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# Beyond the Horizon

Horizon Power is accustomed to big challenges, with an operating area of 2.3 million square kilometres servicing just 100,000 people.

Images courtesy of Horizon and *The West Australian*.

**T**he challenge of the past year has taken Western Australia's regional power provider to a whole new level when it comes to driving change, with Managing Director Frank Tudor and his team setting themselves the goal of halving discretionary operating costs.

It seems that change is the only constant at Horizon Power. The last time *The CEO Magazine* spoke to Frank in June 2011, the company was in the process of implementing a comprehensive organisational restructure to improve project delivery and build business capability.

"A key focus was creating a performance management culture that started with clarity around single-point accountability down to the level of the individual," Frank says. "Today, we are a different—and I would argue a better—business that is not in any way precious about what it does

and does not do. The core values and enduring purpose as espoused by our chairman, Brendan Hammond, and the board remain steadfast—the creation of intergenerational assets.

"This is not just about investment in infrastructure and the creation of poles and wires to deliver electricity; it is about investing in intangible assets in communities, such as education, Aboriginal employment—which is nudging 10 per cent—and the development of other capabilities to help boost regional development in Western Australia," Frank explains.

Horizon Power has overhauled project execution since 2010. A very rigorous project management methodology and gating process that moves projects through major milestones is now used.

"We also have an effective governance process, reinforcing the need to engage with external stakeholders as a matter of course.

We've introduced a culture which encourages people to identify issues early, so there are no surprises down the track when options to mitigate risks are fast disappearing. If people are doing the best they can and there are still problems and things that are causing concern, then with early disclosure the organisation can get behind them and help them through that for the benefit of everybody."

As testimony to this turnaround, Horizon Power has, over the past three years, built five new power stations (totalling 150 MW) on budget and without compromising security of supply.

Since inception in 2006, \$1 billion has been directly invested by Horizon Power and \$3 billion indirectly invested into major capital projects to meet growing energy demand, particularly in the Pilbara.

This unprecedented investment coincided with massive increases in >





costs as more than \$200 billion worth of projects competed for labour, accommodation, and transport capacity.

Now economic activity in Western Australia has slowed, bringing a new set of challenges and change drivers. Frank explains that Horizon has had to rise to the challenge yet again. “Fortunately, we’ve largely completed delivery of major capital works, but we’ve now seen significant pressure on the Western Australian Government’s budget and increasing public sensitivity to power prices. In this context, last year we kicked off a major new change program to significantly reduce our costs.”

Key to this process was benchmarking Horizon Power against regional utilities in the United States, resulting in refocusing the business on core operations, streamlining structure and processes, capitalising on asset investments and knowledge, refining asset management

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- Frank Tudor

practices, further improving capital efficiency, and working in partnership with the private sector to develop infrastructure and delivery services.

With a publicly announced target to halve discretionary costs, the change process was uncompromising. “Outside safety and customers’ regulated service standards, there were no sacred cows,” Frank says. “However, it is critical to emphasise that none of the change we are driving now could have been achieved without the previous reforms.”

Central to restructure is the creation of two separate operations covering the North West Interconnected [power] System (NWIS), which supplies the mining towns of Karratha, Port Hedland, Point Samson, and Roebourne, and some 40 non-interconnected [power] systems (NIS), which include small Aboriginal communities, traditional farming towns, and vast rural networks such as Esperance. Three

corporate divisions support the decentralised operations.

“The focus on the north-west recognises the move towards an integrated and coordinated energy market, while our approach in the remaining regional operating area will require a very different approach, including embracing off-grid solutions.

“We’ve worked collaboratively with government to manage a transparent and open process to solicit interest from independent power producers to see whether they will come on board and set up a merchant power facility which supplies power to us and to some of the mining houses in the Hedland area.

“If the parties are successful in the delivery of this power precinct, then we’ll see not only increasing power competition in the Pilbara, but also the creation of a scalable, highly efficient, combined-cycle gas multiuser

power-generation facility—the first of its type in the Pilbara.”

Despite the recent slowdown in new project approvals, the Pilbara region remains responsible for about 20 per cent of the state’s GDP, and maybe 6 per cent of the national GDP.

One core project has been to shore up reliability of power supplies in the two key Pilbara cities, Karratha and Port Hedland, by the delivery of underground power replacing the poles and wires network in an area known colloquially as ‘cyclone alley’.

“Funding from Western Australia’s Royalties for Regions program has enabled Horizon Power to underground 60 per cent of the underground power project. Investments like underground power are illustrative of our focus on being sustainable in the longer term and using technology intelligently across our network in the north and in the rest of regional Western Australia.

“In fact, we now have something like 40 specific road maps that cover these initiatives, and we are drawing on the innovation, dedication, professionalism, and pride of our people to help deliver this.”

Finally, Frank notes the importance of maintaining strong links with key partners, particularly in such a complex industry like mining and resources.

“Logsys was connected to the undergrounding work in the Pilbara. We’ve had good experiences with them in the ongoing delivery of that project. With EDL [Energy Developments Limited], they are a very significant independent power producer in our area, and they have a number of our power stations, so we have a good commercial and operational relationship with them. And ATCO is a very valued supplier of ours in the west Pilbara; they



run a power station for us in the west Pilbara.”

The formation of alliances with private industry, which improve the efficiency of the business, will continue to be a focus going forward.

The only thing that won’t change? “Well that’s easy,” says Frank. “Change is the only constant.”

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