Customer perspective

Customer expectations continue to increase in terms of our performance, timeliness of our communication, new technologies and an expectation of uninterrupted electricity supply. In 2013-14 we improved our customer’s experience with 78 per cent of customers rating their experience as positive or neutral.

Most of our customers see Western Power as having a generally good reputation, recognising that electricity is an essential and valuable service. Western Power continues to build on customer orientation to ensure alignment between our organisational values and the experience our customers have when dealing with us. Western Power seeks to grow the opportunities to better understand the changing needs and expectations of our customers through our Customer Service Strategy.

Electricity price

When compared nationally, Western Power ranks the third lowest network cost per customer (see Figure 3).

Age of the Network

Western Power’s Network was largely built prior to 1965, suggesting many of our assets are at least 50 years old. Presently, Western Power is in an asset replacement phase of its network’s lifecycle given the age and condition of many of the assets. The key challenge is the effective management of this asset replacement phase.

Network Capacity

The Western Power Network successfully supplied a peak demand of 3,514 MW during summer 2013/14. While peak demand is expected to increase marginally over the longer term (less than one per cent per annum over the next four years5), there are areas of the network where demand projections exceed current capacity. Of 15 transmission load areas, the following five areas require capacity expansion:

- Eastern Goldfields: Driven by mining companies seeking new connections or changing their electricity supply from local gas generation to electricity due to the increase in gas prices

5 Calculated as a compound annual growth rate (CAGR)
- **Mandurah and Bunbury**: Driven by new residential estates and associated infrastructure development
- **East Perth**: Driven by residential and commercial development
- **North Country**: Driven by mining companies seeking new connections

Western Power undertakes studies to ensure the timely construction of upgrades to meet the increased demand in these areas. These projects are typically designed and executed over a three to five year period.

**Public Safety**

Electricity by nature is hazardous and addressing potential safety risks of the network is a core focus of the business. Western Power is committed to creating greater public safety awareness.

During the year 201 public safety incidents were recorded - an increase on the previous year. This equates to a rolling 12 month average of 16.5 incidents per month (12.2 in 2012/13), against an annual target of 9.5. Table 1 shows the specific incident break down.

**Table 1: Public Safety Incidents**

<table>
<thead>
<tr>
<th>Public Safety Incident Type</th>
<th>2013/14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fire/damage caused by Western Power assets</td>
<td>118</td>
</tr>
<tr>
<td>Vehicle, plant or equipment contact with the Western Power Network</td>
<td>75</td>
</tr>
<tr>
<td>Injury to people requiring medical treatment or livestock fatality from inadvertent contact with the Western Power Network</td>
<td>6</td>
</tr>
<tr>
<td>Injury (requiring medical treatment) from electric shock <em>if caused by the Western Power Network</em></td>
<td>0</td>
</tr>
<tr>
<td>Energy Safety Order or reported defect</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>201</strong></td>
</tr>
</tbody>
</table>

The greatest areas of public safety concern are electric shocks and asset initiated fires.

**Reliability**

Reliability of the network is generally steady. Over the last four years, Western Power achieved an average of 99.995 per cent of supply availability in Perth CBD, 99.9 per cent in the remaining Perth metropolitan area and 99.6 per cent in rural areas (*measured by the average percentage of time customer premises are supplied*).

The average number of interruptions (interruptions greater than 60 seconds) per customer was 2.45 over the 12 months to 30 June 2014.

Average reliability performance for the first two years of AA3⁶ (2013 and 2014) was better than the reliability targets set by the ERA. Western Power also successfully achieved 16 of the 17 service standard benchmarks approved by the ERA in 2014. Interruptions in rural areas were below the service standard benchmark due to pole top fires, fauna and inclement weather.

**Changes in technology**

The way in which electricity is both consumed and produced is changing in terms of *location, size and timing*. Three types of distributed energy resources (DER) are emerging and contributing to a paradigm shift:

- **Energy sources**: technologies that produce energy on-site, where it is needed e.g. rooftop PV solar
- **Energy storage**: technologies that allow for the storage of electricity, e.g. batteries
- **Energy applications**: technologies that affect demand for energy, from energy efficiency or enabling demand management.

⁶ Western Power’s third Access Arrangement (AA3)
Figure 4: The shifting paradigm for the electricity sector

It is considered likely that electricity networks will evolve from a vast interconnected hub-and-spoke model of centralised generation with long transmission and distribution lines, towards a series of interconnected smaller networks (‘micro grids’); connecting local consumption with a diverse portfolio of localised generation types and local storage. Technology may eventually see fully off-grid production and consumption become viable; however, it is unlikely that a large number of premises will become fully self-sufficient in the foreseeable future. These trends present opportunities and challenges to achieve greater efficiency in the provision of electricity. Western Power embraces this opportunity and will continue to work with industry stakeholders to support and harness the shifting electricity paradigm in a manner that maintains power quality and reliability, while minimising network investment.

Legislative changes
Upcoming safety related legislative changes in terms of the Work Health and Safety Green Bill and Electricity (Network Safety) regulations will increase Western Power’s compliance requirements. Both include increased reporting requirements and a significant increase in maximum penalties. Western Power has noted in its submissions on the Electricity (Network Safety) regulations that there will be a significant impact on its operations to meet these obligations.
SECTION 3
MAIN UNDERTAKINGS 2015/16

Western Power will undertake a number of major initiatives consistent with our strategic focus. These initiatives are focussed primarily on improving the fundamentals of the business whilst ensuring Western Power sustains a safe, reliable and affordable electricity supply to customers in the SWIS.

These major initiatives are categorised into two groups:

- **Strategic Improvement Program**: Programs associated with the improvement of foundational aspects of the business. This activity is organised into four Strategic Themes.
- **Major Operational Activity**: Major investments in infrastructure to meet the AA3 commitments and beyond, and also to comply with the Energy Safety Order.

**STRATEGIC IMPROVEMENT PROGRAM**

The Strategic Improvement Program continues the focus outlined in the 2012/13 and 2013/14 SCIs. This is to meet the challenging cost reductions required under AA3, to mitigate potential cost escalations and to build a robust, effective and commercially focused foundation to ensure our business is well positioned to meet future challenges and deliver on our core objectives of providing a safe, reliable and affordable electricity supply to Western Australians. The program consists of four strategic themes.

**Strategic Themes**

1. **Operating Model and Key Processes**
   The objective of this theme is to fundamentally improve the performance of key operational business processes and work practices to achieve cost savings over the AA3 period.
   Initiatives are being undertaken to improve scheduling and dispatching processes, planning and scoping processes and field force productivity.
   Under this theme, Western Power has implemented a new Operating Model and redesigned key processes, including updating and embedding new KPIs and in the process of producing a single 50 year Network outlook and a six year consolidated business plan. We have also implemented an improved contract management framework, rationalised design standards, consolidated estimating activities and implemented online timesheeting for over 1,000 field employees to realise greater efficiencies. We have also automated communications between field crews and the control centre for switching operations to improve safety as well as productivity.

2. **Asset Management.**
   The objective of this theme is that Western Power’s asset management approach achieves and sustains its agreed network performance at the lowest possible whole of life cycle cost.
   Under this theme, Western Power has seen significant improvement in our strategies for managing assets that present the greatest public safety risk, including wood poles and overhead wires. Western Power has introduced new methods and technologies for inspecting assets to obtain their condition faster and more accurately, and introduced a new approach to enable more transparent risk-based asset investment. Over 2015/16 Western Power will continue to develop asset strategies based on fit for purpose asset knowledge and robust cost benefit assessment to form part of its fourth Access Arrangement submission.

3. **Culture and Leadership Capability**
   The objective of this theme is to improve Western Power’s culture, leadership and management capabilities to drive business performance. Expected outcomes include:
   - lower operating costs
   - higher levels of productivity
   - improved efficiency
   - a more positive customer experience.

   Under this theme we are developing our desired culture to ensure the business can attract and retain the right people to achieve the corporate objectives. We have also developed a Leadership Charter and a
Leadership Framework, conducted leadership assessments to understand current leadership capabilities and embedded culture performance indicators into leadership objectives.

4. **External Connections**
Western Power recognises that the way it works with its external stakeholders is a central part of its effectiveness as an organisation. The External Connections theme addresses the important relationships that Western Power has to maintain with its external stakeholders, including owners, regulators, customers and the broader Western Australian community.

As part of this theme, Western Power has developed a brand strategy designed to build community, customer and stakeholder goodwill and trust that will enable us to successfully deliver our Strategic Plan. Western Power has also developed a customer service strategy aimed at increasing our understanding of our customer's expectations.

**MAJOR OPERATIONAL ACTIVITY**

Western Power’s operational activities and associated investment program is consistent with complying with the 2011 Energy Safety Order and achieving the safety, security and service outcomes required in AA3. Public safety continues as our top priority as we enter an asset replacement phase, while maintaining current customer service levels and supporting economic growth driven by customer requests.

Western Power applies a zone based asset management approach which optimises the balance between risk based asset management and efficient delivery to prioritise investment within available funding. The approach includes a component for targeted work in order to treat the highest risk assets outside of the identified zones.

**Capital Investment**

In 2015/16, Western Power plans to invest approximately **$1.1 billion** in the State’s infrastructure. This is below the amount endorsed by the ERA as part of AA3. Further detail on the categories of expenditure is outlined below.

1. **Safety**

   The main risk to public safety is asset failure, which can result in electric shocks and fires, particularly in high and extreme fire risk zones and high population areas. The condition and location of the asset determines the safety risk it represents and the priority with which it will be addressed. Significant investment is planned over the AA3 period to address these assets. The four key programs are pole management (replacements and reinforcements to meet the obligations of the Energy Safety Wood Pole Order), bushfire management, conductor management and connection management.

2. **Service**

   Western Power’s commitment in AA3 is to maintain average historical service levels and improve service only where it is valued by customers and deemed efficient to do so. To achieve desired service levels, Western Power will invest in the proactive replacement of critical assets so they are capable of delivering the service levels committed and meet legislative obligations. Examples of assets replaced in this category are distribution transformers and dropout fuses.

3. **Security**

   Security expenditure is designed to improve the network’s resilience to reduce the number of customers at risk of a long duration outage if a major transmission asset fails (e.g. from bushfires, lightning strikes, storms, wildlife events, human error, asset failure, maintenance on existing assets and safety reasons).

   At current levels of investment there are forecast to be 38,720 customers at risk of a long duration outage from a failure of a major transmission asset by 2017/18.

4. **Growth**

   A forecast 101,000 new customers are expected to connect to the Western Power Network during the five year period 2015/16-2019/20.

   Western Power also expects capacity expansion in the following areas:

   - **Eastern Goldfields**: Driven by mining companies seeking new connections or changing their electricity supply from local gas generation to electricity due to the increase in gas prices.
Network options being considered include new transformer capacity at West Kalgoorlie Terminal and local substations, supported by additional reactive compensation in the area as part of asset replacement. Non network solutions are also being investigated.

- **Mandurah and Bunbury**: Driven by new residential estates and associated infrastructure development. Planned work to address this includes an additional transformer at Meadow Springs in 2017/18 and an additional transformer in Mandurah and an additional 132kv circuit from Mandurah to Pinjarra in 2019/20

- **East Perth**: Driven by residential and commercial development. Planned work to address this includes installation of a 132 KV cable between Hay Street Substation and Milligan Street Substation and a new substation at Bennet street.

- **North Country**: Driven by mining companies seeking new connections. Several options are being considered as solutions to customer proposals. Larger project proposals are driving a need for the Mid-West Energy Project Southern Section Stage 2. Other options include installation of substation transformers at existing sites.

5. **Government Initiatives**
   As part of the State Government’s continuing State Underground Power Program, Western Power will develop underground power lines in the suburbs of Ardross East, Melville South and Bicton North. Local enhancement projects will also be carried out in Albany, Katanning and Pinjarra. Currently in construction are residential projects at Coolbinia and Shoalwater and local enhancement projects at Kalamunda and Collie.

6. **Unregulated**
   Unregulated activity includes capital investment that is not subject to Western Power’s Access Arrangement. This includes System Management and Fleet Vehicles.

**Operating Expenditure**
We will continue to deliver cost savings and efficiencies based on reductions embedded over the last three years.

The majority of Western Power’s operating expenditure is for recurrent operating and maintenance activities required to maintain and operate the network at service levels consistent with average historical performance.
SECTION 4
PERFORMANCE MEASURES AND TARGETS

KEY PERFORMANCE MEASURES

Western Power’s key performance measures and targets for 2015/16 are detailed below.\(^7\)

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<thead>
<tr>
<th>MEASURE</th>
<th>2015/16 TARGET</th>
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<tbody>
<tr>
<td><strong>Safe</strong></td>
<td></td>
</tr>
<tr>
<td>Total Recordable Injury Frequency Rate (TRIFR)</td>
<td>≤ 7.3</td>
</tr>
<tr>
<td>Public Impact(^8)</td>
<td>N/A</td>
</tr>
<tr>
<td>Number of wood poles reinforced</td>
<td>≥ 11,531</td>
</tr>
<tr>
<td>Number of wood poles replaced</td>
<td>≥ 18,179</td>
</tr>
<tr>
<td><strong>Reliable</strong></td>
<td></td>
</tr>
<tr>
<td>Average supply unavailability per customer per year</td>
<td>≤ 650 mins</td>
</tr>
<tr>
<td>Average number of interruptions (greater than 60 seconds) per customer per year</td>
<td>≤ 2.94</td>
</tr>
<tr>
<td><strong>Affordable</strong></td>
<td></td>
</tr>
<tr>
<td>Average cost per connection(^9)</td>
<td>≤ $1,058</td>
</tr>
<tr>
<td>Return on regulated assets</td>
<td>≥ 1.37%</td>
</tr>
<tr>
<td>Employee engagement(^10)</td>
<td>50%</td>
</tr>
</tbody>
</table>

The performance indicator to measure customer experience is being reviewed as part of implementing the brand strategy and a new measure is expected to be in place mid-2015/16.

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\(^7\) A Glossary of Terms is included in the Appendix.

\(^8\) Western Power has developed a new risk based KPI. This KPI is influenced by intolerable third party outcomes associated with the network, i.e. any third party injury or third party property damage valued at $20k or more. Performance against the KPI will be provided in the Quarterly reports to the Minister.

\(^9\) Cost per connection excludes the Tariff Equalisation Contribution (TEC).

\(^10\) A new methodology has been introduced to provide information to better understand and manage employee engagement. A new target is under development.
SECTION 5
DIVIDEND POLICY

Dividends are agreed annually according to accepted profit results and in keeping with maintaining an overall satisfactory level of payments to Western Power’s shareholder, namely the WA Government. Dividends are based upon the dividend policy of 65% of Net Profit After Tax (NPAT).

On 26 November 2012, the EERC endorsed an annual equity contribution to Western Power equal to the dividend calculation attributable to budgeted after tax capital contributions. Western Power first received this equity contribution in the 2013/14 financial year.

On 6 October 2014, State Cabinet approved the introduction of an interim dividend arrangement for state-owned energy utilities with effect from the 2014/15 financial year. The new arrangement requires Western Power to pay 75% of the projected annual dividend in the financial year to which it applies. The balance will be payable in the following financial year. For example, Western Power will pay 75% of the projected 2015/16 dividend in 2015/16, and the balance in 2016/17.

SECTION 6
ACCOUNTING POLICIES AND GOVERNANCE STANDARDS

Western Power is classified as a not-for-profit entity and is required to prepare audited statutory financial statements and supporting accounting policies in accordance with Australian accounting standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) (including Australian interpretations) and Schedule 4 of the Act. Our financial statements adopt the historic cost convention and reflect the accrual basis of accounting.

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

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

Although Western 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 to the extent that they are applicable and not inconsistent with the requirements of the Act and other applicable laws.

SECTION 7
NATURE AND EXTENT OF COMMUNITY SERVICE OBLIGATIONS

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

In total, it is expected that the State Government will make payments to Western Power to support the State Underground Power Program (SUPP) totalling $5 million in 2015/16.
SECTION 8
MINISTERIAL REPORTING

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

Quarterly reporting
As a Government Trading Enterprise, and in accordance with the Act, Western Power will provide the Minister and the Western Australian Treasurer with a quarterly report for the first three quarters of the financial year. Quarterly reports will detail year-to-date performance of the business, provide comparisons to SCI targets, include updates on Tranche 1 and 2 Asset Investment Program efficiency measure outcomes, 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.

Annual reporting
The Annual Report will be provided to the Minister, following the end of the financial year within the time specified by the Act. In addition to the financial statements, the Annual Report will include an overview of major achievements, a comparison of performance with the SCI targets, and other information required to be included by the Act. In addition to quarterly and annual reports, the Act requires that the Minister for Energy be provided with:

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

Quarterly Network Safety reporting
Western Power will be providing quarterly reports on network safety to the Minister and the Department of Finance's Public Utilities Office. The report is in accordance with one of the actions identified in the Government’s Response to Report 14 of the Legislative Council Standing Committee on Public Administration.

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

SECTION 9
NOTES

Access to information
Copies of Western Power’s major public documents including the SCI, quarterly and annual reports can be accessed through its website, www.westernpower.com.au.

Network pricing and tariffs
Western Power’s reference tariffs are approved by the Economic Regulation Authority (ERA) annually. A key determinant of reference tariffs is the revenue cap defined in the access arrangement. The ERA sets the revenue cap at the beginning of each access arrangement period. The cap determines how much revenue Western Power can recover in each year and is fixed for each year of the access arrangement period. Prices
are then set at a level to recover the revenue cap accordingly. The current access arrangement period runs from 1 July 2012 to 30 June 2017.

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

System Management

In March 2013 the ERA issued its determination on System Management (Markets) third Allowable Revenue submission (AR3). The determination sets the level of costs which can be collected from participants in the Wholesale Electricity Market (WEM). These costs are associated with the provision of services by Western Power, through the segregated business unit known as System Management (Markets), to the WEM over the three year period starting on 1 July 2013.

Total allowable revenue in 2015/16 is set at $13.6 million, however due to adjustments from 2013/14 and revisions for 2014/15; total revenue will be increased by $0.54 million, totalling $14.0 million. Capital expenditure for 2015/16 in the ERA determination was $0.53 million, however due to additional work that has arisen from Market Rule change proposals that were not foreseen, total capital expenditure in 2015/16 is forecast to be $0.55 million.

Government Guarantee Fee

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

The Government Guarantee Fee is a competition neutrality measure that encourages Government businesses to operate in a commercial manner and to perform comparably with private sector businesses of similar risk. The Guarantee fee serves to expose Government businesses to the risk-related cost of debt they would face if they were required to borrow funds based on their stand-alone credit rating.
## SECTION 10
### APPENDICES

### GLOSSARY OF TERMS FOR KEY PERFORMANCE INDICATORS

<table>
<thead>
<tr>
<th>Term</th>
<th>Explanation</th>
</tr>
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<tbody>
<tr>
<td><strong>SAFE</strong></td>
<td><strong>Total Recordable Injury Frequency Rate (TRIFR)</strong>: The number of injuries resulting in medical treatment, a lost work shift or restricted work duties per million hours worked over a 12 month period.</td>
</tr>
<tr>
<td><strong>Public impact</strong></td>
<td>Measurement of the number of public safety incidents which resulted in an injury to a member of the public, or property damage &gt; $20,000.</td>
</tr>
<tr>
<td><strong>Number of wood poles reinforced</strong></td>
<td>Number of transmission and distribution wood poles reinforced across the Western Power Network.</td>
</tr>
<tr>
<td><strong>Number of wood poles replaced</strong></td>
<td>Number of transmission and distribution wood poles replaced across the Western Power Network.</td>
</tr>
<tr>
<td><strong>RELIABLE</strong></td>
<td><strong>Supply unavailability</strong> The average number of minutes that customers do not have supply over a year. Unlike the previous measure of System Average Interruption Duration Index (SAIDI), this measure also includes planned interruptions, force majeure events, major event days and transmission outages as including these occurrences more accurately represents the service experienced by customers.</td>
</tr>
<tr>
<td><strong>Number of interruptions</strong></td>
<td>The average number of interruptions greater than 60 seconds experienced by all customers per year.</td>
</tr>
<tr>
<td><strong>AFFORDABLE</strong></td>
<td><strong>Average cost per connection</strong> Cost per connection has been calculated based on the operating cost for the regulated network and System Management (Markets), depreciation (adjusted to exclude the impact of gifted assets and customer contributions) and borrowing cost per annum divided by the total number of customers connected to the network. Costs and revenue associated with unregulated activities are excluded from this measure as any profit or loss on these services will not flow through to a lower or higher cost to serve. It is shown in nominal dollars.</td>
</tr>
<tr>
<td><strong>Customer experience</strong></td>
<td>Measure under development</td>
</tr>
<tr>
<td><strong>Return on Regulated Assets</strong></td>
<td>Return on regulated asset is defined as Normalised Regulated Net Profit After Tax (NRNPAT) divided by average Regulated Asset base.</td>
</tr>
<tr>
<td><strong>Employee engagement</strong></td>
<td>The employee engagement survey measures the level of employee engagement and the employment experience across different aspects of the work environment.</td>
</tr>
</tbody>
</table>

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