

An aerial photograph of a coastline. The left side shows a wide, orange-colored sandy beach with some sparse, low-lying vegetation. The right side shows clear, turquoise water meeting the shore. The overall scene is bright and vibrant.

We're connecting ambition with action

QUARTERLY PERFORMANCE REPORT

For the period July – September 2021
Public Version

HORIZON
POWER

Business Highlights

- The Pilbara Electricity Reforms took effect on 1 July 2021. Horizon Power's Pilbara network and Alinta's Port Hedland network are now open to third parties and are regulated under the *Pilbara Networks Access Code 2021 (PNAC)*. Horizon Power has commenced public consultation process on its draft information pack as required under the PNAC.
- After a long journey, our new wind turbines reached their final destination at the Shark Lake Renewable site on 5 July 2021. The introduction of the new wind turbines forms part of Esperance's long-term power solution that includes a new power station, battery storage system and renewables hub. The renewable hub's solar and wind power will ultimately generate up to 46 per cent of Esperance's electricity annually, with the two new wind turbines each capable of generating 4.5 MW of power.
- On 12 July 2021, 900 kW of hosting capacity became available for our Broome residential customers. The customer application experience has been overhauled with service design enhancements, including the eligibility calculator, the renewable application form and optimisations of back-end processing. The available capacity was exhausted in one hour - the overwhelming response is a testament to the Broome communities enthusiasm for alternative energy solutions.
- In an exciting development for Horizon Power, we have secured \$1.35 million in Federal Government funding to move ahead with two feasibility studies that will make progress towards renewable energy and green hydrogen production in Esperance and 100% renewables in some Mid-West towns.
- Horizon Power recorded another quarter with Zero Lost Time Injury, which we have done for a total of 27 months now. As an organisation, we achieved 99.2% KPI compliance against our target of 90% which is an outstanding result.
- Our Renew the Regions program has successfully completed the Exmouth Laydown Yard, the Broome Experience Centre and the Kimberley and Derby smart streetlights.



Performance Overview

Financial Performance

- Horizon Power reported a year-to-date Net Profit After tax of \$1.4 M compared to a budget (SBF) loss of -\$2.4 M.

This favourable variance of \$3.8 M is driven by higher energy sales (\$6.9 M), higher Development and Customer Contribution (\$0.4 M), lower operating expenses (\$0.7 M), lower depreciation (\$0.4 M) and interest (\$0.5 M); offset by higher cost of sales (-\$2.5 M), lower CSO rebates (-\$0.6 M), lower other revenue (-\$0.4M) and higher income tax (-\$1.6 M).

- Year to date capital expenditure amounted to \$22.4 M compared to a budget of \$32.1 M. The underspend variance of \$9.7 M is mainly driven by the profiles of our Asset Management Plan and the WA Recovery Plan due to resource constraints and contract negotiations.

Stakeholder Service

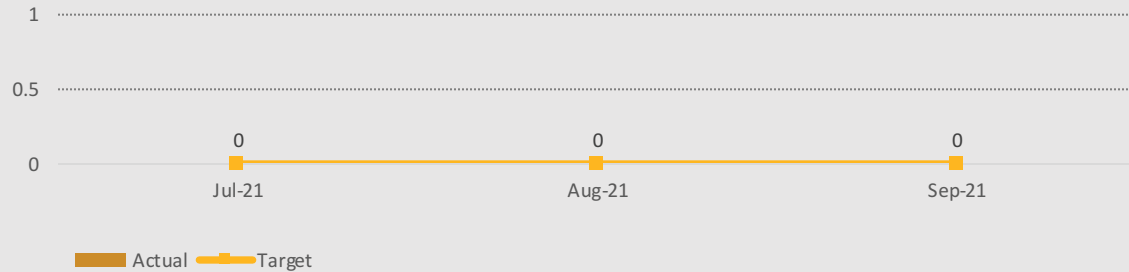
- During the quarter, Horizon Power provided responses to 29 Ministerial and 7 Parliamentary Questions.

Safety, Health & Environment

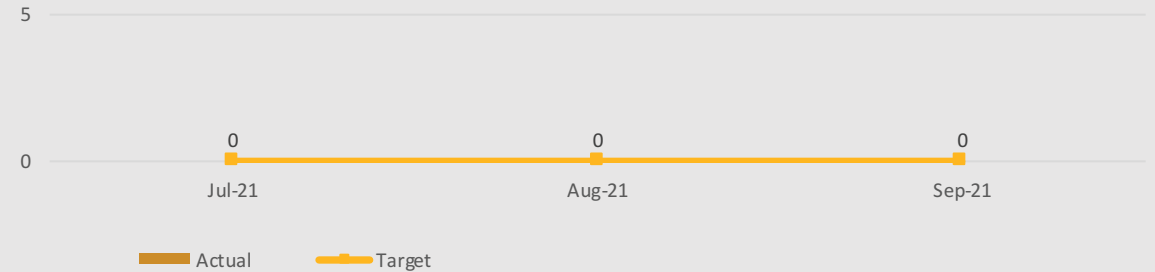


PEOPLE, SAFETY AND WELLBEING

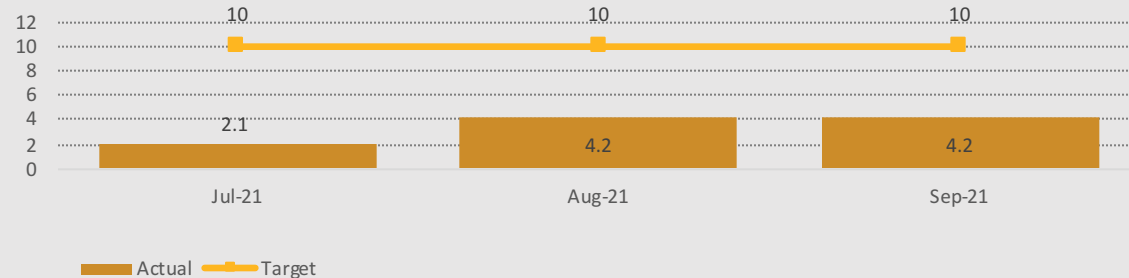
**Lost Time Injury Frequency Rate
(12 month rolling avg.)**



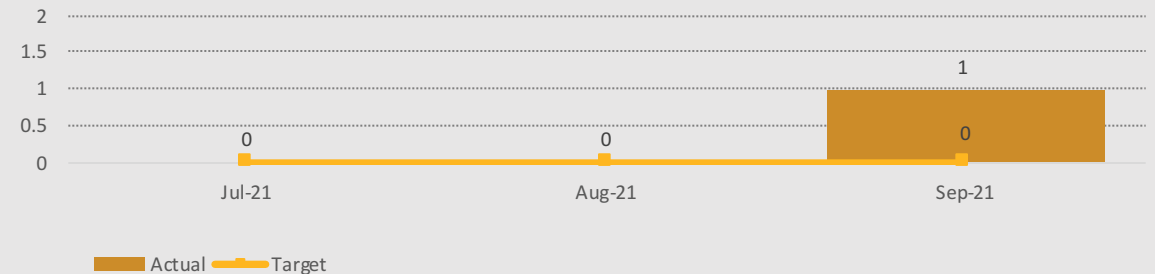
**Lost Time Injury Severity Rate
(12 month rolling avg.)**



**Total Recordable Injury Frequency Rate
(12 month rolling avg.)**



**Public Safety Incidents
(December-2020 FYTD)**



COMMENTARY:

- Safety meeting occurrence for the first quarter 2022 averaged 100%.
- 100% of 'high' and 'extreme' risks rated incident actions closed out on time for the first quarter, which exceeds our target of 90%.
- The percentage of hazards / near hits of all reported incidents has averaged 62% and exceeds our target of 50%

COMMENTARY:

- The Lost Time Injury Severity Rate has remained steady at 0 since April 2020.
- There has been 1 Notifiable Incident to Building and Energy. This occurred in September.
 - Port Hedland - Blue phase on reactor failed and caused a discharge of hot metal that resulted in a small ground fire.
- The Unassisted Pole Failure rate* was 0.59 by the end of the quarter and within the target of 1.00.
*3 Year rolling average per 10,000 poles

Customer Service & Electricity Delivery



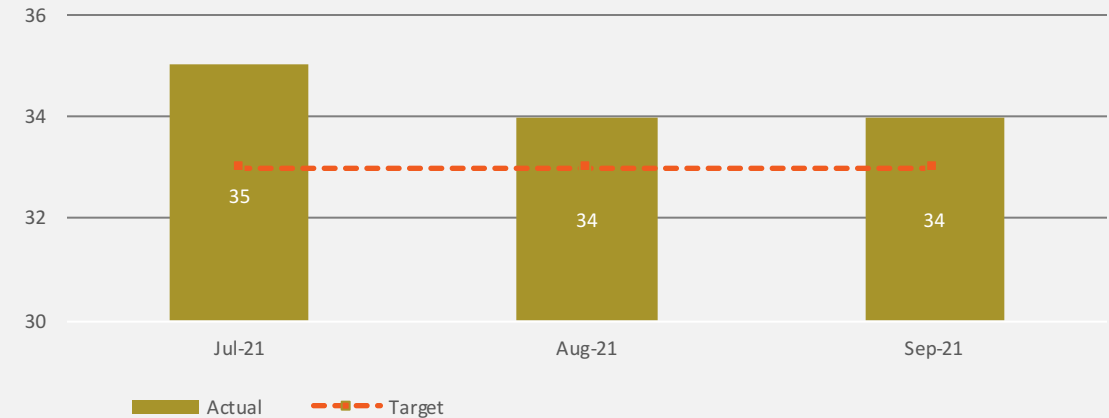
ENERGY AFFORDABILITY

KPI	Actual	Target
Customer Satisfaction (survey rating %)	77%	≥70%
Net Promoter Score	43%	≥20%
> 3 months outstanding unpaid invoices	\$4.5 M	<\$4.7 M
Digital Self-service transactions	601	600

COMMENTARY:

- All above KPIs show positive variance to targets.
- Customer Satisfaction rate has fallen from 82% last year. Previous high rating was due to the COVID-19 financial support payments.

Performing Systems (# of Systems.)



COMMENTARY:

- Halls Creek remains non-performing due to several generation failure outages in May, June and July.
- Sandstone became a non-performing system in August when one generator failed and caused a power station outage.
- At the end of September 2021, SAIDI was 111 minutes and within the target of 290 minutes.
- SAIFI was 1.5 and within the target of 6.6

Income Statement



SUSTAINABLE BUSINESS

Profit and Loss Summary (\$M)	YTD Actual	YTD SBF	Variance
Total Income	126.4	120.1	6.3
<i>Less: Cost of Sales</i>	54.9	52.4	(2.5)
<i>Less: Operating Expenditure</i>	30.4	31.1	0.7
EBITDA	41.1	36.6	4.5
Depreciation & Amortisation	25.3	25.7	0.4
EBIT	15.8	10.9	4.9
Interest Expenses	13.8	14.3	0.5
Net Profit (loss) Before Tax	2.0	(3.4)	5.4
Tax	0.6	(1.0)	(1.6)
Net Profit (loss) After Tax	1.4	(2.4)	3.8

KPI	YTD Actual	YTD Target MYR Adj	YTD Var	Performance
Unit Cost Supply (c/kWh)	38.3	38.7		Lower unit cost is driven by higher volume sold.
Return on Asset (%)	3.5%	3.3%		Higher return on asset rate due to higher profits for the period

COMMENTARY

Horizon Power reported a YTD Net Profit After Tax of \$1.4 M compared to budgeted loss of -\$2.4 M, a favourable variance of \$3.8 M. Key variances are broken down as follows:

Income

Overall energy sales were 10.5% higher than budget by \$6.9 M (\$72.6.0 M v \$65.7 M). Sales were higher in both NWIS by 8.7% (+\$2.7 M) and NIS 12.1% (+\$4.2 M) and mainly driven by residential, small and medium/large business segments.

The higher sales were offset by lower CSO rebates (-\$0.6 M).

Cost of Sales

Higher electricity purchases (-\$2.0 M) mainly due to increase in variable electricity purchases, higher Renewable Energy Certificates and higher gas cost (-\$0.4 M) in line with increase in sales and higher heat rate for TransAlta.

Operating Expenditure

Favourable variance of \$0.7 M mainly driven by timing difference due to budget profile.

Tax

Higher tax due to positive variance in profits.



Thank you

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