



Balanced Scorecard - March 2009 Quarter

ITEMS	Mar-08	Mar-09
	YTD	YTD

FINANCIAL		
EBIT (\$M)	(27.1)	(113.6)
NPBT (\$M)	(93.0)	(161.3)
Average Unit Cost of Supply (c/kWh)	6.6	7.4
Return on Capital Employed (%)	(2.3)	(9.2)

CUSTOMERS		
Supply of Electricity (GWh)	10899.8	10837.5
Corporate Reputation Index	54.0	61.0

INTERNAL PROCESSES		
Thermal Efficiency (%)	33.0	31.9
Plant Availability (%)	81.8	86.7
Forced Outage Factor (%)	4.6	4.1
Fuel Diversity - Coal (%)	63.5	67.7
Fuel Diversity - Gas (%)	34.2	31.7
Fuel Diversity - Liquid (%)	2.0	0.6
Fuel Diversity - Biomass (%)	0.3	0.0

EMPLOYEES		
LTIFR (12 month moving average)	4.7	6.7
MTIFR (12 month moving average)	20.0	25.3

Commentary

EBIT for YTD March 2009 of negative \$113.6 million is lower than the corresponding period the previous year by \$86.5 million but is \$139.6 million better than the mid-year-review target of negative \$253.2 million.

The main reasons for the reduction in profitability are:

- Lower sales prices from the vesting contract with Synergy
- Higher fuel costs due to the gas crisis and higher plant availability in the summer months compared to the previous year

Electricity demand for the period is marginally below budget by 1% compared to last year (62 GWh lower). All of the additional demand has been sourced externally.

Operational performance in the nine months to March is highlighted by:

- High plant availability in the summer months compared to previous year where Muja had major outages which reduced coal usage
- average forced outage factor of 4.1% is an improvement on the 4.6% for the same period in the previous year.
- high plant availability in summer meant reduced liquids consumption compared to same period last year

Challenges

- Profitability continues to be the key challenge for Verve Energy over the remainder of the Financial Year.
- Deferred spending on outages for Collie and Muja will see an increase in materials and services in the June 2009 Quarter



OPERATIONS

- All Verve Energy generating units were available when required during summer.
- Muja Power Station:
 - ◊ Stage B (2x60MW) was again taken out of service in March/April after being recommissioned following the Varanus Island gas crisis in June last year.
 - ◊ Future uses are under consideration for Muja Stages A and B (4x60MW) including power generation after refurbishment, modernisation and fitting pollution reduction equipment.
- Kwinana Power Station:
 - ◊ Demolition of two units of Stage B is underway to make way for new high efficiency gas-fired generating plant, possibly by 2011/12.
 - ◊ The small gas turbine, damaged in an explosion in January, was repaired and returned to service ahead of schedule.
- Eight bores in the Stockton borefield are being commissioned to consolidate water supplies for the Muja and Collie power stations.
- Wind generation output improved after a period of below-average winds.

- At the Albany Wind Farm a major maintenance program on wind turbine blades is underway.

CORPORATE SERVICES

- The community advisory group started preparing the second Environmental Improvement Plan (EIP) for future operations at Kwinana Power Station
- Good progress was made on setting up an employee payroll charity scheme.
- 70 Collie Senior High School students completed the Verve Energy-sponsored driver training.
- Diversity/Equal Employment Opportunity workshops were introduced.
- The new trainee program for Gas Turbines and Sustainable Operations branch got underway.

BUSINESS DEVELOPMENT

- Inaugural Directors Peter West (Chairman), J J O'Connor and Martine Pop completed their terms. Mr David Eiszele was appointed the new Chairman.
- Community reaction was positive to the proposed Milyeannup Wind Farm, east of

Augusta, at public displays and information sessions at Nannup and Augusta.

- Feasibility studies into two other wind farm projects - Grasmere (an extension to the Albany Wind Farm) and one near Geraldton - are making good progress.

FINANCIAL

- (See Balanced Scorecard).
- Tariff increases in April and July 2009 will help improve Verve Energy's cash flow.
- New procurement team complete.

CHALLENGES

- Financial performance - assessing the impact of tariff increases announced by State Government and the introduction of the Federal Carbon Pollution Reduction Scheme, proposed for July 2010.
- Safety – reinvigorate safety messages across all sites.
- Develop generation options to address potential short to medium term shortfalls.
- Transfer of IT&T and fleet management responsibility.

