



## Balanced Scorecard - September 09 Quarter

ITEMS	Sep-08	Sep-09
	YTD	YTD

### FINANCIAL

EBIT (\$M)	(87.0)	45.7
Average Unit Cost of Supply (c/kWh)	8.5	7.5
Return on Capital Employed (%)	(22.0)	11.0

### CUSTOMERS

Supply of Electricity (GWh)	3663.6	3132.7
Corporate Reputation Index	61.0	56.0

### INTERNAL PROCESSES

Thermal Efficiency (%)	32.0	30.4
Plant Availability (%)	80.7	82.4
Forced Outage Factor (%)	5.8	1.9
Fuel Diversity - Coal (%)	65.8	63.2
Fuel Diversity - Gas (%)	33.1	36.5
Fuel Diversity - Liquid (%)	1.1	0.3
Fuel Diversity - Biomass (%)	0.0	0.0

### EMPLOYEES

LTIFR (12 month moving average)	6.1	4.5
MTIFR (12 month moving average)	21.9	27.4

## Commentary

The EBIT result of +\$45.7 million for the September 2009 quarter is \$11.8 million favourable against SBF budget of \$33.9 million. This result is +\$132.7 million higher than the -\$87.0 million for the same period last year.

The key reasons for the increase in profitability are:

- \* Ministerial approval has been granted for Verve Energy to receive cost reflective tariff through the proposed Community Service obligation (CSO) payment from the Government via Synergy, resulting in higher Vesting revenue.
- \* Lower than budgeted production costs, as gas was used instead of the more expensive liquid fuels to meet electricity demand.

Electricity demand in the quarter at 3132.7 GWh is 5.8% above budget, but 14.5% lower than the previous year's 3663.6 GWh.

Demand for the September 2009 quarter was particularly strong from Vesting Sales to Synergy and sales to the Wholesale Electricity Market (WEM).

Operational performance in the September 2009 quarter is highlighted by:

- \* Forced Outage Factor of 1.9% is significantly lower than the 5.8% of the same period in FY 2008/2009.
- \* Gas usage of 10,126 TJ is 1,839 TJ above budget for the quarter and higher than the same period in FY 2008/2009 due to the consistent running of gas plants at high capacity factors whilst coal plants have been unavailable due to outages.
- \* Oil consumption has been kept to a minimum level. Liquid fuel burn of 1.7 Kt is 2.8 Kt below budget for the quarter and significantly lower than the same period in FY 2008/2009.



## OPERATIONS

- Cockburn and Kwinana Power Stations had limited operating hours as new private generation entered the market.
- Scheduled maintenance and overhauls continued in preparation for the coming summer.
- Coal handling facilities at Muja Power Station are being upgraded in anticipation of the single coal-supplier arrangements with Wesfarmers Premier Coal starting next year.
- A new Central Water Reveal Facility to reinforce power station water supplies is well advanced.
- Demolition of Kwinana Power Station Stage B is advancing so that building the HEGTs can begin on time in early 2010.
- Negotiations for the supply of the turbines and their installation and commissioning are progressing on schedule.

## FINANCIAL

- See Balanced Scorecard.
- The Oates Review report was welcomed by

Verve Energy as the basis of revitalising our financial performance and financial position.

- Assessment of the impact on financial performance from the recent tariff increases continued.
- Revision of the crisis management and business continuity plans continued.

## BUSINESS DEVELOPMENT

- Good progress was made towards finalising arrangements with the joint venture partner for the refurbishment of Muja Stages AB for the 2012/13 summer.
- Wind farm feasibility studies have reached an advanced stage.

## CORPORATE SERVICES

- A new safety strategy to reshape the safety culture and emphasise safety messages was launched to all employees.
- Employees were invited to take part in the biennial Employee Opinion Survey.
- Verve Energy has assumed control of its motor vehicle fleet and will be responsible for its own IT&T services by April 2010.

## COMMUNITY PARTNERSHIPS

- Verve Energy Collie Community Fund community advisory committee approved a second round of grants to local organisations.
- An employee giving program called VEGAS has received strong employee support for the three charities which are the initial recipients.
- Verve Energy supports a youth driver development program at the Collie Senior High School, the Science and Engineering Challenge and the Gilmore College scholarships.

## CHALLENGES

- Maximising the benefits of the tariff increases and new CSO arrangements.
- Implementation of the Oates Review recommendations.
- Managing the impact on Verve Energy's generation fleet of new entrants in the market.
- Maintaining the improved safety performance and implementing the new Safety Strategy *Safety for All – Harm for None*.