



### ACHIEVEMENTS

#### Wholesale Electricity Market:

- Verve Energy continues to consolidate its trading activities and pursue opportunities in the market to improve revenue.
- With the IMO, ERA and market participants, Verve Energy is involved in the continued fine tuning of the WEM operations/activities.

#### Plant

- Summer demand was met without interruption, including Verve Energy record 3214MW on 7 March 2007, reflecting the value of the maintenance and overhaul program to improve reliability.
- The two-year program to replace control and instrumentation systems in Muja Power Station's Stages C and D started with the shutdown of Unit 6 to coincide with a major overhaul.
- NewGen siteworks – committed works for the new gas fired baseload power station at Kwinana continued.

#### Sustainable Energy

- Coral Bay wind-diesel project – under construction; Hopetoun and Denham wind-diesel extensions – nearing completion; Kalbarri wind turbines - delayed.
- Integrated Wood Processing (IWP) plant – Strategy for commercial plants completed.
- Biomass introduced at Muja Power Station.
- Biofuels trials continued at West Kalgoorlie, which now is registered to produce renewable energy certificates from biodiesel use.
- Expansion of Albany wind farm by 14MW to 36MW - preparations underway.

#### Fuel

- Liquid burn virtually eliminated, including during the record demand days during summer, now that more firm DBNGP capacity was available and coal-fired plant reliability improved.



### INITIATIVES

- Retirement of Muja Power Station Stages A/B on April 30, 2007 will reduce coal burn and emissions.
- Expressions of Interest for future uses for the Muja A/B units.
- Community consultation for extended coal burning at Kwinana Power Station.
- Carbon Policy and climate change position paper finalised.
- Collie Basin water strategy adopted.
- Continue to investigate business development opportunities.

#### Safety

- LIT figure linked to staff incentive plan. No LTI reported in the quarter.
- "Scratchies" Safety Win program has been revamped. The program, introduced to encourage and reward safety awareness, was revamped.

#### Staff

- Financial Fundamentals training for staff to improve their understanding of company financial activities and their contribution.
- Strategic Plan 2007/08 preparation is advanced.
- Insurance services brought in-house and payroll and IT services arrangements being reviewed.
- Muja Stages A/B staff will be redeployed, when the units' retirement process is completed, to Muja Stages C/D.
- Seven apprentices, three graduate engineers and one finance cadet recruited.

### CHALLENGES

- Busy maintenance and overhaul program in readiness for 2007/08 summer.
- Coordination of new control and instrumentation systems installation at Muja Power Station.
- Continue reliability improvements to assist financial performance.
- Employee Opinion Survey.
- Strategic Plan 2007/08 completion and roll-out to staff.
- Culture change within Verve Energy.
- Managing reduced generation capacity.
- WEM – rule changes to improve market effectiveness.

## Balanced Scorecard

For the period ended

FINANCIAL	Dec-06	Mar-07
EBIT - Earnings Before Interest & Tax (\$m)	(14.9)	20.4
ROCE - Return on Capital Employed (%)	(0.0)	1.6
Average Unit Cost of Supply (c/kWh)	6.9	6.6

CUSTOMERS		
Supply of Electricity (GWh)	6760.0	10427.6
Corporate Reputation Index (%)	43	43

INTERNAL PROCESSES		
Thermal Efficiency (%)	32.1	32.4
Plant Availability (%)	79.8	84.4
Forced Outage Factor (%)	5.7	4.9
Fuel Diversity - Coal (%)	72.9	71.7
Fuel Diversity - Gas (%)	23.0	25.6
Fuel Diversity - Liquid (%)	3.8	2.4
Fuel Diversity - Biomass (%)	0.3	0.3

EMPLOYEES		
LTIFR - Lost Time Injury Frequency Rate	1.7	3.6
MTIFR - Medical Time Injury Frequency Rate	34.7	26.7
Labour Force Efficiency (%)	3.2	8.2

Note: December 06 YTD result has now changed to reflect audited accounts as at 31 December 2006.

## COMMENTARY

EBIT has improved quarter by quarter, from -\$13.5 million in September quarter, -\$1.4 million in December quarter to \$35.3 million in March quarter.

Higher electricity demand in the March quarter, improved plant reliability and the completion of DBNGP Stage 4 expansion lead to the improved performance.

- EBIT YTD of \$20.4 million although below SDP target, is \$30 million above YTD MYR target.
- Supply of electricity increased by 7% to 3,667 GWh in this quarter compared to 3,418 GWh in the last quarter.
- Plant availability for the nine months of operation is 84.4% compared to the half year availability of 79.8%.
- The average forced outage rate was 4.9%, an improvement compared to the half year rate of 5.7%.
- LTIFR has increased to 3.6, while MTIFR has reduced to 26.7.
- Debt reduced by \$16 million during the quarter to \$836 million, due to positive operating cash flow generated during the quarter.

## CHALLENGES

- Increasing fuel price and consumption
- Maintain plant reliability and efficiency
- Cash Flow and Debt management