

Balanced Scorecard - September 11 Quarter

ITEMS	Sep-10	Sep-11
	YTD	YTD
FINANCIAL		
EBIT (\$M)	51.2	57.3
Average Unit Cost of Supply (c/MWh)	8.1	9.8
CUSTOMERS		
Supply of Electricity (GWh)	2863.4	2737.3
Corporate Reputation Index (%)	98.0	74.0
INTERNAL PROCESSES		
Thermal Efficiency (%)	31.0	30.8
Plant Availability (%)	72.7	62.6
Forced Outage Factor (%)	1.4	5.0
Fuel Diversity - Coal (%)	62.6	62.6
Fuel Diversity - Gas (%)	37.0	37.0
Fuel Diversity - Liquid (%)	0.3	0.4
Fuel Diversity - Biomass (%)	0.0	0.0
EMPLOYEES		
ARFR (12 month moving average)	14.5	12.4

Commentary

The EBIT result of +\$57.3 million for the September 2011 quarter is +\$6.1 million higher than the +\$51.2 million for the same period last year. This favourable variance was largely made up of:

- * Revenue (+\$37.2 million), increased from \$313.4 million last year to \$350.6 million for the same period, mainly contributed by higher electricity sales (+\$27.9 million).
- * Production costs (\$23.5 million), increased from \$150.2 million last year to \$173.7 million for the same period, mainly due to higher electricity purchases (\$11.9 million).
- * Other costs (\$7.6 million) being mainly materials and services expenditures, increased from \$112.0 million last year to \$119.6 million for the same period.

The increase in average unit cost of supply is reflective of increased gas costs; and higher materials and services expenditures incurred in FY12 compared to FY11, due to a combination of planned and unplanned outages and the rescheduling of plant outages at Kwinana and Muja in the September 2011 quarter.

Operational performance for YTD September 2011 is highlighted by:

- * A reduction in the supply of electricity; 4.6% lower than the previous year's 2863.4 GWh, reflecting Verve Energy's loss of market share due to displacement and the timing of Verve Energy plant outages.
- * A reduction of plant availability from 72.7% last year to 62.6% for the same period.
- * The quarter's increase in forced outage factor from 1.4% last year to 5.0% for the same period predominantly due to Muja (M5), especially in the month of July 2011.



SAFETY

- ♦ Verve Energy's new Safety and Health group is continuing to revitalise strategies, policies and procedures.

OPERATIONS

- ♦ Verve Energy power station outage program will ensure readiness for the forthcoming summer.
- ♦ At Kwinana Power Station, construction of two high efficiency gas turbines (HEGTs) has slipped behind schedule.
- ♦ KPS Stage A (two 120MW units) was shutdown and will stay on care and maintenance for up to two years.
- ♦ The Operational Review which adjusted power station work patterns and employee numbers to cope with significant changes to plant dispatch was substantially completed.
- ♦ Verve Energy is building a 10ML/day reverse osmosis desalination plant near Muja Power Station to consolidate long term cooling water supplies.
- ♦ Verve Energy is a participant in the Collie Hub carbon capture and storage project which has attracted Federal financial support.

FINANCIAL

- ♦ See Balanced Scorecard.
- ♦ Verve Energy's financial position remains strong, despite the mild winter, tariff increases and rooftop solar program.
- ♦ An IT Strategy is being prepared.

STRATEGY & BUSINESS DEVELOPMENT

- ♦ Muja AB refurbishment by Vinalco Energy, a Verve Energy-Inalco Energy joint venture, is on target and budget for mid 2012 commissioning.
- ♦ Grasmere wind farm, a 13.8MW extension of the successful Albany wind farm – erection of the six turbines is on schedule for early 2012 availability.
- ♦ Opportunities for renewable energy projects that match demand growth continue to be assessed.
- ♦ The 10MW Greenough River solar farm and 55MW Mumbida wind farm projects in the Midwest, in which Verve Energy is a joint venture partner, will proceed. Water Corporation will take the output.

TRADING & FUEL

- ♦ Verve Energy concluded arrangements with the Mondarra gas reservoir owners to expand the storage.

- ♦ Long term secure fuel supply arrangements continue to be reviewed.
- ♦ Verve Energy is monitoring the impact of coal mine ownership changes in the Collie basin.

CORPORATE SERVICES

- ♦ Verve Energy is assessing the likely impact of the Federal carbon tax and complementary measures.
- ♦ Leadership development program continues.
- ♦ Corporate Reputation survey produced a 74% positive rating (combined stakeholders and community).
- ♦ Verve Energy is considering its position after losing legal action arising from the Varanus gas crisis.

CHALLENGES

- ♦ Maintain the focus on safety performance.
- ♦ Managing the impact on Verve Energy's portfolio and financial position of the current oversupply of off-peak base load generation, proposed renewable energy projects and fuel supplies.
- ♦ Federal government climate change policy and regulation.