



ACHIEVEMENTS

- Varanus gas crisis –
 - * Verve Energy gas supplies were not affected by the shutdown of Apache Energy's gas production plant.
 - * All available Verve Energy coal and gas fired power stations continued to operate through the gas shortage.
 - * Collie Power Station was out of service for repairs and other stations were off for scheduled maintenance in preparation for summer.
 - * Muja Power Station stage B (2x60MW) was brought back into service from retirement.

Operations

- New digital control and instrumentation (C&I) systems are operating successfully in three of the four Muja Power Station generating units. Conversion of the fourth unit began.
- Kwinana Power Station Unit 3 retired after 30 years service. Unit 4 will continue to be available until at least December 2008. Stage A was recertified to 2011.

Fuel

- Significant quantities of liquid fuel was used during the Varanus gas crisis.
- With other major liquid fuel users, Verve Energy managed WA's liquid fuel stocks depleted by the crisis.

Financial

- Procurement functions review was completed and the implementation of the recommendations commenced.
- 2007/08 annual report was published.

Business development

- Assessment of future uses for Muja AB continued.
- Biomass agreement – exclusive rights to plantation biomass in the Esperance region.
- Wind farm prospects are being pursued, including Grasmere which is an extension of the successful Albany wind farm.

INITIATIVES

- Verve Energy Collie Community Fund established with a community advisory committee.
- Verve Energy is assisting the Office of Energy with its review of the Vesting Contract.
- Continuing risk management processes and procedures reviews.
- Corporate Strategic Plan reviewed.
- Verve Energy participation in Synergy's supply procurement process.

Safety

- The innovative and popular Safety Wins program continues to reward safe work practices.

Staff

- Recruitment of experienced power station engineers and staff from South Africa and the UK to fill critical vacancies.
- Long serving employees contribution recognised.
- Staff incentive plan reviewed.

CHALLENGES

- Arresting the significant financial performance decline. Negotiate government financial package.
- Complete the extensive generating plant upgrades and overhauls before 2008/09 summer.
- A WA perspective in the national emissions trading scheme deliberations.
- Establish the Verve Energy Kwinana Community Fund.
- Initiatives to sustain focus on safe work practices
- Corporate Strategic Plan – development and implementation.



Balanced Scorecard - September 08 Quarter

ITEMS	Sep-07	Sep-08
	YTD	YTD

FINANCIAL

EBIT (\$M)	16.2	(87.0)
NPBT (\$M)	(5.6)	(102.1)
Average Unit Cost of Supply (c/kWh)	6.4	8.5
Return on Capital Employed (%)	4.0	(22.0)

CUSTOMERS

Supply of Electricity (GWh)	3517.5	3663.6
Corporate Reputation Index	54.0	61.0

INTERNAL PROCESSES

Thermal Efficiency (%)	33.0	32.0
Plant Availability (%)	83.3	80.7
Forced Outage Factor (%)	1.3	5.8
Fuel Diversity - Coal (%)	69.8	65.8
Fuel Diversity - Gas (%)	28.9	33.1
Fuel Diversity - Liquid (%)	0.8	1.1
Fuel Diversity - Biomass (%)	0.4	0.0

EMPLOYEES

LTIFR (12 month moving average)	4.9	6.1
MTIFR (12 month moving average)	23.0	21.9

Commentary

The EBIT result of -\$87.0 million for the September quarter is \$49.2M unfavourable against SBF budget of -\$37.8M. This result is a \$103.2million lower than +\$16.2 million for the same period last year

The key reasons for the decline in profitability are:

- Higher Fuel costs as a result of the recent gas crisis.
- Lower sales prices due to selling more energy via the vesting contract with Synergy, where prices are below co production.

Electricity demand in the period at 3663.6 GWh is 6.1% above budget and 4.2% above the previous year's 3517.5 GWh. Demand was particularly strong from vesting sales to Synergy.

Operational performance in the September quarter is highlighted by:

- Forced Outage Factor of 5.8% significantly higher than the 1.3% of the same period in FY 07/08. This is due to turbine failure at Collie and Worsley plus a torque convertor failure at Pinjarra
- liquid fuel burn in the quarter of 11.6kT is 7.4kT above budget
- Verve Energy's profitability continues to be affected by uncontrollable fuel prices and encumbered incremental sales under the vesting contract at prices below direct cost

Challenges

Increased vesting contract sales have a negative impact on Verve Energy's profitability, due to the low prices received from the Vesting Contract with Synergy.

Verve Energy's market balancing role can often require it to cycle base load plant. The process of stopping and starting plant contributes to accelerated deterioration and increased short term and long term maintenance costs