

AGL Energy

Torrens Island Power Station investor tour

30 March 2017

Agenda

1200 – 1300 **Welcome, induction and introduction**

Andy Vesey, Managing Director & CEO

Colin Mills, General Manager, Gas & Renewables

1300 – 1430 Site Tour

1430 – 1600 **Management Presentation and Q&A session**

Andy Vesey, Managing Director & CEO

Elisabeth Brinton, Executive General Manager, New Energy

John Fitzgerald, General Counsel & Company Secretary

Lisa Harrington, Executive General Manager, Stakeholder Relations

Doug Jackson, Executive General Manager, Group Operations

Stephen Mikkelsen, Executive General Manager, Energy Markets

Tim Nelson, Chief Economist

Brett Redman, CFO

Richard Wrightson, General Manager, Wholesale Markets

1600–1645 **Return transport to Adelaide Airport and CBD**

Discussion Materials

Potential AGL solutions to SA challenges

Asset renewal and market design the key to progress in AGL's view

Asset renewal via investment in flexible modern plant

Aero-derivative or fast-start open-cycle gas turbines, grid-scale batteries, grid-scale solar, Virtual Power Plant and LNG import capacity all have a potential role to play

Market design changes

“Firm capacity right” or synthetic financial generator system
Orderly closure (state or national) of coal-fired power
Emissions Intensity Scheme to set glide path and signal direction of investment

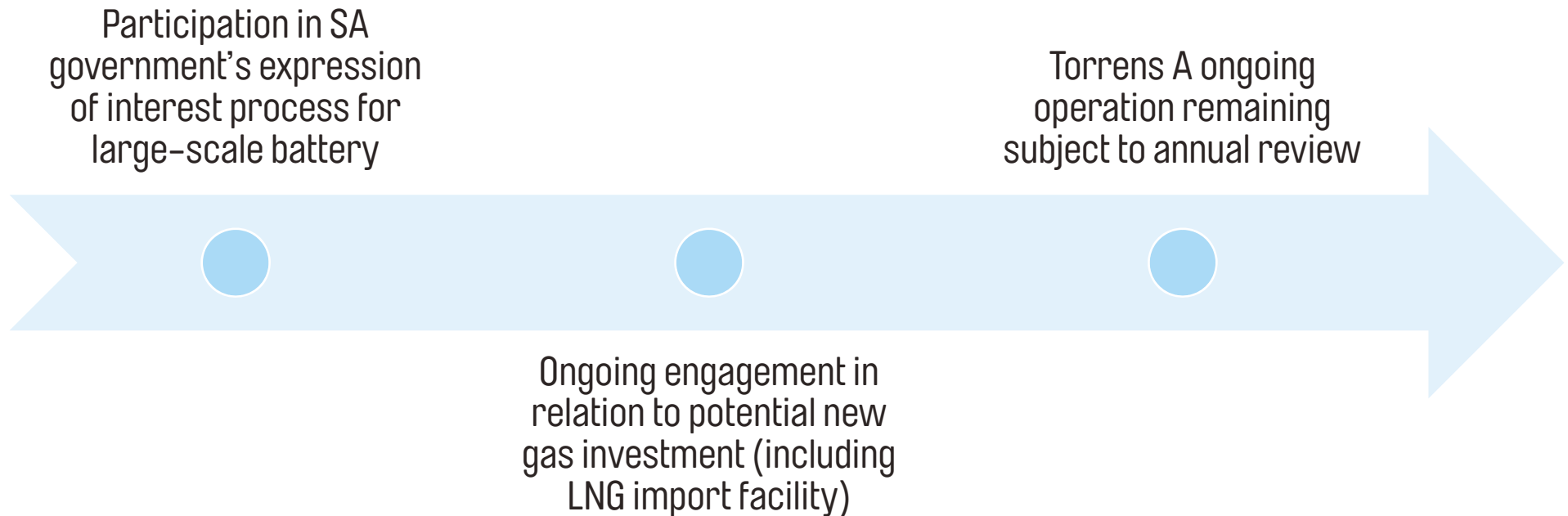
SA government plans broadly neutral to AGL

Government focus is on system security; some investment opportunity for AGL

Announced initiative	Potential AGL Impact
Government to build and own new 250MW emergency open-cycle gas turbine	No commercial impact on existing assets if only run amid high blackout risk
Energy Security Scheme	Supports ongoing higher generation at AGL Torrens Potential further inertia services opportunity
Grid-scale battery project	May dampen price spikes AGL participating in tender process
Improve gas supply in SA	May improve economics of new gas-fired generation in long term
Contract for 75% of government load	May assist economics of new generation development
Requirements on new renewable generation projects	To support stability and effectiveness of renewables

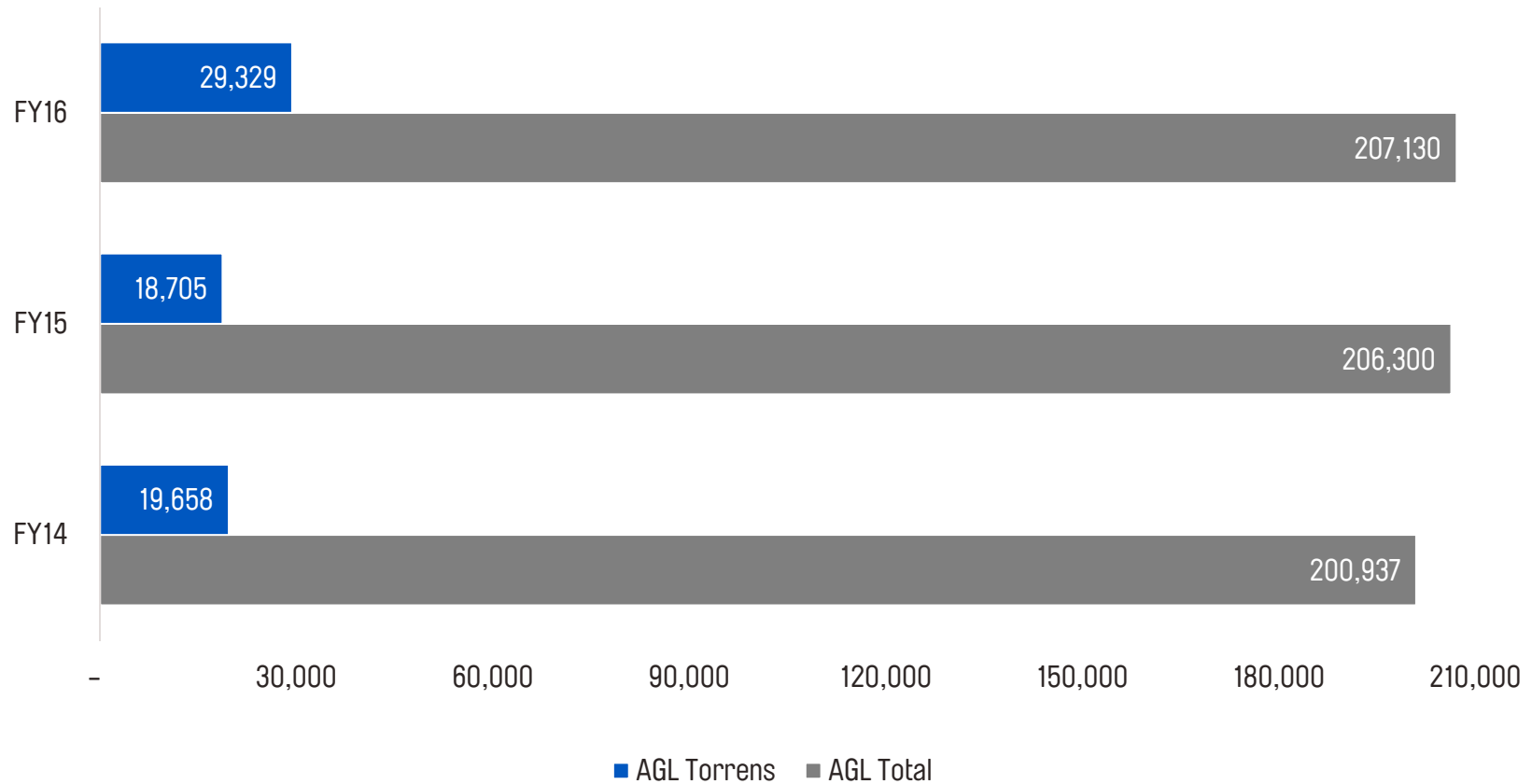
Next steps for AGL in South Australia

There remains potential for further investment



Torrens comprises a growing share of AGL gas

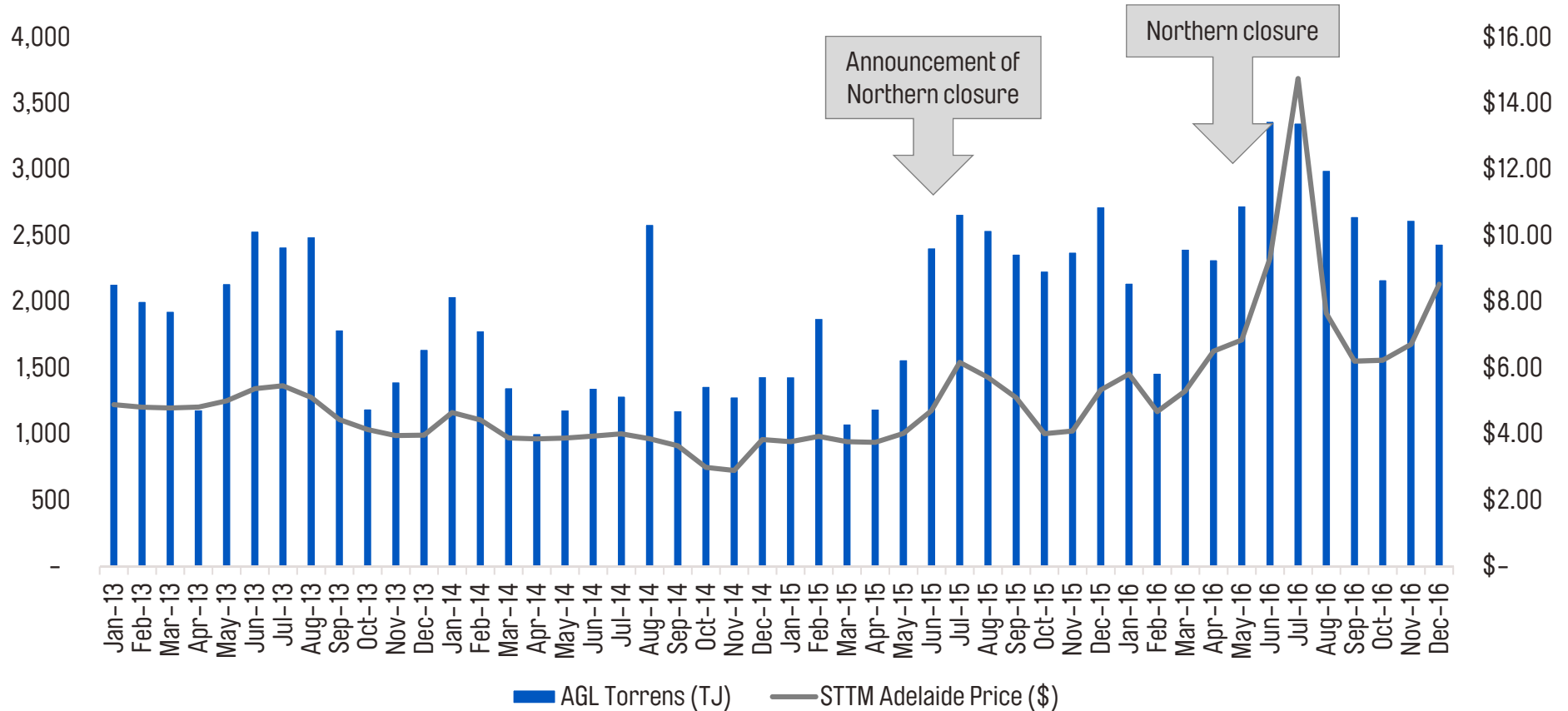
AGL Torrens gas consumption vs AGL total gas sales (TJ)



Source: AGL

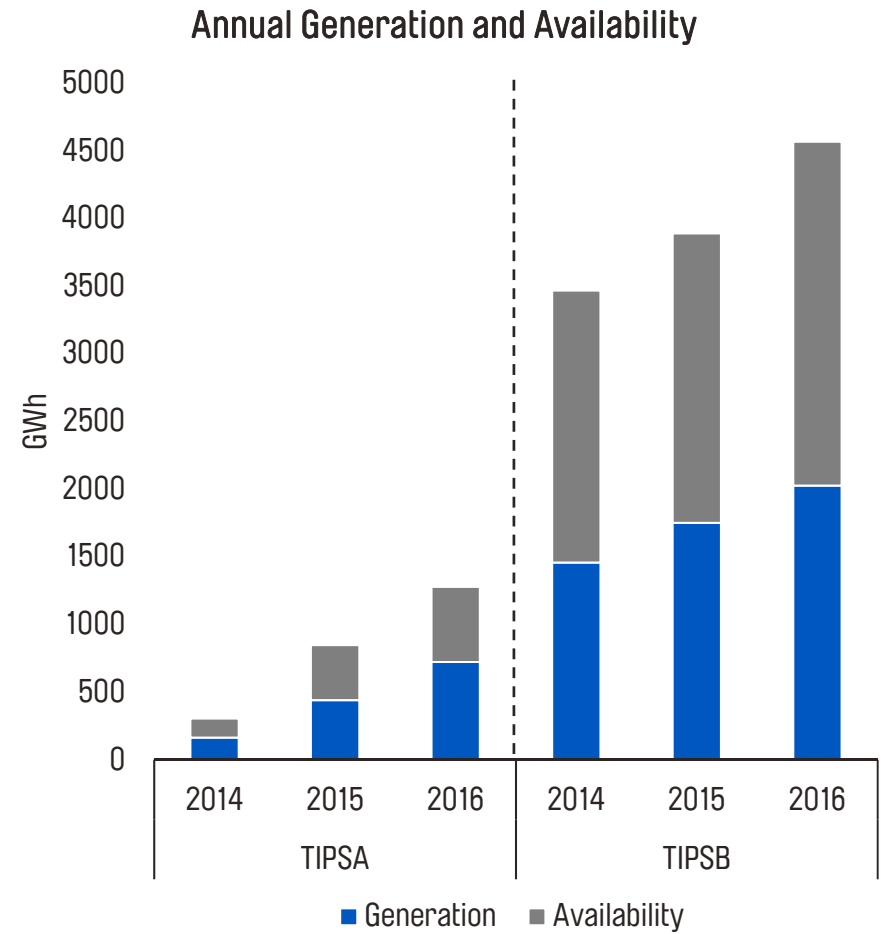
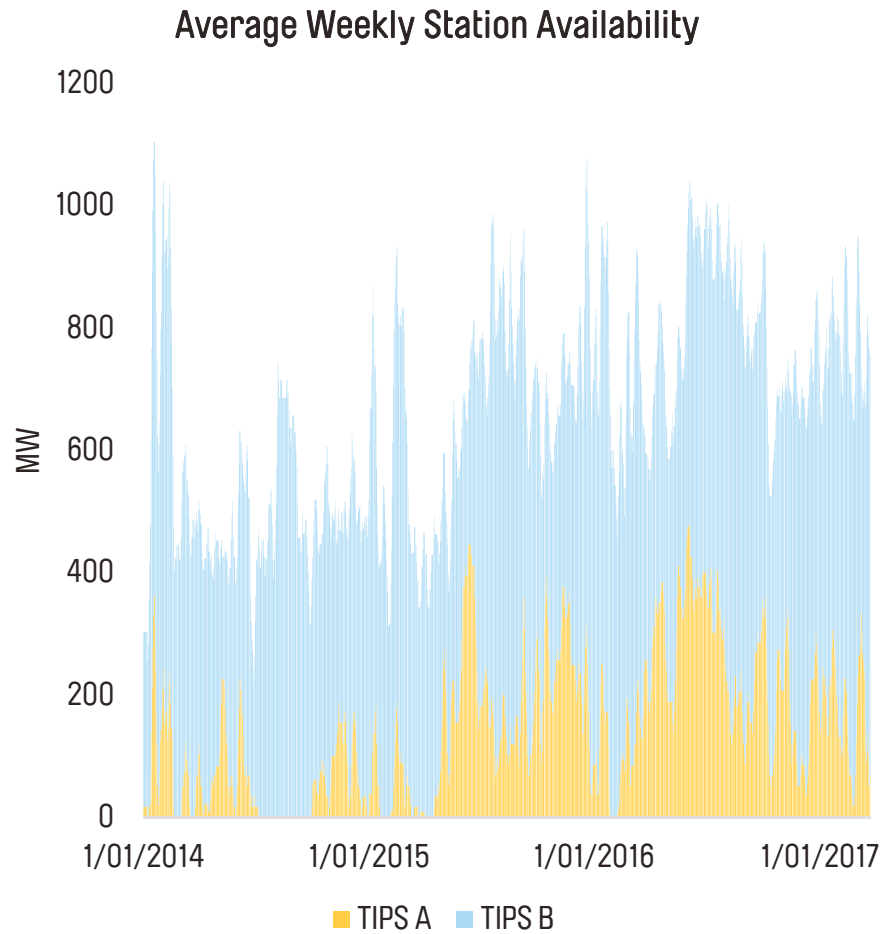
Disorderly closure affecting the market

Monthly AGL Torrens Usage Profile vs. STTM Adelaide Price



Source: AEMO, AGL

AGL Torrens availability



Source: AEMO

Wholesale: integration of climate and energy policy

Climate policy

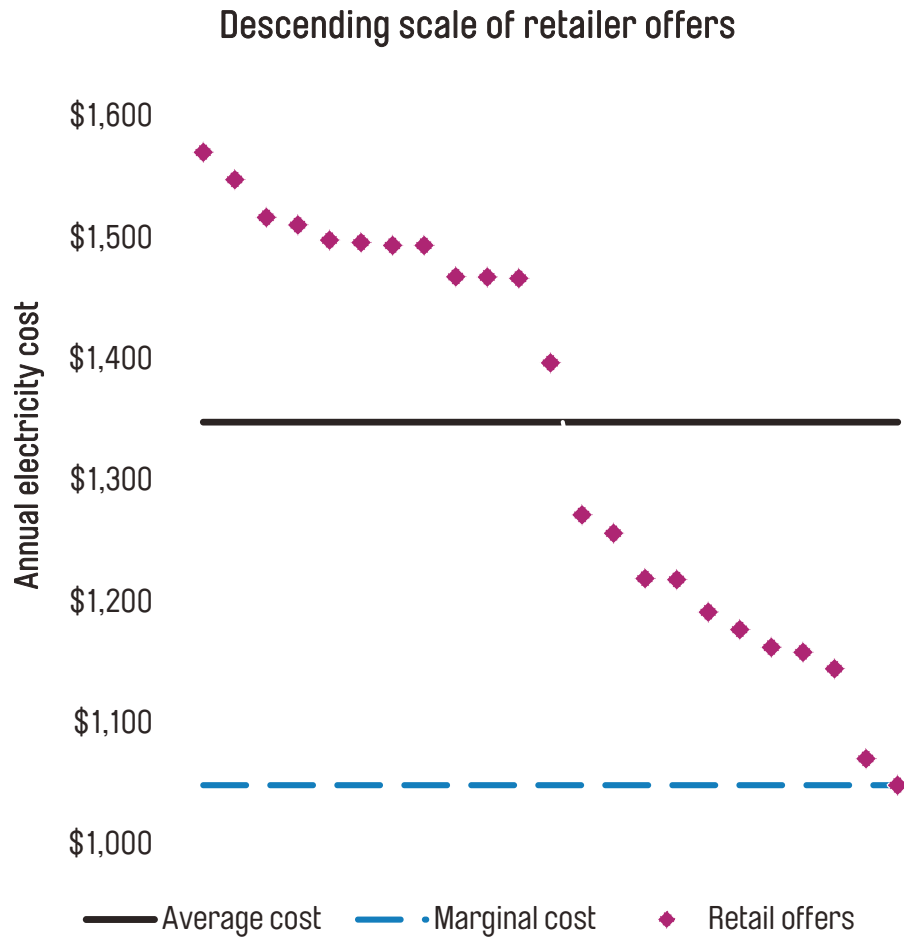
- > Emissions Intensity Scheme (EIS) or similar required to give effect to 26–28% emissions reduction target
- > Given gas supply issues, increased renewable investment will be forthcoming

NEM design

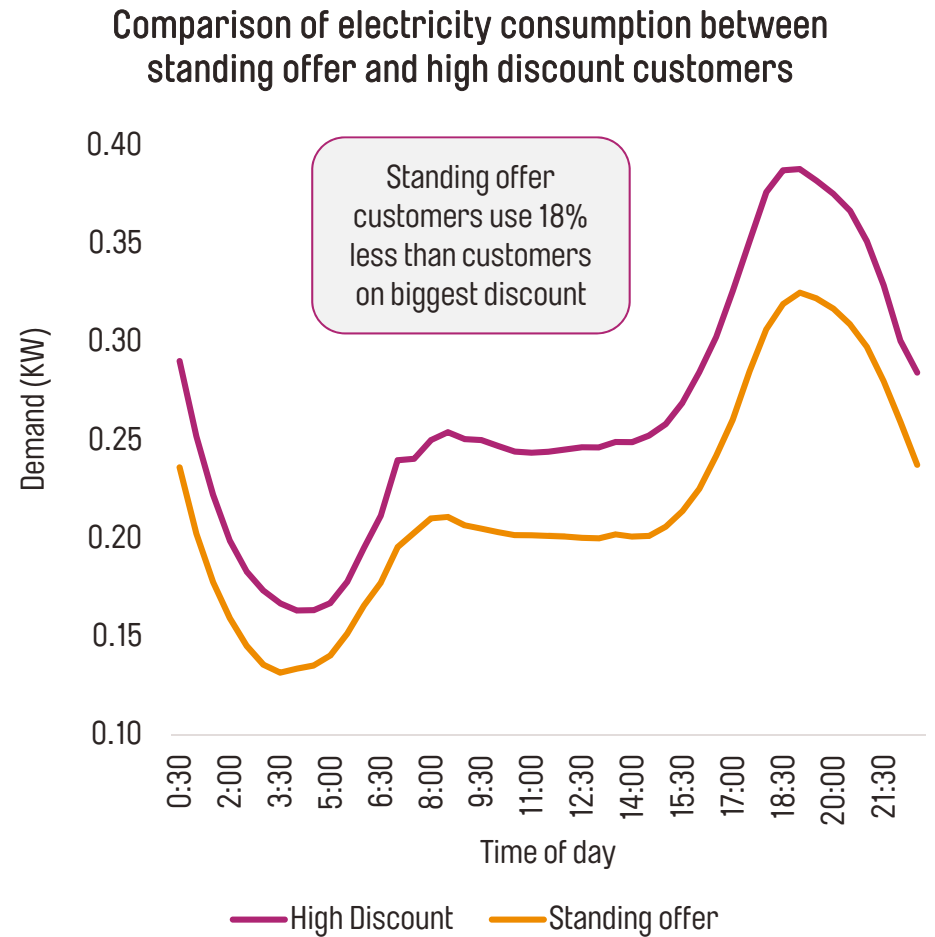
- > Important to assess the market against government policy objectives
- > Significant change can be avoided with a number of relatively minor amendments

Policy objective	Achieved today?	Policy recommendation
Efficient dispatch	Yes	None
New investment	No	Ensure climate policy incentivises complementary 'firm' capacity
Security and reliability	No	Establish supplementary markets (e.g. inertia, reserve generator)
Real political economy of pricing	No	Rule-based mechanism for ensuring advanced warning of impending generator closure

Retail: the case for price dispersion and tariff reform

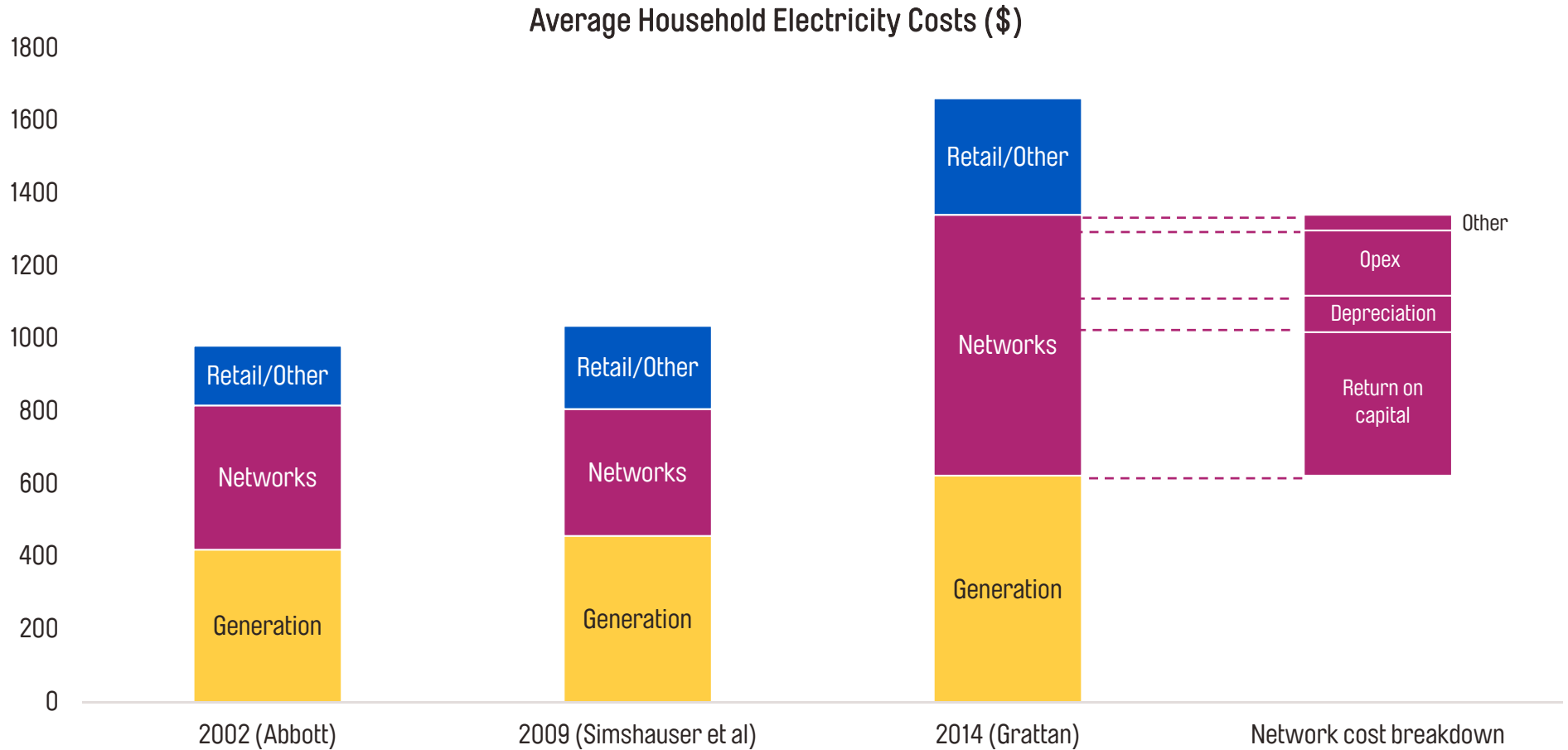


Source: Simshauser and Whish-Wilson (2017)



Source: Nelson, Whish-Wilson, McCracken-Hewson and Bashir (forthcoming)

Networks: discussion about valuation inevitable





Supporting vulnerable customers

- > \$6.5m Affordability Initiative provides debt relief, financial counsellors, solar for high consumers.
- > Building on this with *AGL's Fairer Way* package:
 - » Concession card and hardship program customers are not charged late fees
 - » Customers participating in AGL's hardship program, Staying Connected – will be offered guaranteed (non-conditional) discounts
 - » We will write to customers with a registered concession card who remain on 'old' standing offers, offering to assess their needs and move them to a better plan
 - » Victorian customers on a Standard Retail Contract who receive a government energy concession will also automatically receive a 15% discount off their electricity usage charges, applying from 5 March 2017
- > Policymakers and regulators need to play their part.
- > Slow tariff reform is stifling innovation.

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