



EXECUTIVE SUMMARY



Balanced Scorecard - September 10 Quarter

ITEMS	Sep-09	Sep-10
	YTD	YTD

FINANCIAL		
EBIT (\$M)	45.7	51.2
Average Unit Cost of Supply (c/kWh)	7.5	8.1
Return on Capital Employed (%)	11.0	12.0

CUSTOMERS		
Supply of Electricity (GWh)	3132.7	2863.4
Corporate Reputation Index	56.0	56.0

INTERNAL PROCESSES		
Thermal Efficiency (%)	30.4	31.0
Plant Availability (%)	82.4	72.7
Forced Outage Factor (%)	1.9	1.4
Fuel Diversity - Coal (%)	63.2	62.6
Fuel Diversity - Gas (%)	36.5	37.0
Fuel Diversity - Liquid (%)	0.3	0.3
Fuel Diversity - Biomass (%)	0.0	0.0

EMPLOYEES		
ARIFR (12 month moving average)	31.2	14.5

Commentary

The EBIT result of +\$51.2 million for the September 2010 quarter is \$16.0 million favourable against SBF budget of \$35.2 million. This result is +\$3.5 million higher than the +\$45.7 million for the same period last year.

The increased profitability is mainly due to higher tariffs and Community Service Obligation (CSO) payments to Synergy which have resulted in higher vesting contract revenue to Verve Energy.

Electricity supply in the September quarter at 2863.4GWh was 9% above budget, but 8.6% lower than the previous year's 3132.7GWh reflecting Verve Energy's loss of market share due to displacement and outage timing at Muja.

Outages at Muja that were originally budgeted for 2009/10 were rescheduled to 2010/11. Compared to last year, this has reduced both plant availability and supply of electricity and increased the average unit cost of supply and materials and services expenditure.

Operational performance in the September 2010 quarter is highlighted by:

- * Forced outage factor of 1.4% is lower than the 1.9% of the same period in FY 2009/2010.
- * Despite the lower supply of electricity, thermal efficiency has improved against last year with increased sent-outs from Cockburn which is the most efficient plant



OPERATIONS

- Improved forced outage factor (FoF) demonstrates consistent plant performance.
- The 'outage' season continued as Verve Energy prepared its power stations for next summer's peak demand period.
- At Kwinana Power Station, construction is underway of the two high efficiency gas turbines to cost of over \$260 million.
- Relining the Collie Power Station saline waste water pipeline was completed.
- The Operational Review continues as Verve Energy adjusts power station work patterns to cope with significant changes to plant dispatch.
- Since 1 July 2010, Wesfarmers Premier Coal has been Verve Energy's sole coal supplier.
- Installation of mill desanders continues at the coal-fired power stations.

FINANCIAL

- See Balanced Scorecard.
- Verve Energy's financial position remains strong based on sound operational performance and cost reflective revenue.
- A bilateral contract with our major customer Synergy replaces the Vesting Contract on 1 October 2010.
- Verve Energy takes full responsibility of its own IT&T services from early October 2010.

BUSINESS DEVELOPMENT & STRATEGY

- Muja AB refurbishment – Outstanding approvals will be finalised within weeks allowing site works to start.
- With State Government financial support, Verve Energy will build Australia's biggest solar farm (10MW) in the WA Midwest. Expected completion late 2011.
- Grasmere wind farm, a 13.8MW extension of the successful Albany wind farm received the go-ahead. Expected completion early 2012.
- Feasibility study for a wind farm in the Midwest is well advanced.
- Verve Energy's 2010/11—2014/15 Strategy was approved.

TRADING & FUEL

- Discussions about expanding the Mondarra underground gas storage capacity continued with the storage owner.
- Verve Energy is addressing long-term gas supply arrangements.

CORPORATE SERVICES

- Safety - Additional professional safety resources will be engaged to capitalise on the Layers of Protection safety strategy and Integrated Safe System of Work program.
- Muja Power Station won two IFAP safety awards.

- The 2009/10 Annual report was submitted to the Minister for Energy.
- Verve Energy's first community forum will be held in Collie early October 2010.
- Annual corporate reputation survey returned improved results.

Community Partnerships

- Verve Energy Collie Community Fund approved grants to 10 local projects in the 2010 grant round.
- Thirty-one Collie Senior High School students participated in the Verve Energy young driver program.

CHALLENGES

- Managing the impact on Verve Energy's portfolio and financial position of the current oversupply of base load generation in the system and the extra intermittent sources such as wind farms.
- Implementation of the Oates Report recommendations.
- Federal Government climate change policies.
- Maintaining the focus on safety performance.

