

2020

Energy Charter Disclosure Report





Chief Executive Officer's Report

I am delighted Horizon Power became a signatory to the Energy Charter in November 2019.

Industry transformation cannot be achieved alone and the #BetterTogether philosophy of the Energy Charter has strong alignment with our organisation's guiding principles and values. Becoming an Energy Charter signatory has provided our 407 employees access to a vast, national network of experience and capabilities, with the strong collaboration demonstrated across energy businesses and customer advocacy groups ensuring we take important steps forward as an industry to put the customer at the centre of everything we do.

Energy customers are increasingly adapting to change, and this has never been more important, with the economic and social impacts of the COVID-19 pandemic anticipated to prevail for some time. Regional Western Australia has been significantly impacted by the pandemic, with unemployment rates increasing and a significant drop in visitor numbers to tourism regions. Horizon Power has observed increasing levels of payment difficulties and financial hardship, and has worked tirelessly with customers to ensure proactive support, including the implementation of a moratorium on disconnections, fee waivers, extended payment terms and relief payments. This support has resulted in Horizon Power achieving record net promoter scores and customer satisfaction levels, a clear signal from our customers that they value, and expect to see a continuation of this focus.

In the coming year, the focus of our business will continue and evolve to helping the regions we serve thrive again, as we prepare to implement a broad range of economic

stimulus projects that are designed to improve the reliability and affordability of energy solutions for regional Western Australian's. The Maturity Model and Independent Accountability Panel are powerful features of our participation which will ensure these projects can be designed and implemented with the customer in mind. Tracking the impact of these strategic projects and business initiatives will also be key for Horizon Power, with our Board committed to monitoring progress of our culture as it strives to become more customer centric.

Horizon Power's ambition is to deliver energy solutions for regional growth and vibrant communities, regardless of the challenges, and becoming an Energy Charter signatory is a key step in our journey towards a more affordable, sustainable and reliable energy system for our customers. The submission of our inaugural Energy Charter disclosure report is an important benchmark document for us, allowing us to objectively track the cultural improvements we can make over time to ensure customers remain at the heart of everything we do.

We look forward to your feedback and ongoing collaboration, as we collectively partner to deliver on the vision of the Energy Charter.

A handwritten signature in black ink, appearing to read 'Stephanie Unwin'. The signature is fluid and cursive, written over a light grey rectangular background.

Stephanie Unwin
CEO

Our customers and our communities

As a regional organisation, our teams, customers and communities are scattered across 2.3 million square kilometres of Western Australia. Horizon Power operates via regional depots in Kununurra, Broome, Port Hedland, Karratha, Carnarvon and Esperance, with centralised support from our office in Bentley, Perth WA. We are a vertically integrated electricity generator, distributor and retailer to 39,038 residential customers and 8,633 businesses, servicing 32 towns and 53 remote Aboriginal communities.

Our communities are regularly exposed to severe storms, cyclones, floods and fires. The North West Australian coastline between Broome and Exmouth is the most cyclone-prone region of Australia, having the highest frequency of coastal crossings. Customers and communities look to Horizon Power as an essential service provider to provide safe and reliable power during these emergencies.

Living costs in regional WA are significantly higher than in Perth or other major towns and cities. Financial pressures in our regional communities include a higher median house price, higher building and renovation costs, and limited property options. Insurance premiums in northern Australia are double that of the rest of the country. The regional housing market features lower levels of owner occupiers, which results in reduced opportunities to invest in modifying homes to reduce energy costs.

'It's about affordability of power. Aircon is a necessity so prices need to drop'

Horizon Power residential customer.

Extreme levels of air-conditioning utilisation, coupled with high rates of government and employee housing further distorts the residential landscape and consumption patterns. Electricity bills can double for residential customers during the summer (wet) season with temperatures regularly exceeding 40 degrees with high humidity. An average monthly summer bill of \$750 for a two month period is our norm, with bills in excess of a \$1,000 not an uncommon occurrence for customers living above the 26th parallel.

For our customers living in remote communities, food prices compound the affordability challenge, freight alone can represent a 13.5 per cent increase, with some items up to eight times more expensive than Perth.

Our customers overwhelmingly reaffirm our shared concern for affordability, with up to 63% of residential and business customers expressing concern over high or rising electricity costs. High energy prices was the most noted area for improvement identified as part of our 2020 Customer Satisfaction Survey, with verbatim comments reflecting customer desire for Horizon Power to reduce energy costs.

'They need to reduce the cost of our power bills. They keep going up and have leapt up in price in the last year. It's almost impossible to stay here anymore.'

Horizon Power residential customer.

In many of our more remote towns the cost of generating and supplying electricity is far greater than the price we charge our customers. Many customers are unaware that electricity is heavily subsidised by the WA State Government, and believe greater choice would result in lower prices. These unique affordability challenges faced by our regional and remote customers can only be overcome through a genuine commitment to helping customers reduce their energy bills. It's why we have a stated energy bill reduction target incorporated as part of our Corporate Strategy 2019-2024 and are delivering a broad suite of distributed energy resources trials, as we seek to enable more customers to connect solar panels and battery solutions to enable sustainable reductions in energy costs.

PRINCIPLE 1:

We will put customers at the centre of our business and the energy system

Significant activities over past 12 months

Horizon Power's 2019-2024 Corporate Strategy provides a clear vision for our business to partner with our customers to deliver energy solutions for regional growth and vibrant communities.

Horizon Power developed a set of business guiding principles as part of its strategy, designed to inform operational decisions and empower our employees to seek opportunities every day to contribute to the future of our regional customers and communities. These principles include:

- Community involvement
- Aboriginal and Torres Strait Islander commitment
- Cleaner and greener
- Regions first.

Our strategy actively seeks to address the overwhelming desire of our customers to deliver more affordable energy options and create pathways for more sustainable energy supply options. Reliability of energy supply is also of paramount importance, with customers seeking a better understanding of upcoming outages and the estimated duration of unplanned outage events. This is based on deep insight from our customers, with evidence suggesting:

- 65% of our residential customers want to hear more about ways to save money on their power bills

- 83% of our business customers want to hear more about power interruptions
- 81% of customers want to know how to save money
- 82% want the ability to connect to solar.

Following the development of the strategy, Horizon Power recognised the need to reorganise its business to ensure a strong customer and community voice was incorporated in all decision making. The establishment of the Customer Experience Division now ensures executive level representation of the needs of customers, and ensures dedicated representation of and advocacy for their interests. This was particularly paramount during recent times, where customer service and demand analysis has provided significant insights into the broader community impacts of COVID-19, helping to inform recovery efforts.

Whilst significant inroads have been made during 2019/20, we recognise improvement opportunities still abound for us to truly become customer centric. Our Energy Charter membership serves as a catalyst for us to progress this, with improved Board oversight of customer issues, a greater focus on co-creation activities with the communities we serve and deeper transparency of

customer related matters just some of the initiatives we intend to implement.

Key Customer Outcomes

- Publicly committing to putting customers at the centre of our business by signing up to the Energy Charter
- Elevated and championed the voice of the customer by establishing a Customer Experience Division
- Board oversight of Energy Charter membership and commitment to a more customer centric culture via the People, Safety and Corporate Responsibility Committee (Board sub-committee)
- Customer performance measure included as a corporate key performance indicator (KPI).

Opportunities for Improvement.

- Harness customer input and feedback by leveraging the Western Australian Advocates for Consumers of Energy Forum (WA ACE)
- The implementation of regular Board reporting on the progress of Horizon Power's customer centric organisation initiative, including progress against the Energy Charter Maturity Model
- Implement a Voice of Customer program to better integrate customer feedback and improvement opportunities into operational decision making.

Self-assessed capability 2019/20

Level
1
ELEMENTARY

Target for 2020/21

Level
2
EMERGING

PRINCIPLE 2:

We will improve energy affordability for all customers

Significant activities over past 12 months

To meet customer expectations of greater choice and control of energy use we are working with them to design new tariff options. Our corporate strategy has a clearly defined strategic goal to reduce customer energy bills, with tariff, distributed energy resources and energy management services all important solutions to achieve this goal.

We recognise that installing solar PV systems is a key way for customers to reduce energy costs. Unfortunately, in many of the towns we service we've had to limit the amount of solar PV systems installed in order to maintain a safe and reliable power supply. The near instant and dramatic variability of solar generation (for example when clouds go over) is an engineering challenge and we have initiated a number of trials, including our Onslow DER project and Broome Smart Sun pilot, to better understand how Horizon Power can better integrate customer renewable solutions.

Onslow is the home of Australia's largest distributed energy resource (DER) micro-grid, which will target a high penetration of the town's electricity needs to be serviced from renewable energy sources. Sophisticated devices and systems are

being trialled to manage generation output, whilst ensuring a reliable and safe electricity supply. This is being centrally coordinated via investment in a distributed energy management resource system (DERMS) which will provide for greater visibility and transparency of distributed energy resources and their impacts.

The Smart Sun trial in Broome has helped us understand how to integrate higher levels of solar energy generation into the electricity network whilst reducing the amount of high-cost infrastructure required to construct new housing developments. Insights from this trial have enabled us to understand how to make the network stable and manage the intermittency resulting from high levels of solar generation. Pleasingly, this enabled us to make important changes to the technical requirements to connect solar to our grid, thereby allowing more customers to connect solar.

Another energy management solution we have developed to help customers reduce their energy bills, is a demand based tariff, MyPower, which has generated savings of more than \$1m for registered customers. MyPower encourages behavioural change, smoothing summer peaks

with incentives for customers. More than 1800 customers have benefited from MyPower, with the product coupled with simple tools and devices that allow customers to adjust their consumption behaviour.

Customers can access our free mobile energy app to better manage their energy use. They can view hourly consumption data collected from our Advanced Metering Infrastructure (AMI) in close to real time. They can also set bill notifications and alerts, incorporating simple reminders to help them keep track of their energy use. The app provides a predicted estimate for their next bill (based on current usage) and can alert the customer if the predicted bill amount exceeds a certain limit (set by the customer). The app also enables pre-payment customers to purchase credit, avoiding the inconvenience of a trip to a reseller to 'top up' credit.

Managing the data behind the app has presented some challenges for us, and a high volume of complaints were received during the last quarter of 2019/20 relating to the accuracy of bill estimation features and other services which we have been working to resolve. Trends show users are continuing to provide valuable

'Love MyPower! We started on a MyPower5 and have gone down to a MyPower3'

Residential customer, Broome

PRINCIPLE 2 (CONT.)

feedback and suggestions to improve the experience, and these insights are being prioritised for resolution. Upgrading our supporting customer systems architecture and delivering key data integrity improvements, will be features of our 2020/21 financial year work plan to improve delivery of these important services that allow our customers to take control of their energy use.

'Good to track usage'

Horizon Power residential customer

'Great app! Very useful and helpful'

Horizon Power residential customer

Key Customer Outcomes

- Free app that helps customers avoid bill shock and obtain a detailed understanding of their energy usage
- Savings of more than \$1.25m (when compared to the regulated A2 tariff) for customers registered on the MyPower product
- More than 1,500 customers were able to install solar PV across our regions due to the release of additional hosting capacity
- Extensive customer research undertaken to inform the development of new tariff options.

Opportunities for Improvement

- Expanding opportunities for MyPower and developing alternative tariffs that support different customer lifestyle needs
- Providing pre-payment options to customers as an opt in product
- Application of technical learnings and insights from DER trials, and investment in battery solutions, to support additional release of hosting capacity
- Improvements to customer systems architecture and data integrity to ensure accuracy of billing and energy management data.

Self-Assessed
Capability 2019/20

Level
3
EVOLVED

Target for 2020/21

Level
3
EVOLVED

PRINCIPLE 3:

We will provide energy safely, sustainably and reliably

Significant activities over past 12 months

In January 2020 we announced a new power solution for the town of Esperance, a combination of a new, more efficient power station with a significant increase in renewables. This is a long term solution which will deliver cleaner electricity by reducing the carbon footprint and increasing the generation of renewable energy to provide the best outcome for the community. The construction of a new, more efficient power station will reduce carbon emissions by almost 50% per annum compared to the existing power supply arrangements.

A new renewables hub will be constructed as part of the project, bringing together solar and wind power to generate up to 46% of Esperance's electricity annually. Construction of the new assets is due to begin in September 2020, with commissioning scheduled for the first quarter of 2022.

To resolve service issues that impact customers and the community we have installed a number of Standalone Power Systems (SPS). In 2019 we became the first Australian utility to remove parts of its overhead network

and replace it with an alternative, renewable energy power solution that is fully off the grid. 17 SPS units were installed, enabling the removal of 64 kilometres of overhead power poles and wires from customers' properties in the Esperance farming areas.

Our SPS's have removed a selection of fringe-of-grid rural customer connections from the distribution system, providing them with a self-sufficient permanent source of power consisting of solar panels, batteries, inverters and back-up diesel

generator. Each system is designed by our team in consultation with our customers, to ensure they meet their unique energy requirements. Design features also seek to minimise common power generation issues experienced in rural and regional areas such as outages caused by weather, wildlife, farm machinery accidents and bushfires.

Customer safety has been improved through our deployment of advanced metering infrastructure. Bad or degraded neutral connections or electrical faults are common causes of electric shocks, and Horizon Power has been proactively analysing data from our customers' meters to identify neutral integrity issues.

Alarms that are recorded in the meter are collected and analysed. If the analysis identifies a risk, then more detailed data is collected every five minutes, and when identified as a likely neutral problem, a crew is dispatched. More than 40 risks have been identified in the past 12 months using this new approach and either the Horizon Power crew or homeowner has been able to rectify the issue before anyone was injured.

'Not only are we doubling the amount of renewable energy being provided to our customers, we will also be exploring, in consultation with the community, their interest in, and the possibility of, a future shared ownership model for the solar farm.'

Stephanie Unwin,
Horizon Power Chief Executive Officer

PRINCIPLE 3 (CONT.)

Key Customer Outcomes

- Improved electrical safety in the home through the regular remote monitoring of electricity ‘health checks’ at the customer meter
- Cleaner , greener and more reliable source of electricity for customers in Esperance (under construction – expected completion in 2022)
- Improved reliability of supply for SPS customers
- Delivery of broad reach electrical safety campaigns including Residential Electrical Pillar Awareness, Shocks and Tingles, Stay 10 metres away and Safety on the Farm. Campaigns are designed to promote broader community awareness of energy safety

Opportunities for Improvement

- Improve the safety and reliability of electricity for customers in 12 remote communities through working with government to regularise their networks.
- Evolve workplace safety practices particularly with working within customer premises
- Continued rollout and evolution of Stand Alone Power Systems (SPS)

'In the six months since moving over to the stand-alone power, my generator has only been required on one occasion. We are now completely self-sufficient but with the advantage of having Horizon Power on hand to maintain and service our system.'

Rural Customer, Esperance

Self-Assessed Capability 2019/20

Level
3
EVOLVED

Target for 2020/21

Level
3
EVOLVED

PRINCIPLE 4:

We will improve the customer experience

Significant activities over past 12 months

Horizon Power recognises customer complaints as an opportunity for feedback to help us improve our service delivery outcomes. We recently changed our processes for managing complaints and actively encourage our customer service staff to record complaints whenever the customer has expressed negative sentiment. We review and respond to these complaints as they are received. We also systematically review all complaints on an annual basis to help identify trends with a view to making changes to our systems and processes. We plan to increase the frequency of this review to twice a year.

For the past couple of years we have developed a program of continuous improvement to systematically identify customer pain points, and make changes to processes and systems to make it easier for customers to business. Examples include implementation of direct debit by instalments, and simplified billing of business customers who pay their employees electricity accounts (e.g. mining companies).

We have also been working on the development of functionality to notify customers of power outages and information on when power is expected to be restored.

Our customers regularly feedback the value of being able to talk to someone who understands the unique lifestyle conditions of regional WA. Putting “our regions” first was a key driver behind a decision taken during this year to establish a customer experience centre in Broome which will provide an in person retail experience for customers requiring account support and advice. Importantly, the establishment of the experience centre will also result in call centre roles being relocated to WA to improve the service experience. These changes will be implemented during the 2020/21 financial year.

Customer insights have also driven the development of improvements to our outages notifications. These changes will allow customers to better understand outages and likely impacts,

along with impacted locations and estimated restoration times with an ability for proactive notifications and alerts. Customers have played an active role shaping the user experience for these new features and will continue to drive future enhancements.

Whilst significant customer experience outcomes have been realised, we recognise there are further improvements for us to deliver. Customers continue to tell us that they are worried about their high electricity bills, and that some aspects of our service should be easier. Our digital experience will be a focus during 2020/21, with opportunities to enhance key customer journeys, such as movement processes, a key area of focus. Additionally, we will also seek to mature the integration of modern channels into our customer service landscape, with web chat, social media, text and other customer channels expected to become more prevalent as our customers seek to be serviced on their terms, in their channel of choice.

'The local office called me at a time I really needed help and we worked out a payment plan so I could manage my electricity bill payments.'

Business customer, Carnarvon.

PRINCIPLE 4 (CONT.)

Key Customer Outcomes

- Access to timely and culturally appropriate support around digital literacy, electricity safety, energy efficiency, debt, connections, disconnections, vegetation management, projects, hardship, life support and critical load (clinics, water and sewerage) and overall resilience in emergencies
- Access to staff in our regional towns for service enquiries and account assistance, with Board approval obtained to establish a Customer Experience Centre in Broome and relocate contact centre roles to WA
- Provide greater cash flow management and budget support for customers through the introduction of direct debit by instalments.
- Make it easier for business customers to pay their employees electricity accounts.

Opportunities for Improvement

- Implement systems to automatically capture customer sentiment and then use this data to identify areas that we need to improve
- Improved information and updates on planned and unplanned outages (under development)
- Make it easier for customers to register for online service through MyAccount and the app
- Simplification and streamlining of digital processes and communication of information across the website, app and MyAccount
- Improve face to face service for our customers by establishing the Broome Experience Centre, and relocating contact centre roles to WA
- Improve customer experience by introducing new technology to improve first call resolution, and reduce (or eliminate) the need to be transferred.
- Find ways to help customers to reduce their electricity bills

Self-Assessed
Capability 2019/20

Level
3
EVOLVED

Target for 2020/21

Level
4
EMPOWERED

PRINCIPLE 5:

We will support customers facing vulnerable circumstances

Significant activities over past 12 months

Our Hardship Program leverages a range of processes to enable early identification and engagement with customers at risk of financial hardship. Close relationships with financial counsellors, remote community organisations and regional staff, plus an ongoing relationship with Western Australian Council of Social Service (WACOSS) are absolutely critical in ensuring we offer optimal support to those who need it the most. During times of extreme hardship, such as cyclones or during COVID-19, we provide solutions that are easy to access, with staff specially trained to support customers facing challenging circumstances.

Horizon Power implemented a coordinated response to the COVID-19

pandemic, suspending disconnections and running extensive communications campaigns to ensure customer awareness of how to access support. In addition, Horizon Power made personalised phone calls to customers to check that they had registered for concessions, and would therefore receive additional support offered by the WA State Government. More than \$2.3m in targeted energy assistance payment relief was provided to more than 7000 customers in an accelerated fashion as the pandemic took place.

We also introduced additional support for pre-payment customers, increasing emergency credit limits from \$20 to \$200. This measure, along with additional energy assistance payments has had a significant impact on reducing the number of customers in debt.

We changed the content of our letters, texts and calls from standard collections to instead helping our customers and making sure we were available to support them during these extraordinary times. For the 2,300 customers who were completely without income during COVID-19, suppressions on their accounts ensured they would not receive any letters or calls that could further impact their financial stress.

By working with the State Government we were able to ease the financial distress for more than 5,000 of our local business customers through the

\$2,500 Small Business and Charity Tariff Offset payment, designed to assist WA businesses pay their electricity costs. More than \$13m was delivered to Horizon Power business customers via this program. We called each of our small and medium business customers to explain the offset payment and to better understand how COVID-19 was impacting them.

Horizon Power offers some customers in remote communities the option of paying for their electricity using a prepayment meter (PPM). Benefits include higher energy literacy, due to the ability to see on an hourly basis how much energy has been used and how much this has cost (either on their meter or on the app). These customers understand more than any other how long \$20 of energy will last. PPM offers additional capacity to negotiate the obligations of supporting family when additional family members come to stay. Family members can buy power for others to support the reciprocal structures, common in many Aboriginal families.

Regularising communities (upgrading networks) is a demonstration of our collaborative approach, partnering across the energy supply chain and with government and community service organisations to implement innovative solutions that improve outcomes (affordability or experience) for customers facing vulnerable circumstances. The safety and retail benefits are transformational.

'I believe this gives the power back to the client to control what they use and when they use power. With the prepaid they can now leave their homes without having to worry about someone breaking in, using their power and ending up with a large bill they will never pay in a hundred years.'

Susan Murphy, CEO Winun Ngari.

PRINCIPLE 5 (CONT.)

Key Customer Outcomes

- Increased emergency credit from \$20 to \$200 on prepayment meters during the COVID-19 pandemic
- Provided reassurance to customers during COVID-19 pandemic that we would support them if they were unable to pay. We placed a temporary moratorium on disconnections and continue to issue extensions
- Helped customers ensure they receive the concessions and support they are entitled to
- Personal and empathetic support, working with customer advocates and financial counsellors to help customers in hardship
- Initiating a dedicated Keeping Connected webpage during COVID-19 providing information and customer support. The launch of our Livechat feature resulting in a 95% customer satisfaction rating when using this service channel.

Opportunities for Improvement

- Continue working with customers affected by COVID-19 or financial hardship, to minimise outstanding debt
- Help customers avoid accumulating a large debt by identifying customers who may be facing vulnerable circumstances early and engaging with them early
- Continue to improve our empathy and accessibility so that customers facing vulnerable circumstances feel comfortable contacting us
- Development of trials of new hardship models including debt forgiveness, rewarding demonstrated improved financial behaviours
- Find ways to reduce the number of de-energisations for non-payment.

Self-Assessed
Capability 2019/20

Level
3
EVOLVED

Target for 2020/21

Level
4
EMPOWERED



Administration Centre

18 Brodie Hall Drive
Technology Park
Bentley WA 6102

PO Box 1066 Bentley DC WA 6983

Telephone (08) 6310 1000

Facsimile (08) 6310 1010

www.horizonpower.com.au