



Balanced Scorecard - March 2010 Quarter

ITEMS	Mar-09	Mar-10
	YTD	YTD

FINANCIAL		
EBIT (\$M)	(113.6)	170.9
Average Unit Cost of Supply (c/kWh)	7.4	7.5
Return on Capital Employed (%)	(9.2)	13.0

CUSTOMERS		
Supply of Electricity (GWh)	10837.5	9221.7
Corporate Reputation Index	61.0	56.0

INTERNAL PROCESSES		
Thermal Efficiency (%)	31.9	30.6
Plant Availability (%)	86.7	85.1
Forced Outage Factor (%)	4.1	2.6
Fuel Diversity - Coal (%)	67.7	65.2
Fuel Diversity - Gas (%)	31.7	34.5
Fuel Diversity - Liquid (%)	0.6	0.3
Fuel Diversity - Biomass (%)	0.0	0.0

EMPLOYEES		
ARIFR (12 month moving average)	65.0	24.2

Commentary

EBIT for YTD March 2010 of \$170.9 million is higher than the same period last year by \$284.5 million and is \$75.2 million better than the mid-year-review (MYR) target of \$95.6 million.

Key reasons for the improved profitability are:

- * Higher Vesting revenue as a result of increased Community Service Obligation (CSO) payment arrangements from Synergy approved by the Minister for Energy
- * Lower production costs, largely due to favourable electricity prices available at the WEM and lower spinning reserve costs against prior year associated with the Worsley failure.
- * Other expenses were \$27.4 million below MYR due to delays in operating projects at Kwinana and Muja and timing differences in other operating expenses.

Supply of electricity was 3.4% above MYR, largely due to favourable Vesting Sales to Synergy and the Wholesale Electricity Market (WEM). It was however 17.5% lower than previous year's 10837.5 GWh.

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

- Significantly lower forced outage factor of 2.6% against same period last year of 4.1%
- Oil consumption has been kept to a minimum with the lower forced outages and high plant availability. Liquid fuel burn of 5.9 Kt is 5.7 Kt lower than MYR estimates and 7.8Kt lower than the same period last year.

* The Employees KPI will be reported on ARIFR instead of LTIFR and MTIFR in line with the revised internal monthly reporting



OPERATIONS

- Plant performance was good over summer with no blackouts resulting from Verve Energy plant unavailability. The "outage" season is underway as Verve Energy prepares for next summer.
- Demolition of Kwinana Power Station Stage B to make room for two new high efficiency gas turbines (HEGT) was completed successfully. Asbestos management protocols were audited and confirmed as appropriate.
- The HEGT project site is ready for construction to begin.
- The first 38kms of the Collie Power Station saline waste water pipeline is being relined.
- An Operational Review is underway as Verve Energy plans to adjust power station work patterns to cope with significant changes to plant dispatch including the cycling of base load plant. Employee consultation is a key input.
- Preparations continue for the transition to Wesfarmers Premier Coal as the single coal supplier from 1 July 2010.

FINANCIAL

- See Balanced Scorecard.
- Verve Energy's financial position continues to improve due to ongoing sound operational performance, the progressive introduction of cost reflective tariffs and the receipt of the Community Service Obligation (CSO) payments.
- IT&T – Verve Energy is moving closer to taking full responsibility of its own IT&T from late July 2010. Good progress was made with the

development of a new Energy Management Trading System and a new coal administration system is being implemented.

TRADING AND FUEL

- Agreement was reached to wind-up the Griffin Coal coal supply arrangements by 30 June 2010.
- Underground gas storage, a key part of the State Government's gas emergency measures, is advancing with the Mondarra storage owner.
- Arrangements were finalised for a long-term liquid fuel supply.

BUSINESS DEVELOPMENT & STRATEGY

- Muja AB refurbishment – The boards of Verve Energy and joint venture partner, Inalco Energy, have given the go-ahead for the project.
- Feasibility studies continue into three wind farm prospects on the south coast and mid-west regions of WA, and a solar prospect in the mid-west.
- Verve Energy has made a submission to the State Government Strategic Energy Initiative which is intended to provide energy policy for WA to 2030.
- Preparation for a 2010/11 – 2014/15 Strategic Plan is underway.

CORPORATE SERVICES

- Our "Layers of Protection" safety strategy (Safety for All, Harm for None) continues to gain momentum, as does the Integrated Safe System of Work (ISSoW) program.

- The Equal Employment Opportunity Management Plan 2010-2012 has been completed.

Community partnerships

- The Verve Energy Collie Community Fund 2010 grant round, for grants of up to \$1000 for projects in the Collie area, is underway.
- Our "workplace giving" program for employees to make regular deductions continues to grow. RFDS, PMH and the WA Cancer Council benefit from the program.
- "Rising Star" education scholarships were made available to three Gilmore College students at Kwinana.

CHALLENGES

- Managing the impact on Verve Energy's portfolio and operations of the current oversupply of base load generation in the system and the extra intermittent sources such as wind farms as the Mandatory Renewable Energy Target (MRET) program is implemented.
- Implementation of Oates Report recommendations in regards to the Vesting Contract, generation planning and market rules.
- Monitoring the progress of the Strategic Energy Initiative.
- The Federal Government's climate change policies.
- Wrapping-up the Griffin Coal long term coal supply arrangement.