



westernpower
networks today & tomorrow

Changes and opportunities in the energy market

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Significant external changes impacting Western Power

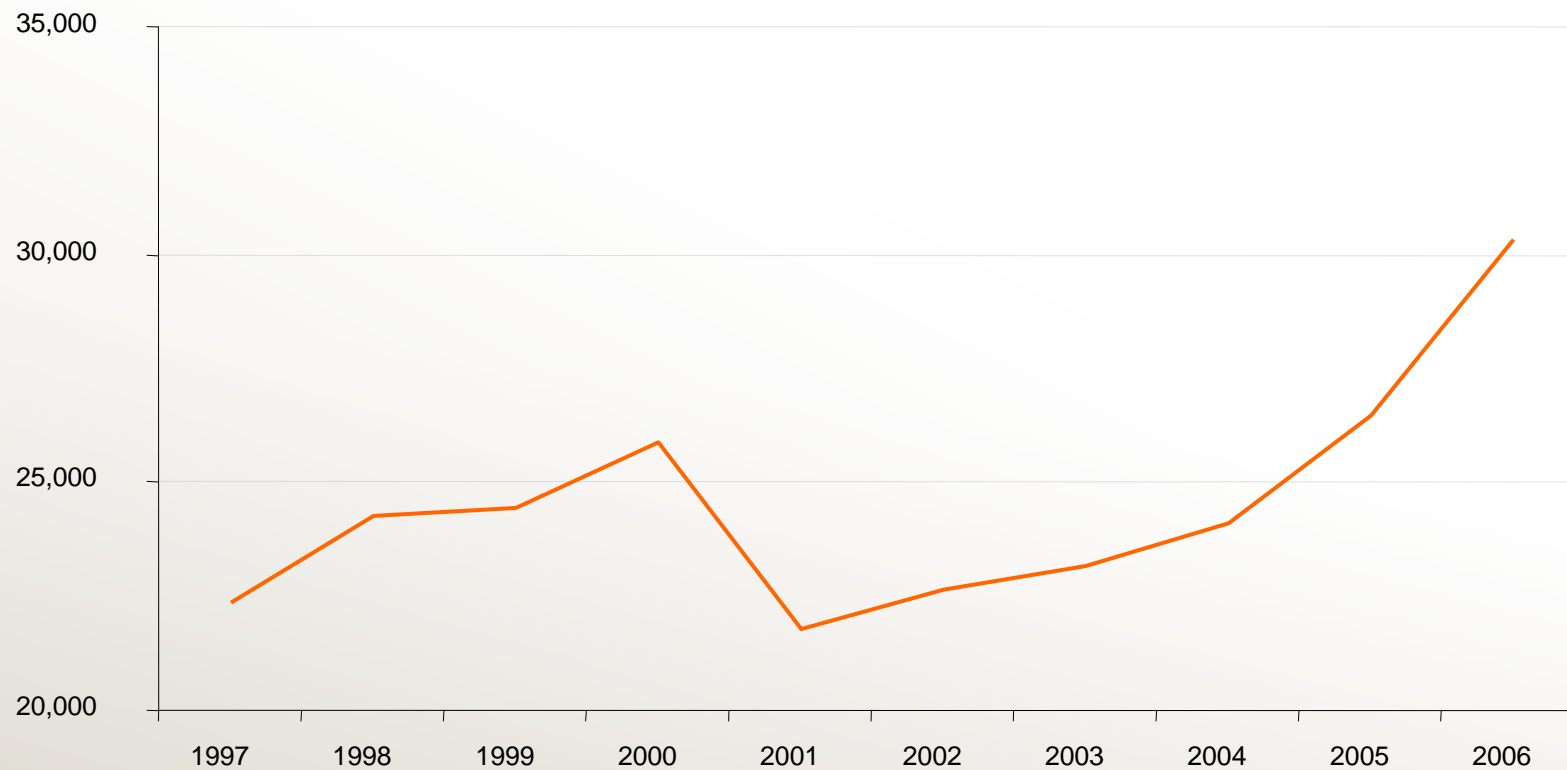
- Unprecedented demand for electricity influenced by WA's booming economy
 - record customer connections (30,000 – 2006)
 - record peak demand (3575MW – summer 06/07)
 - increased generator connections
- Rising cost of materials
- Skilled labour shortage

Following period of under-funding

... for example,



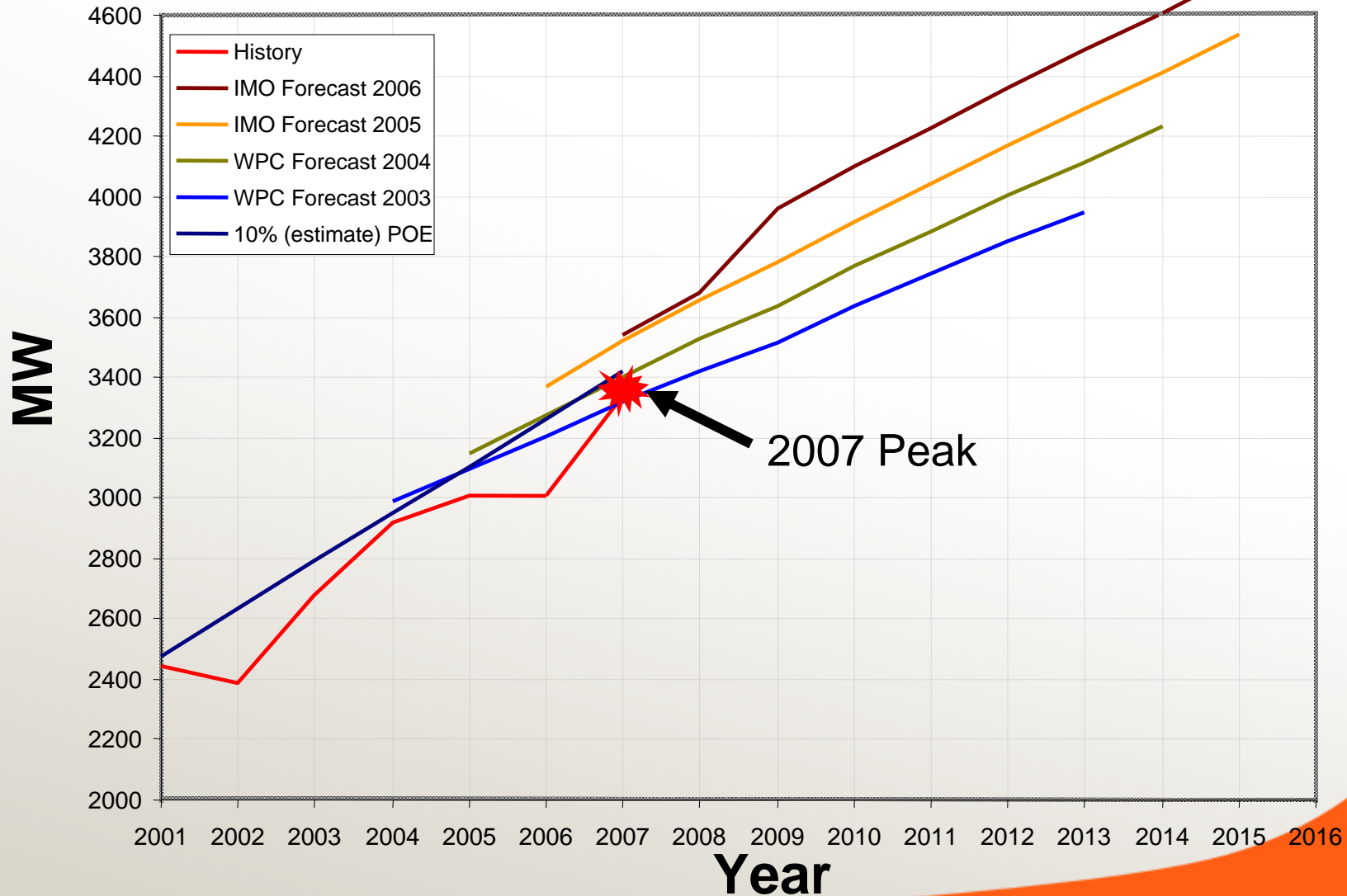
Customer connection growth is unprecedented



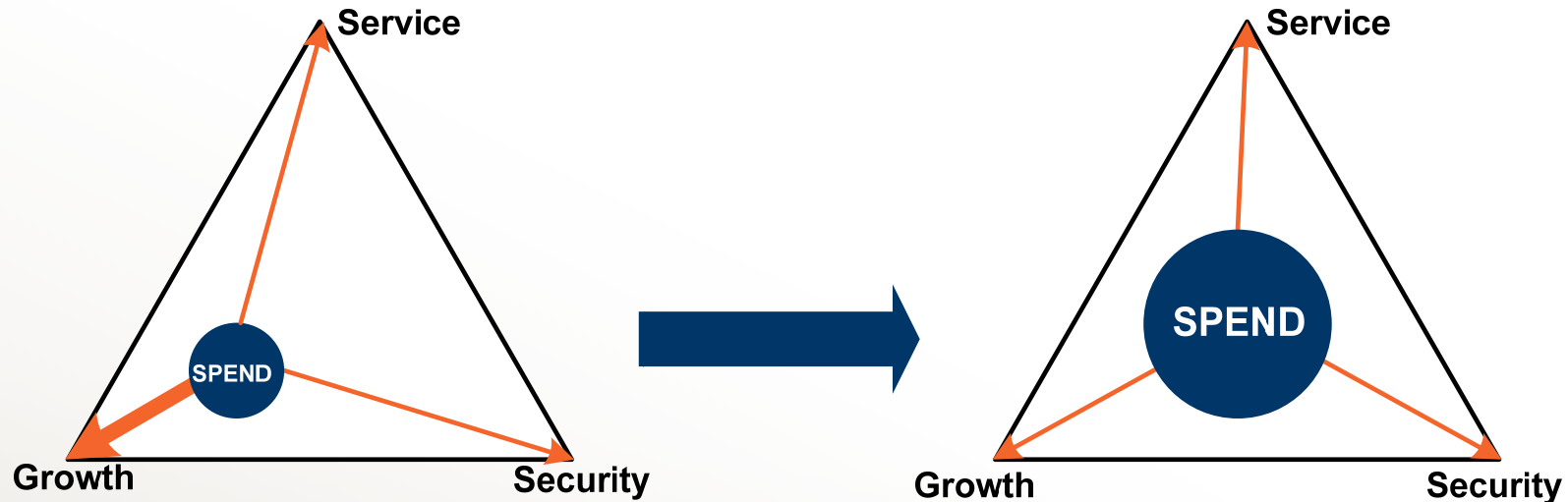
Number of *new* customer connections

Source: Western Australian Economic Summary, Summer-Autumn 2006, Department of Treasury and Finance

Independent Market Operator load forecasts



Western Power's response – a changing investment strategy



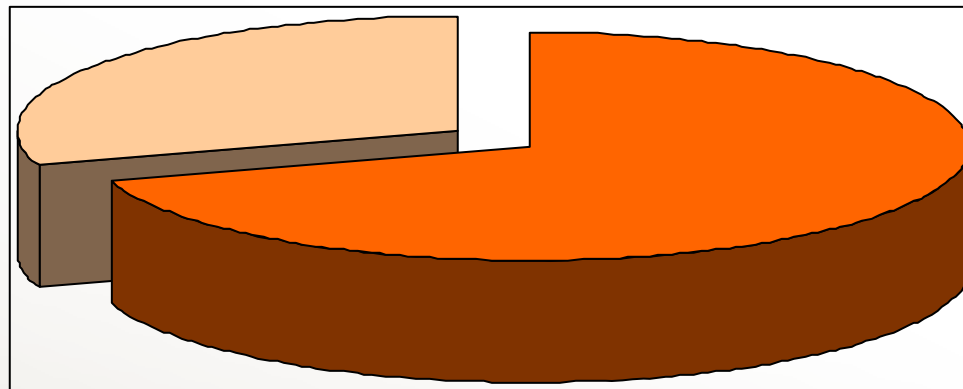
Last 10 Years

Under-investment in the condition and performance of the network

Next 10 Years

Balanced, larger investment

Expenditure split – growth vs upgrade



■ 70% Demand related

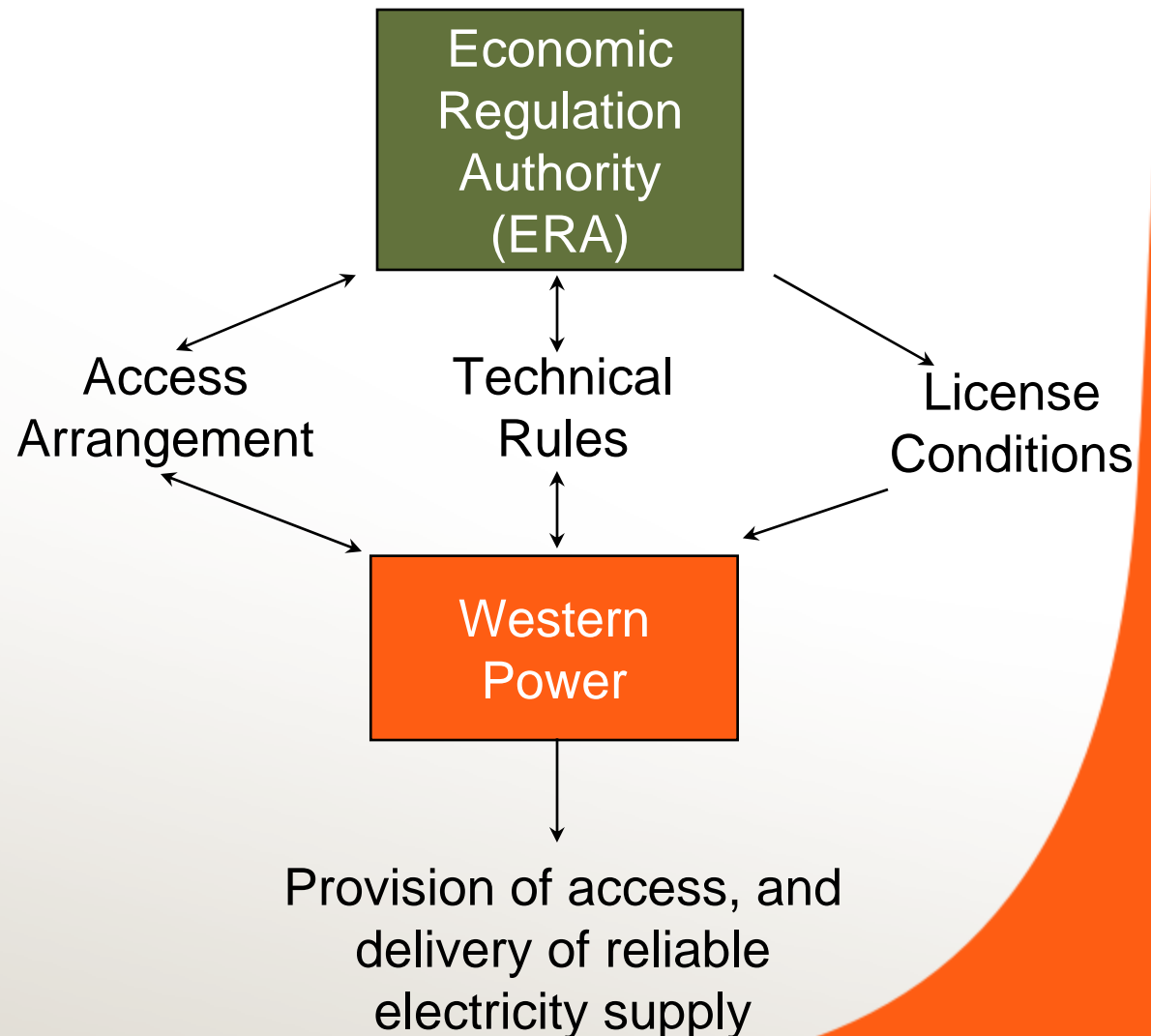
■ 30% Upgrade related

Changes delivered by new market

Western Power is required to adhere to the Electricity Networks Access Code 2004, in the absence of market competition

The code is administered by the ERA

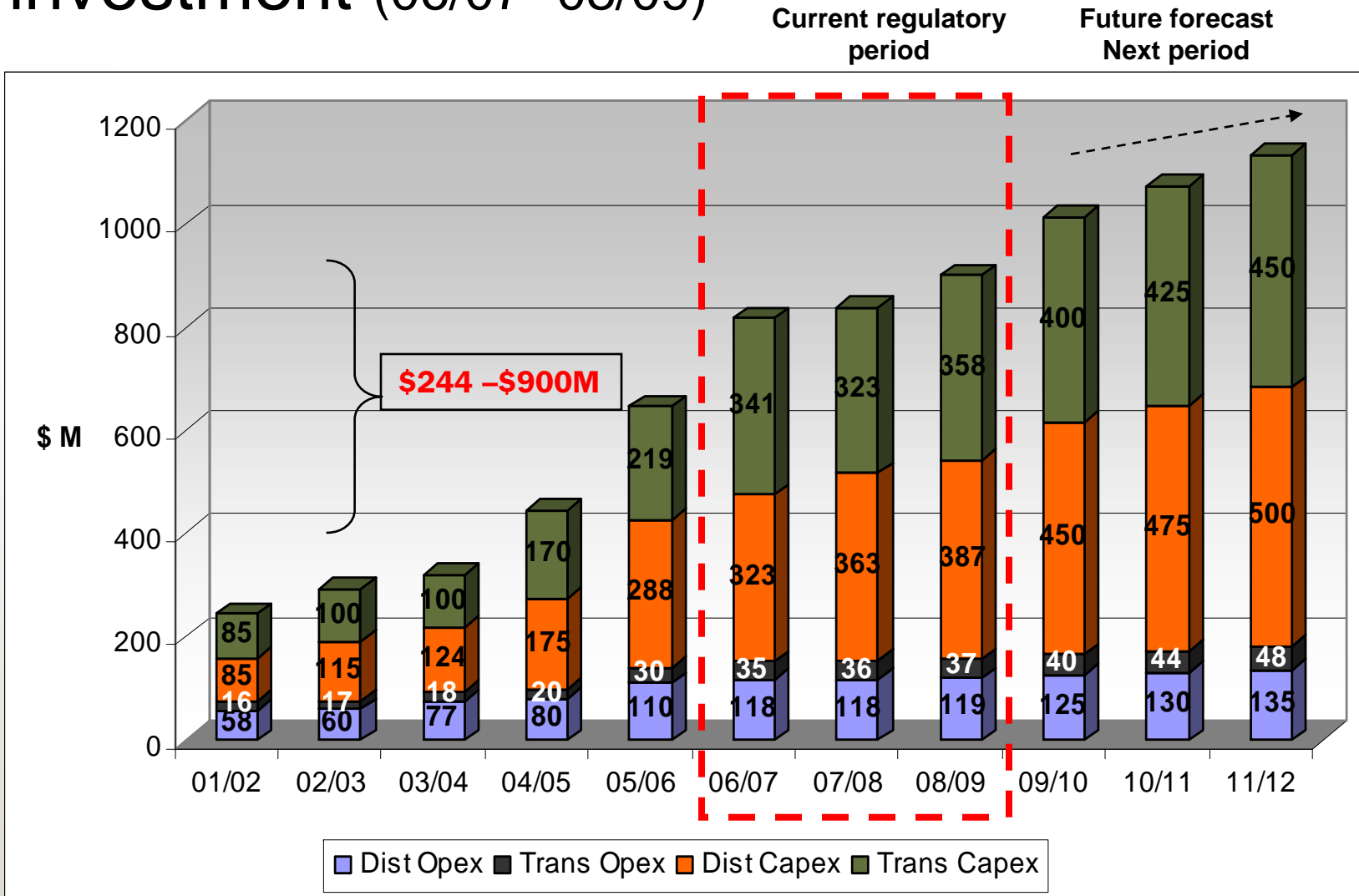
Western Power needs ERA approval for all major augmentations



Approved in the new market

- Access Arrangement approved by ERA 26 April 2007 including Western Power's
 - forecast opex
 - forecast capex
 - reliability targets
 - with a mechanism to allow for higher levels of investments if required

ERA approval for greater investment (06/07- 08/09)



Western Power needs significant external capacity to deliver the Works Program

\$3.5 billion over four years

Spend breakdown:

Total

- 54% Metro
- 46% Country
 - 27% North country
 - 19% South country

Opex

- 55% Country (\$400m over the 4 years)
- 22% South country

Capex (transmission and distribution)

- 44% Country
- 21% South country

Investment in the South West

- \$24.9M – upgrade Tx line to Margaret River and Busselton
 - Replace 66kV line with 132kV double circuit
 - Underground entry into Margaret River
- \$10.7M – upgrade Kojonup to Albany line (total project cost to 2010/11 - \$43.8M)
- \$4M – Busselton sub new transformer
- \$2.2M – Mt Barker sub 2nd transformer
- \$2.3M – Kojonup sub new transformer

South West and Great Southern reliability improvement programs

- Targeted reinforcement for reliability improvements
- RPIP
- Silicone program
- Pole top fire mitigation
- Automation – for improved restoration

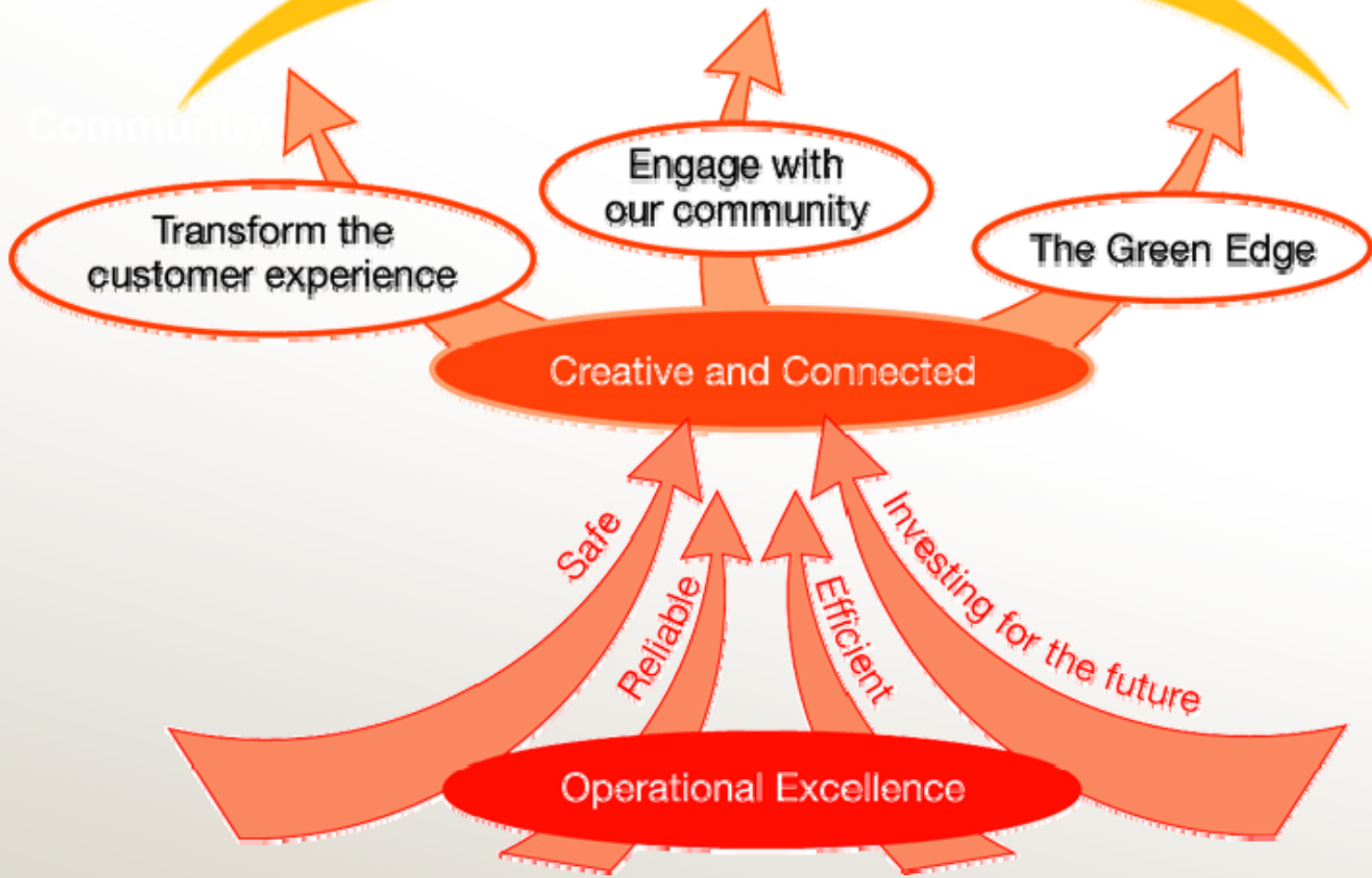
Resourcing increasing expenditure...at a network level

- Funding allocation
- Business restructure to optimise internal productivity
- Alliancing
 - Providing suppliers greater work volume certainty to gain security of resources and price benefits
- Recruiting programs
 - Training at capacity
 - Engaging overseas trained labour

A new strategic direction



An Energy Solutions Business
For a sustainable future



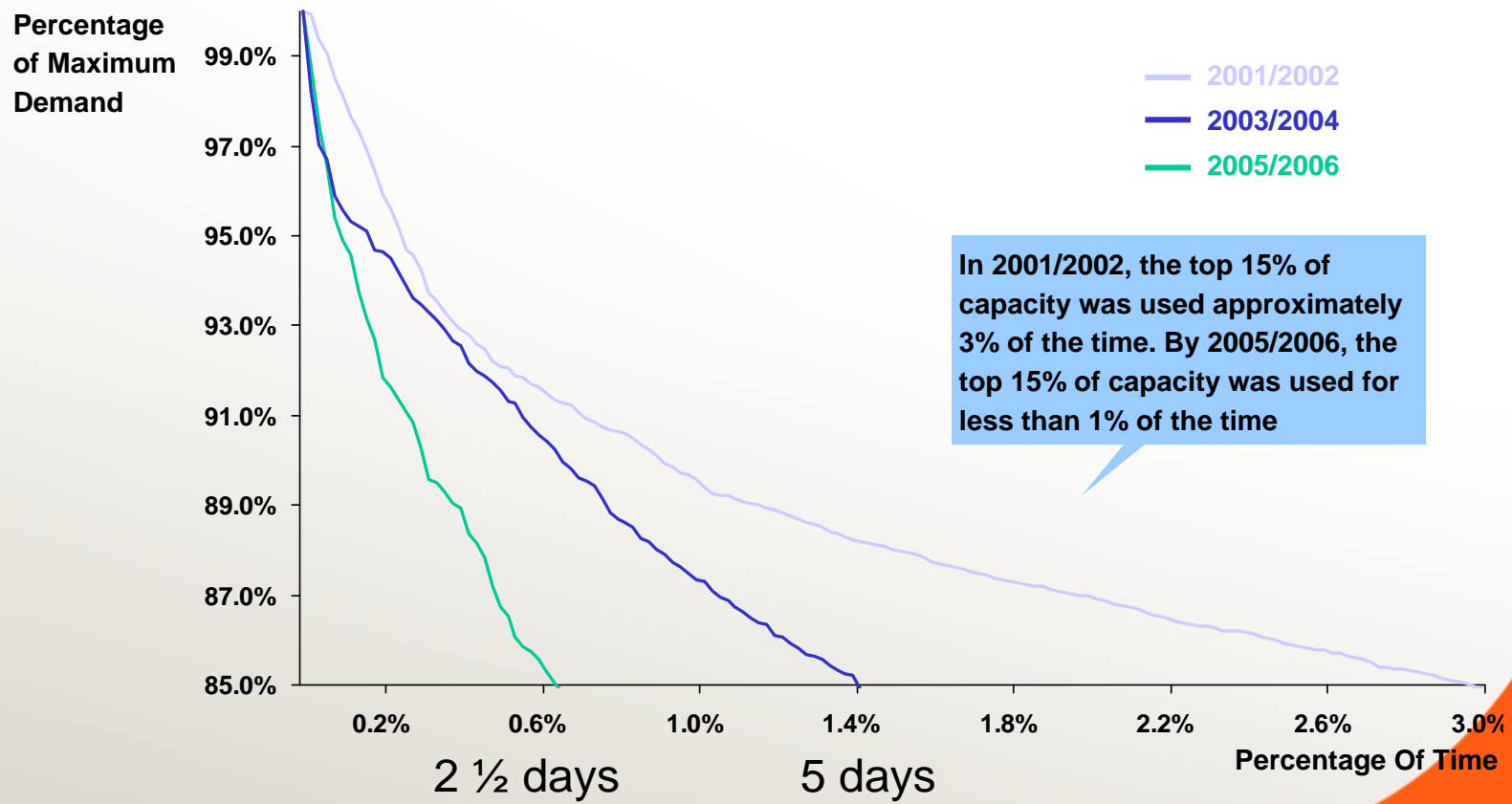
Being more proactive

- Investing to develop an energy solutions business
- Improving customer experience
 - Developing state of the art call centre
 - Creating forecasting Centre of Excellence
 - Setting new performance targets
- Developing 'green' energy solutions
- Improving operational performance

Managing increasingly peaky demand

DEMAND DURATION CURVES

Percentage



Increasing energy use efficiency

- Demand Side Management initiatives
 - Direct load control program commencing this year
 - Investigating ways to defer capital expenditure using demand side management
- Supporting 'Beat the Peak' style public education campaigns

Plus - demands require more innovative approaches – for example

- Edge of Grid
 - Western Power had technical solutions but
 - New market provided opportunity for new approach
 - Combined industry solution with Government
 - More equitable solution proposed

The new Western Power business is transforming:

to meet growth and performance
expectations and

to become a sustainable energy solutions
business for our community.