

ACHIEVEMENTS

- 2006-07 Annual Report was completed.
- Wholesale Electricity Market – Submissions were made to Economic Regulation Authority (ERA) and Office of Energy market, tariff and market and tariff reviews.
- Verve Energy continues to work with the ERA and Independent Market Operator on rule changes to improve the operation of the WEM.

Plant

- Muja Power Station - new digital control and instrumentation system was successfully installed to the first of four generating units to be fitted with the equipment. Work on the second unit is underway.
- Kwinana Power Station – annual water usage will be reduced by 120 million litres with the commissioning of new bottom ash dams.
- NewGen site works - committed works continued at Kwinana for the new gas-fired baseload power station.
- Both Muja and Collie Power Stations are operating successfully at their higher capacity rating.

Sustainable Energy

- Coral Bay wind-diesel project officially opened by Energy Minister Fran Logan.
- Good progress with the Kalbarri wind farm and the fourth wind turbine at Denham.
- Integrated Wood processing (IWP) – the pilot plant at Narrogin won two Engineering Excellence awards.
- Existing renewable energy projects production up 15%.

Fuel

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

INITIATIVES

- Energy efficiency opportunities, initially in Perth office where notable energy use reductions were achieved, are being pursued at all sites.
- An Environment Improvement Plan is being prepared, with community input, for the extension of coal burning at Kwinana Power Station.
- Expressions of Interest in future uses of the retired Muja Power Station Stages AB units and the joint development of a commercial IWP plant are being assessed.
- Great Southern renewable energy prospects were identified and community consultation begun.
- Planning started for the scheduled August 2008 shutdown of Kwinana Stage B generating units; while Stage A closure has been delayed 12 months to mid 2010.
- Community partnerships - agreement reached with the Kwinana Town Council for an environmental community partnership.

Safety

- An assessment of the “Scratchies” Safety Wins program, introduced to encourage and reward safety awareness, is underway.
- The safety performance of contractors is now included in Verve Energy’s LTI figures.

Staff

- An organisation structure review was completed.
- Staff incentive plan was reviewed.
- Strategic Plan for 2007-08 was rolled out to staff.

CHALLENGES

- Completion of the planned power stations maintenance and overhaul programs in readiness for the 2007-08 summer.
- Return to service of the second generating unit being fitted with a new control and instrumentation system.
- Managing the changed operations format with our reduced generating capacity.

Balanced Scorecard

ITEMS	Sep-06	Sep-07
	YTD	YTD

FINANCIAL

EBIT (\$M)	(13.5)	16.2
Average Unit Cost of Supply (c/kWh)	7.2	6.4
Return on Capital Employed (%)	(3.4)	4.0

CUSTOMERS

Supply of Electricity (GWh)	3342.0	3517.5
Corporate Reputation Index	43.0	54.0

INTERNAL PROCESSES

Thermal Efficiency (%)	32.1	33.0
Plant Availability (%)	80.6	83.3
Forced Outage Factor (%)	7.1	1.3
Fuel Diversity - Coal (%)	77.4	69.8
Fuel Diversity - Gas (%)	19.3	28.9
Fuel Diversity - Liquid (%)	3.2	0.8
Fuel Diversity - Biomass (%)	0.1	0.4

EMPLOYEES

LTIFR (12 month moving average)	1.7	4.9
MTIFR (12 month moving average)	26.8	23.0

Commentary

The EBIT result of \$16.2 million for the September quarter is in line with the target for the period. This result is a significant improvement on the negative \$13.5 million for the same period of the previous year.

Electricity demand in the period of 3517.5 GWh is 2.6% above target and 5.3% above the 3342GWh achieved in the previous year.

Operational performance in the September quarter is highlighted by:

- average forced outage factor of 1.35, well below the annual average target of 3.6% and significantly lower than the 7.1% of the same period in FY 06/07
- liquid fuel burn in the quarter of 7.3kt is 4.9kt above the target due to gas curtailment. The additional cost impact is \$5.9 million.

Challenges

Vesting price reset advised by the Office of Energy, and effective from 1 October 2007, will make achieving the full year EBIT target of \$33 million very unlikely.

Additional Gas curtailments have been advised for the next 3 months and these are due to continue into the new year as the DBNGP increases its capacity.