

## Balanced Scorecard - December 10 Quarter

ITEMS	Dec-09	Dec-10
	YTD	YTD

## FINANCIAL

EBIT (\$M)	121.7	125.0
Average Unit Cost of Supply (c/kWh)	7.7	8.3
Return on Capital Employed (%)	13.8	14.2

## CUSTOMERS

Supply of Electricity (GWh)	6008.5	5519.5
Corporate Reputation Index	56.0	73.0

## INTERNAL PROCESSES

Thermal Efficiency (%)	30.6	31.4
Plant Availability (%)	81.3	70.5
Forced Outage Factor (%)	1.5	1.8
Fuel Diversity - Coal (%)	64.2	62.4
Fuel Diversity - Gas (%)	35.5	37.3
Fuel Diversity - Liquid (%)	0.4	0.4
Fuel Diversity - Biomass (%)	0.0	0.0

## EMPLOYEES

ARIFR (12 month moving average)	29.1	20.7
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## Commentary

EBIT of +\$125.0 million for YTD December 2010 was +\$3.3 million higher than the +\$121.7 million for the same period last year. Forecast result was \$79.2 million for YTD December 2010.

Key contributors to this result for YTD December 2010:

- \* More favourable pricing and higher volumes in the first quarter
- \* Second quarter result was mainly driven by higher volumes
- \* Materials and Services were lower than budget by +\$14.4M YTD December 2010 due to timing differences in operational expenditures

Electricity demand in YTD December 2010 at 5,519.5 GWh was 6.7% higher than the budget of 5,171 GWh, and 8.1% lower than the previous year's 6,008.5 GWh, reflecting Verve Energy's loss of market share due to displacement and Verve Energy plant outages.

Operational performance for YTD December 2010 is highlighted by:

- \* Outages at Muja that were originally budgeted for 2009/10 have been deferred to 2010/11. In comparison to last year, this has reduced both plant availability and supply of electricity, and increased the average unit cost of supply with the higher materials and services expenditure.
- \* Thermal efficiency has improved against last year with increased sent-outs from Cockburn which is a more efficient plant.
- \* Forced outage factor of 1.8% is slightly higher than the 1.5% of the same period last year, mainly due to forced outages at Muja 5.
- \* Gas usage was 4,902.6 TJ (37.9%) higher than budget due to the consistent running of gas plants at high capacity factors to cover additional balancing required in the SWIS.



### **SAFETY**

- Verve Energy has appointed its first General Manager Safety and Health as additional professional safety resources are engaged to capitalise on existing strategies.

### **OPERATIONS.**

- All power stations are available for the current summer following a successful maintenance program on generating units. .
- At Kwinana Power Station, construction of two high efficiency gas turbines (HEGTs) is on target for completion before end 2011.
- Confirmation that KPS Stage A (two 120MW units) will be retired in October 2011.
- The Operational Review progressed as Verve Energy adjusts power station work patterns to cope with significant changes to plant dispatch.
- Kwinana Power Station 40<sup>th</sup> anniversary celebrations in November 2010 attracted about 250 people including about 80 former employees.
- A project to address deteriorating Collie Basin ground water quality for Muja and Collie Power Stations is well advanced.
- Verve Energy is a foundation partner in the Collie Hub project which is investigating carbon capture and storage prospects in the Lower Lesueur basin, south of Perth.
- Ageing wet ash-hoppers at Muja Power Station will be replaced with the latest dry ash-hoppers.
- Turbine blades on a 10 Mile Lagoon wind farm turbine at Esperance damaged by lightning strike will be replaced.

### **FINANCIAL**

- See Balanced scorecard.
- Verve Energy's financial position remains strong, based on sound operational performance, cost reflective revenue and diligent cost management.
- The revised Vesting Contract, with major customer Synergy came into effect in October 2010.
- Verve Energy assumed full responsibility for its own IT&T services with the successful transition to new service providers.
- Kwinana Power Station was selected from 130 power stations in the Asia Pacific region for a prestigious risk management award.

### **BUSINESS DEVELOPMENT & STRATEGY.**

- Muja AB refurbishment site works by Vinalco Energy, a Verve Energy-Inalco Energy joint venture, are underway with about 90 people onsite. Scheduled completion late 2012.
- Site works have started at Grasmere wind farm, a 13.8MW extension of the successful Albany wind farm. Expected completion December 2011.
- Opportunities for renewable energy projects continue to be assessed.
- Negotiations for the proposed Midwest solar and Mumbida wind farm projects are progressing on schedule.

### **TRADING & FUEL**

- Verve Energy's role in the projected expansion of the Mondarra gas reservoir is being discussed with the storage owner.

- Long term fuel supply arrangements are being reviewed.
- Verve Energy is a foundation customer of a new web-based system for trading gas and pipeline capacity.

### **CORPORATE SERVICES**

- The revised Environmental Management Framework provides a corporate and systematic approach to environmental management of Verve Energy's operations.
- Since VEGAS the employee-giving program started in August 2009, almost \$62,000 has been donated to three local charities.
- Verve Energy has agreed to support financially the Clontarf Academy at Gilmore College counselling program in the Kwinana area.
- An employee volunteering program starts in January 2011.

### **CHALLENGES**

- Maintain the focus on safety performance.
- Managing the impact on Verve Energy's portfolio and financial position of the current oversupply of base load generation.
- Federal government climate change policy and regulation.

