

## Balanced Scorecard - December 2007 Quarter

ITEMS	Dec-06	Dec-07
	YTD	YTD

**FINANCIAL**

EBIT (\$M)	(8.5)	(5.9)
Average Unit Cost of Supply (c/kWh)	6.9	6.6
Return on Capital Employed (%)	(1.0)	(0.8)

**CUSTOMERS**

Supply of Electricity (GWh)	6760.0	6931.6
Corporate Reputation Index	43.0	54.0

**INTERNAL PROCESSES**

Thermal Efficiency (%)	32.1	27.6
Plant Availability (%)	79.8	78.7
Forced Outage Factor (%)	5.7	3.8
Fuel Diversity - Coal (%)	72.9	68.6
Fuel Diversity - Gas (%)	23.0	29.7
Fuel Diversity - Liquid (%)	3.8	1.3
Fuel Diversity - Biomass (%)	0.3	0.4

**EMPLOYEES**

LTIFR (12 month moving average)	1.7	5.2
MTIFR (12 month moving average)	34.7	24.5

## Commentary

Although EBIT is better than the corresponding period the previous year, the year-to-date result of negative \$6.6 million is well below the mid-year-review target.

The main reason is a reduction in average vesting price from sales to Synergy as a result of the reset. Actual EBIT has also been impacted by the higher liquid fuel burn due to gas supply curtailments.

Electricity demand of 6,931.6 GWh is 2.5% above the 6,760GWh achieved in the corresponding period the previous year. All of the additional demand has been sourced externally.

Operational performance in the December six months is highlighted by:

- average forced outage factor of 3.8% is a significant improvement on the 5.7% for the same period in the previous year.
- although liquid fuel burn in the half is above target, it is significantly better than the previous corresponding period where pipeline expansion impacted results.

## Challenges

Power supply crisis in the first week of January 2008, when gas supplies were interrupted for three days, will have significant financial impact.

Further reductions in average vesting price for electricity sales to Synergy will lead to significantly deteriorating financial performance.

Significant forecast operational losses in the next six months will place additional pressure on debt levels.

## ACHIEVEMENTS

- 2006/07 Annual Report tabled in State Parliament and posted on Verve Energy's website.
- Verve Energy continued to work with the Economic Regulation Authority and Independent Market Operator to improve the operation of the Wholesale Electricity Market.
- Successful emergency crisis exercise and IT&T disaster recovery rehearsal.
- The service-functions areas were restructured which completed the organisation review. This, combined with the outsourcing of our Treasury function, will achieve significant savings.

### Plant

#### Muja Power Station

- New digital control and instrumentation system successfully installed in the second of four generating units,
- New ash ponds completed,
- Stockton water supply connected.

- NewGen site works – committed works continued at Kwinana.
- Generating plant ready for the 2007/08 peak summer demand period.

### Sustainable Energy

- Kalbarri wind farm (two turbines) erected and now awaiting network connection; and a fourth wind turbine at Denham commissioned.

### Fuel

- Gas curtailments meant some liquid fuel was used to maintain power supplies.

### Business Development

- Verve Energy has executed a number of electricity supply contracts with a total face value of approximately \$828.4 million.

## INITIATIVES

- An Environment Improvement Plan was completed, with community input, for the continuation of coal burning at Kwinana Power Station.
- Future uses for the retired Muja Power Station Stages AB units are being pursued.
- Evaluation of renewable energy prospects.
- Planning continued for the scheduled August 2008 shutdown of Kwinana Stage B generating units.

### Safety

- Focus on safety as a priority was reinforced with employees.
- New smoking at work and mobile phone use at work policies were introduced.
- Safety perception survey of employees showed an overall improvement since the 2006 survey.

### Staff

- Preparation for Strategic Plan for 2008/08 – 2012/13.
- Service awards functions held for long-serving employees.
- Verve Energy assumed responsibility for its payroll activities.
- Eight young people were selected from a quality field of candidates to start apprenticeships at Muja and Kwinana Power Stations.
- Experienced power station engineers were recruited from South Africa and the UK to fill critical vacancies.

## CHALLENGES

- Generating plant availability during the 2008 summer when power demand is greatest.
- Climate change debate, and preferably, a national emissions trading scheme,
- Installation of the new digital control and instrumentation systems in the third and fourth Muja generating unit.