



## ACHIEVEMENTS

- Record summer power demand met.
- Coal and liquid fuel fired power stations operated continuously when gas supplies were interrupted for almost three days in early January.
- New digital control and instrumentation (C&I) systems are operating successfully in two of the four Muja Power Station generating units.
- Kalbarri wind farm completed; network connection terms agreed.

### Fuel

- Significant quantities of liquid fuels were consumed as a result of gas supply curtailments from 2-4 January 2008 and 26-27 January 2008.
- Verve Energy will participate in the Dampier to Bunbury Natural Gas Pipeline Stage 5B expansion through an upgrade of its interruptible to firm transport.
- Verve Energy and APA continue to develop an arrangement to expand the Mondarra Gas Storage facility.

### Financial

- Independent half-year review completed without any findings.

### Trading

- Agreement reached with Western Power System Management for Verve Energy to be appropriately compensated for out-of-merit dispatch associated with the ancillary services provided by Mungarra, Geraldton and West Kalgoorlie power stations.
- Verve Energy has signed a contract with Mincom to install its electricity market trading software; the first WEM-specific software product to be implemented.

### Business development

- Muja AB lease process progressing with short-listed bidders.
- Verve Energy executed a five-year electricity supply contract with Synergy for Cable Sands (WA) Pty Ltd.

## INITIATIVES

- Renewable energy prospects identified and evaluation accelerated.
- Planning advanced for the scheduled August 2008 shutdown of two Kwinana Power Station generating units.
- Continuing risk management processes and procedures reviews.
- Strategic review of procurement functions.
- Preparation of Strategic Development Plan 2008/09 – 2012/13.

- Participating in Synergy's supply procurement 2008 vesting displacement 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.
- Emerging leaders identified and a development program prepared.

## CHALLENGES

- Significant financial performance decline.
- Complete the extensive generating plant upgrades and overhauls before 2008/09 summer.
- Ensuring a WA perspective in the national emissions trading scheme deliberations.
- Installation of new digital C&I systems on the 3rd and 4th Muja generating units.
- Secure long-term water supplies for Collie Basin power stations.



## Balanced Scorecard - March 2008 Quarter

ITEMS	Mar-07	Mar-08
	YTD	YTD

### FINANCIAL

EBIT (\$M)	20.4	(27.1)
NPBT (\$M)	(41.5)	(93.0)
Average Unit Cost of Supply (c/kWh)	6.6	6.6
Return on Capital Employed (%)	1.6	(2.3)

### CUSTOMERS

Supply of Electricity (GWh)	10427.6	10899.8
Corporate Reputation Index	43.0	54.0

### INTERNAL PROCESSES

Thermal Efficiency (%)	32.4	33.0
Plant Availability (%)	84.4	81.8
Forced Outage Factor (%)	4.9	4.6
Fuel Diversity - Coal (%)	71.7	63.5
Fuel Diversity - Gas (%)	25.6	34.2
Fuel Diversity - Liquid (%)	2.4	2.0
Fuel Diversity - Biomass (%)	0.3	0.3

### EMPLOYEES

LTIFR (12 month moving average)	3.6	4.7
MTIFR (12 month moving average)	26.7	20.0

## Commentary

EBIT is lower than the corresponding period the previous year and the year-to-date result of negative \$27.1 million is also below the mid-year-review target of negative \$3.9 million.

The main reason is a reduction in average vesting price from sales to Synergy as a result of the reset. Actual EBIT has also been impacted by the higher liquid fuel burn due to gas supply curtailments.

Electricity demand of 10,900 GWh is 4.5% above the 10,428 GWh achieved in the corresponding period the previous year. All of the additional demand has been sourced externally.

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

- Plant availability for the year to date is lower than the same period in the previous year mainly due to major outages at Muja which consequently resulted in lower coal usage.
- average forced outage factor of 4.6% is an improvement on the 4.9% for the same period in the previous year.
- although liquid fuel burn is above target, it is significantly better than the previous corresponding period where pipeline expansion impacted results.

## Challenges

Profitability continues to be the key challenge for Verve Energy over the remainder of the Financial Year. Vesting prices have fallen below budgeted levels by 13% which goes straight to the bottom line.