

**MACQUARIE INVESTOR CONFERENCE - 10 MAY 2004**  
**Presentation by Greg Martin, Managing Director AGL**



# AGENDA

- **AGL: KEY GROWTH AREAS**
- **ELECTRICITY MARKET DYNAMICS**
- **POWER GENERATION STRATEGY**
- **OUTLOOK**



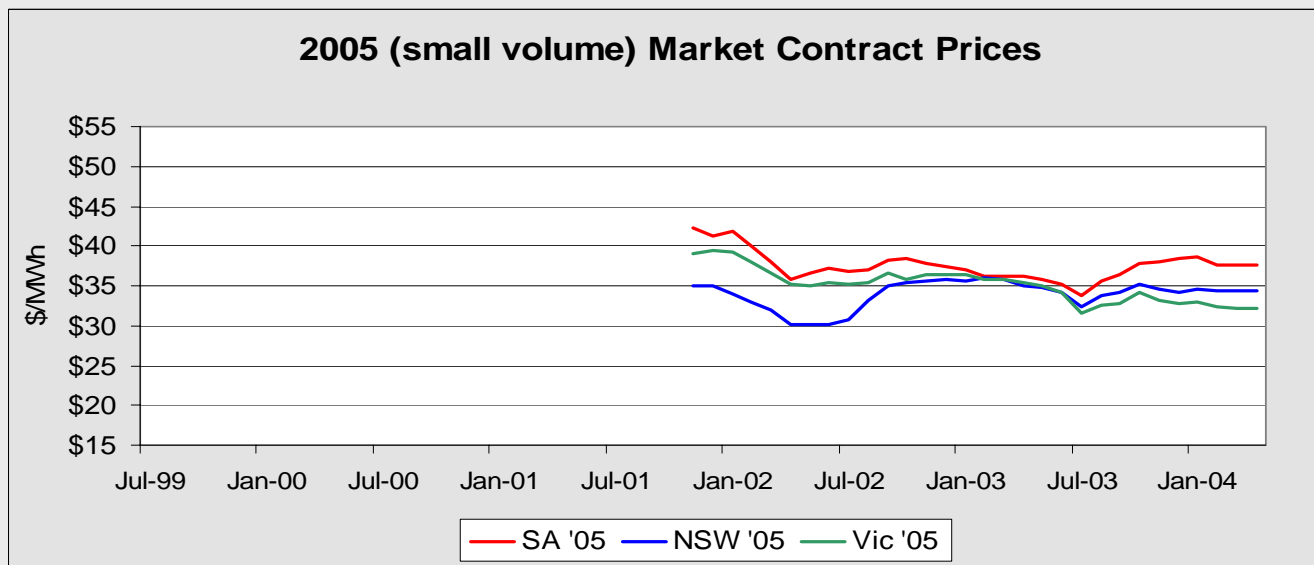
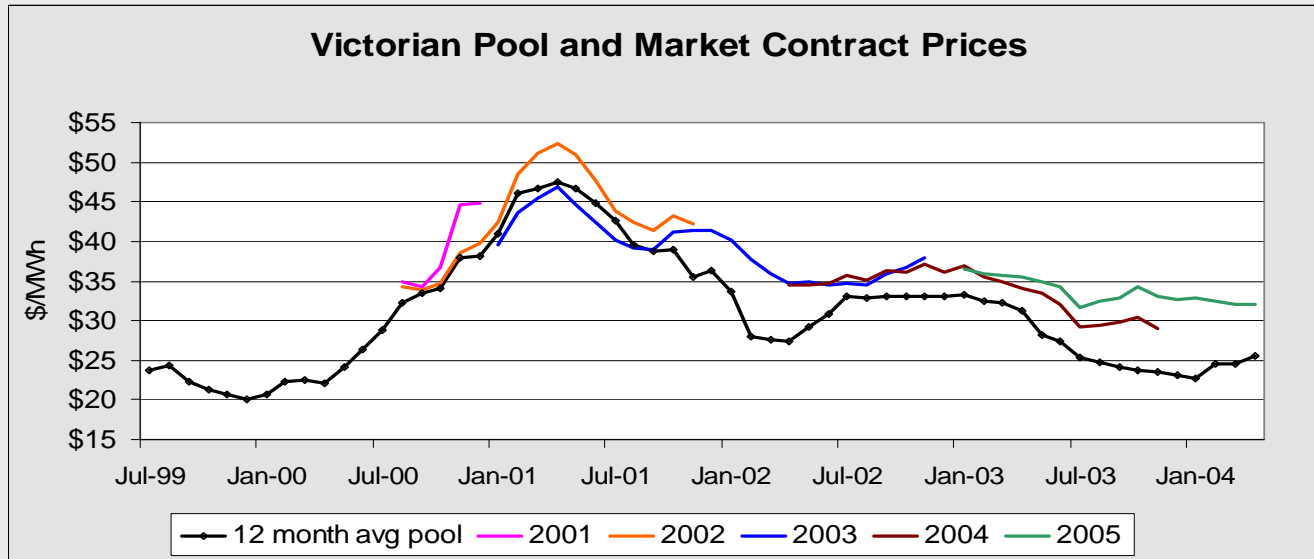
# AGL: KEY GROWTH AREAS

- Organic growth initiatives in existing operations
- Mid-stream pipeline opportunities
- NZ value enhancing opportunities
- Power Generation & Renewables opportunities



# ELECTRICITY MARKET DYNAMICS

## Pool vs. Market Contract Prices



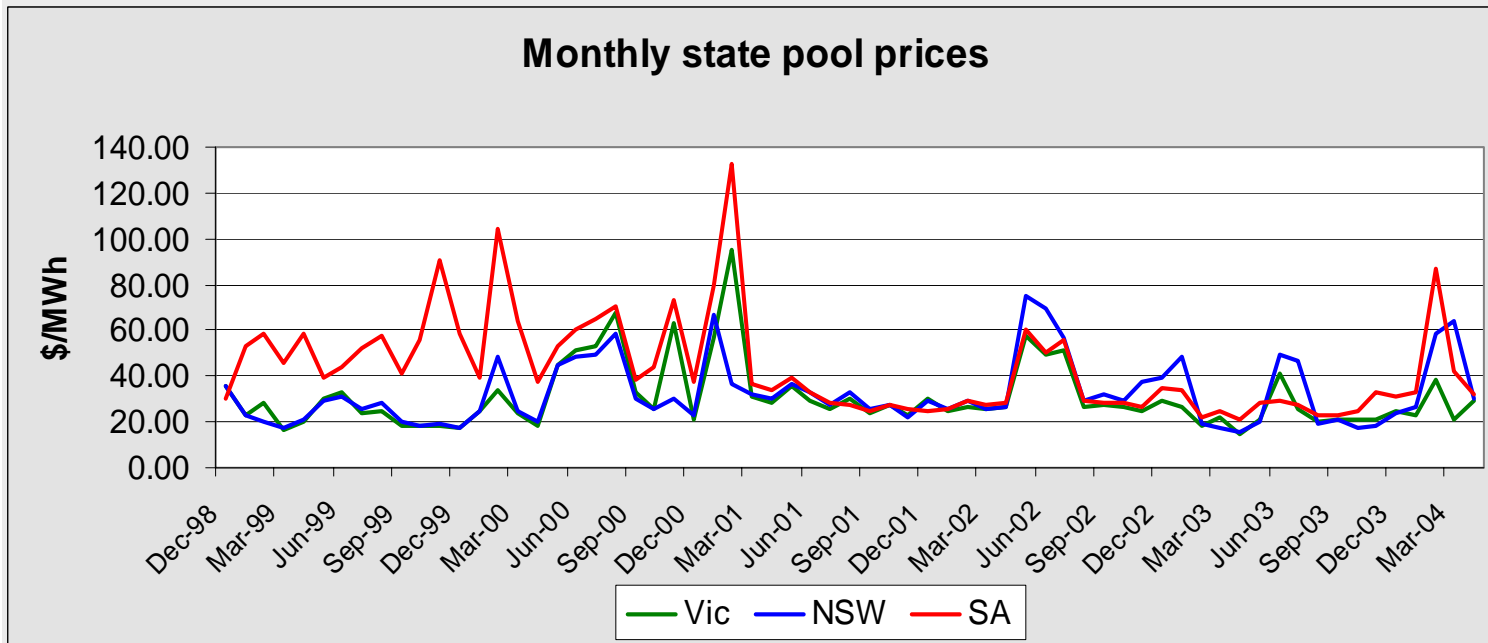
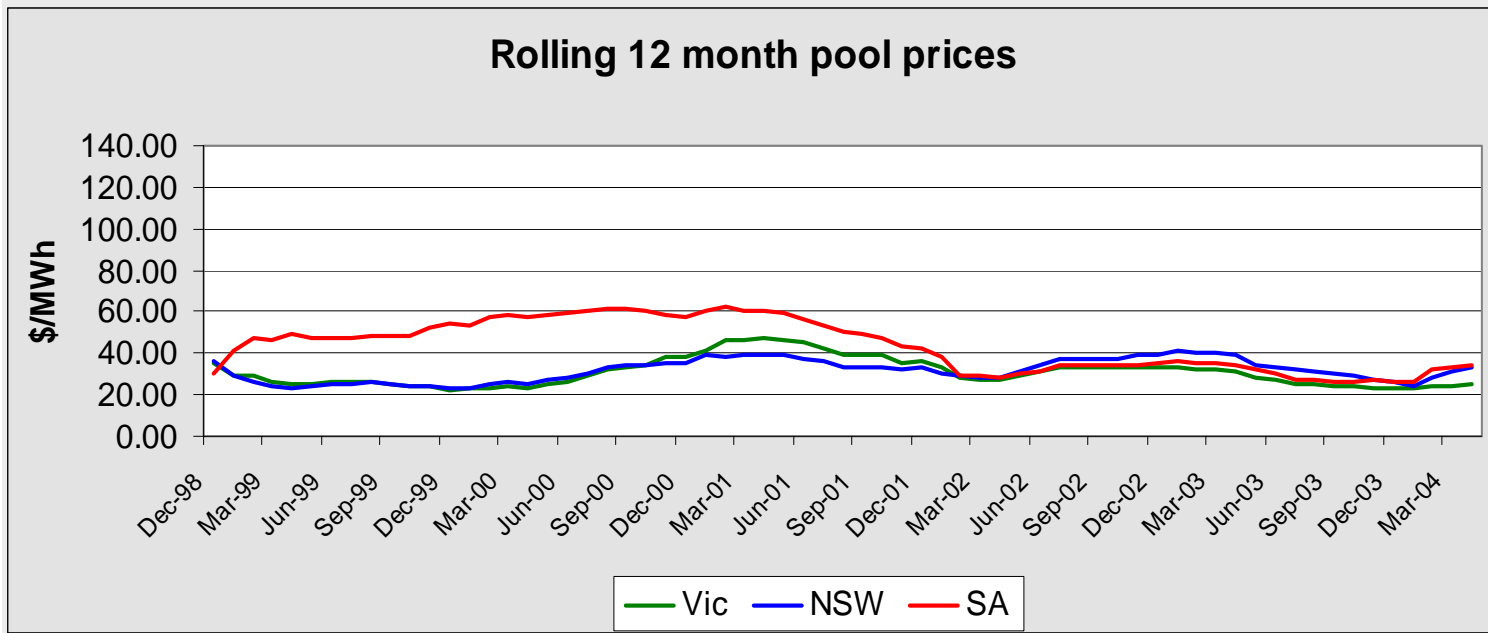
Note

- Pool prices are rolling 12 month averages
- Market contract prices are observed "bid prices"

- Contract prices usually at a premium to forecast pool prices
- Pool price decreases as level of generator contracting increases
- Higher SA prices reflect interconnector import loss factors, the differing regional cost structures and the local supply-demand balance



# ELECTRICITY MARKET DYNAMICS



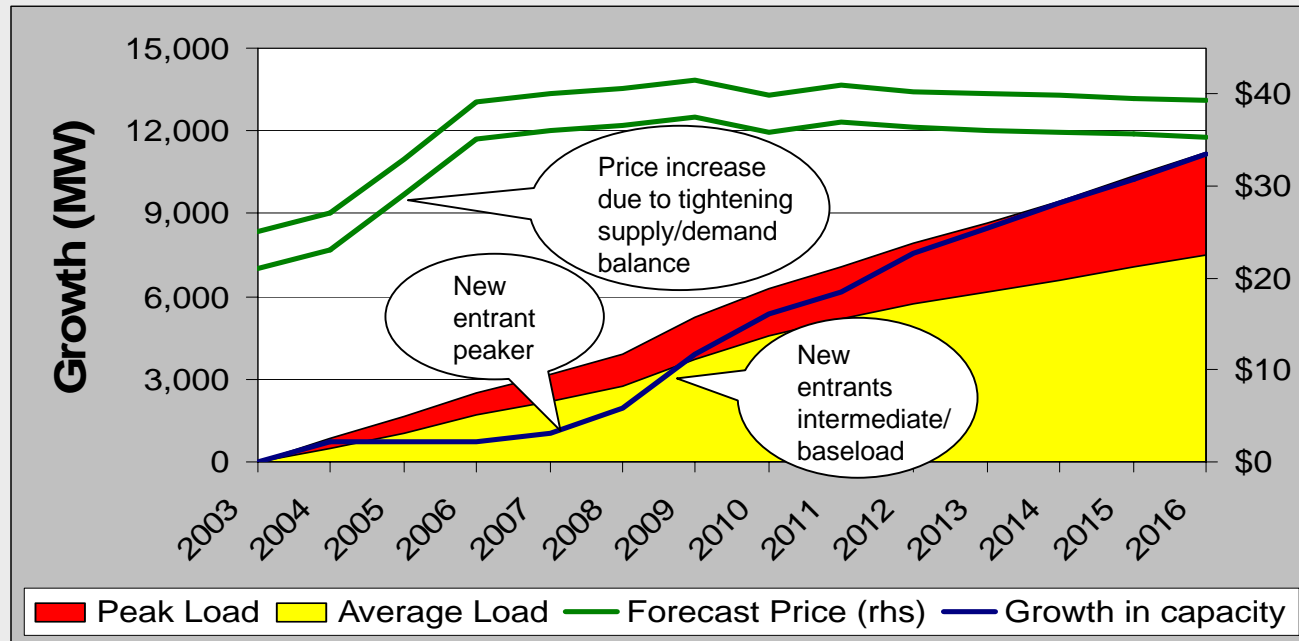
- Convergence due to interconnectors and increased SA generation
- Contract prices between states now moving largely in line with each other

- However, volatility still exists within and between state markets



# ELECTRICITY MARKET DYNAMICS

## Supply, demand and price forecast



- NEMMCO (Statement of opportunity) forecast demand reflects growing annual demand of 1.5 - 3% in average consumption and growth in peaking demand of 3-4% p.a
- ACIL Tasman forecast capacity to remain relatively static until 2007, when new generation is needed
- Forecast pool and contract prices reflect current pool level of \$25/MWh increasing toward \$35 - \$40 /MWh



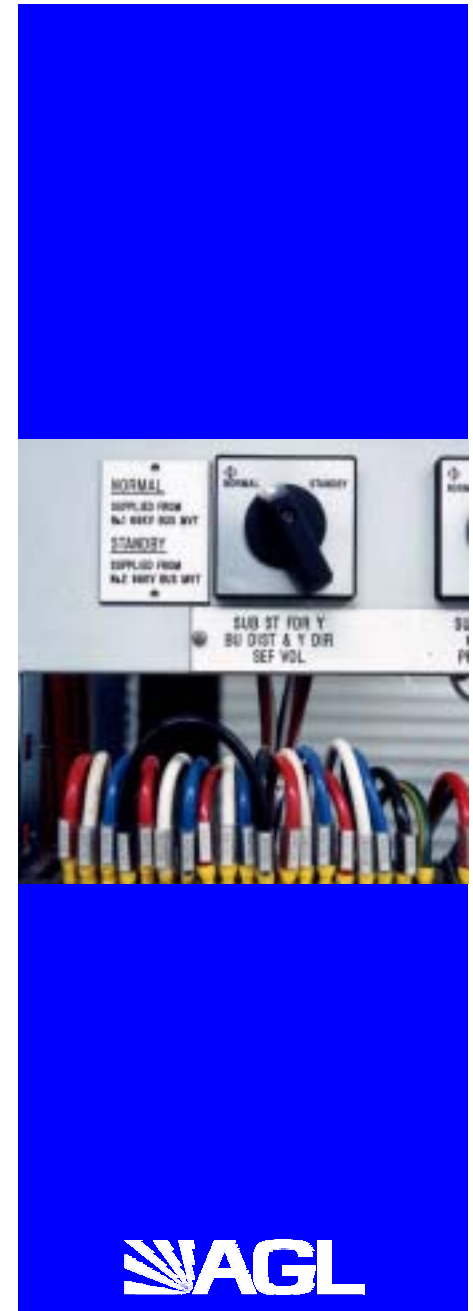
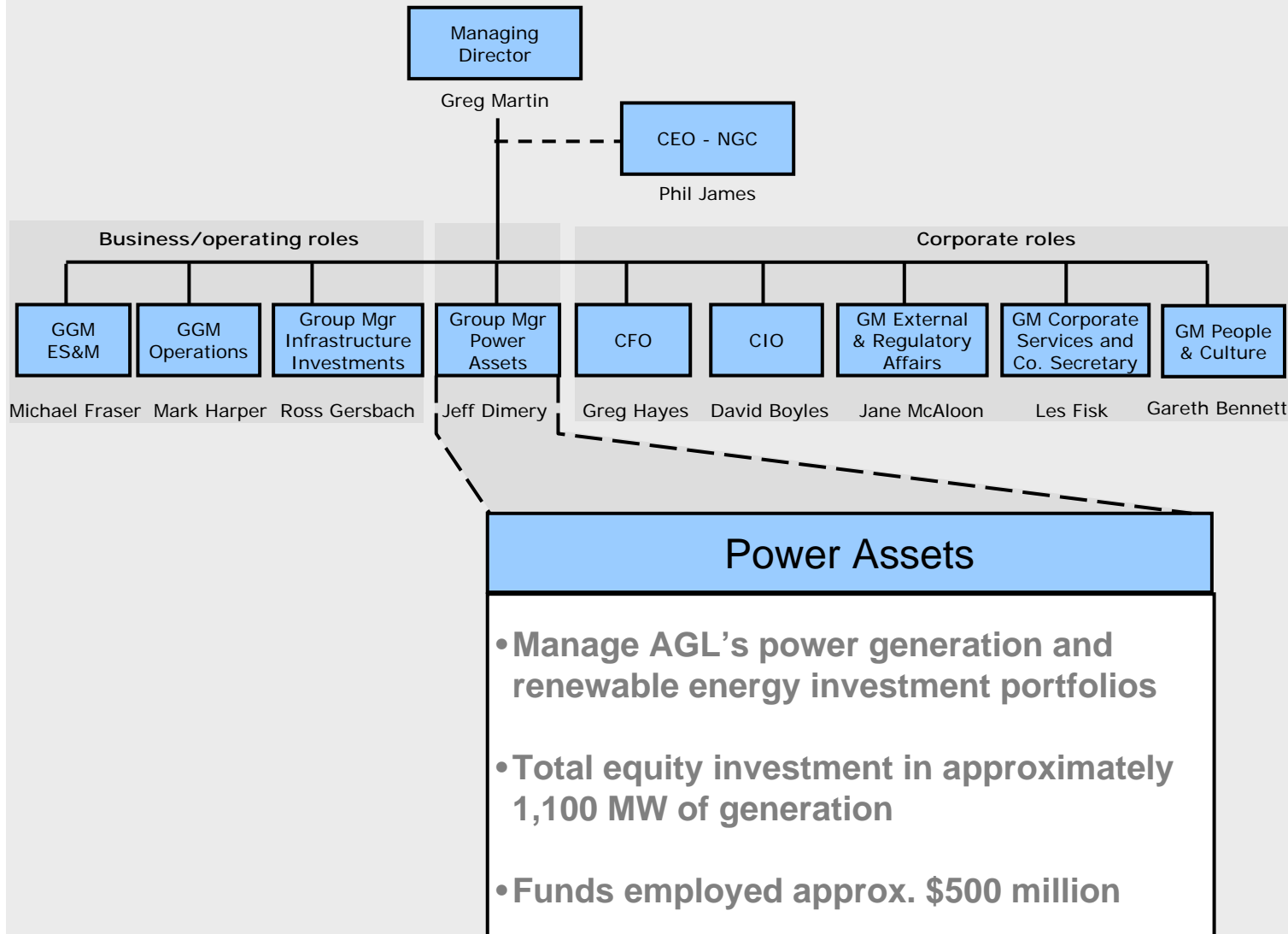
# POWER GENERATION STRATEGY

- ① **Positions of Vertical Integration where appropriate:**
  - Peaking Generation integrated with retail business
    - Somerton, Hallett
    - Acquisition /Expansion/ Greenfields
  
- ② **Power Generation Investments:**
  - Earnings & portfolio diversification
    - Loy Yang A Investment
  
- ③ **Renewable Generation**
  - AGL interests:
    - Investments in landfill gas extraction, biomass
    - PPA for windfarms in SA & Vic
  - Further opportunities:
    - Windfarm developments
    - Biomass



# POWER GENERATION STRATEGY

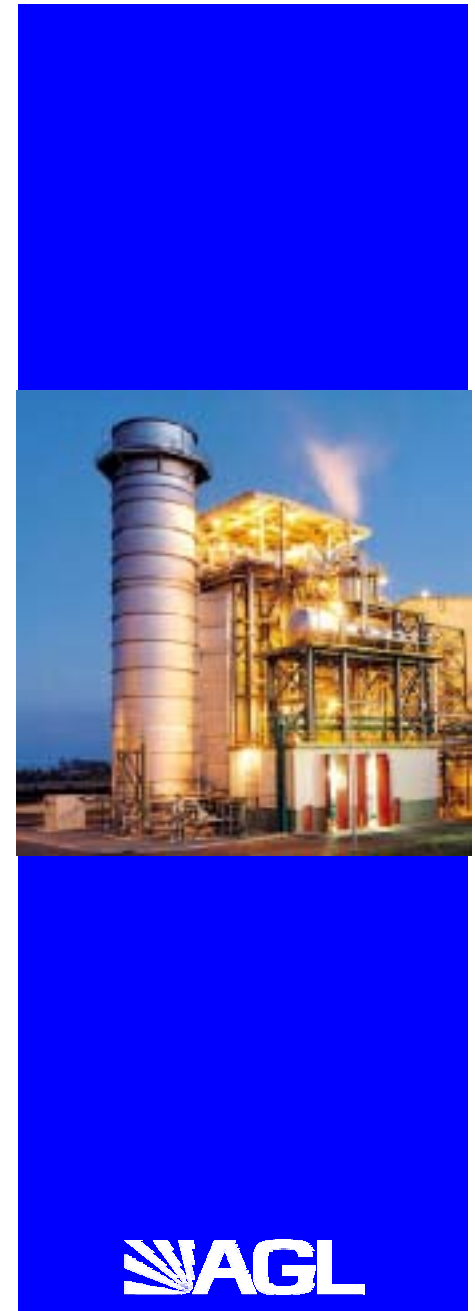
## AGL Power Assets Group



# POWER GENERATION STRATEGY

## ① Positions of Vertical Integration

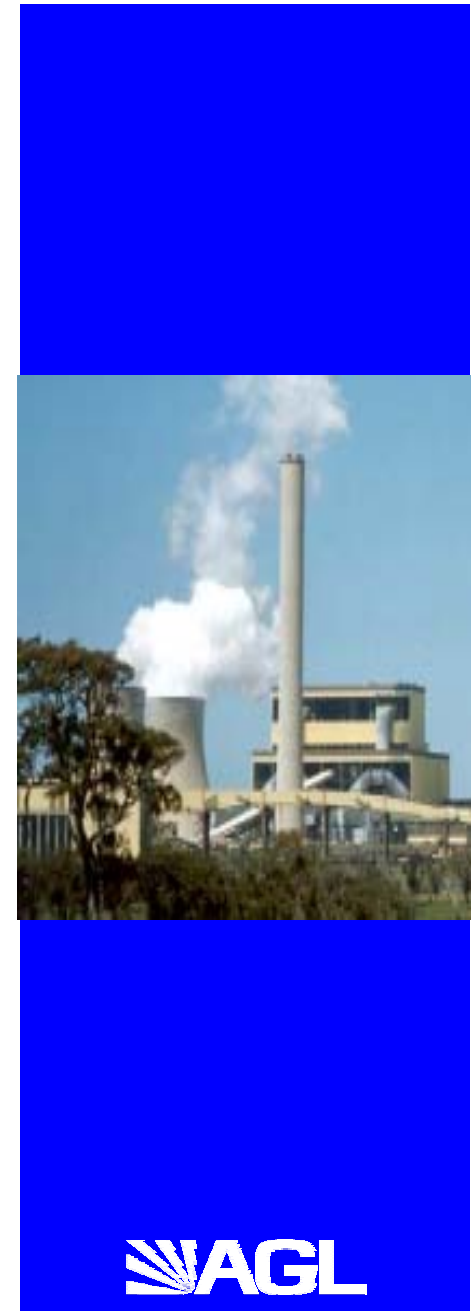
- Peaking Power Generators
  - Somerton - Vic Gas 150MW
  - Hallett - SA Gas/Distillate 180MW
- Future investments
  - DA submitted for expansion of Hallett by 250MW
  - Greenfield investments:
    - Project ongoing for past year
    - Assessing sites in NSW ,SA & Vic
    - Initially: Peaking with flexibility to convert to intermediate
    - Aim to secure strategic locations with good gas and electricity infrastructure and combined cycle potential



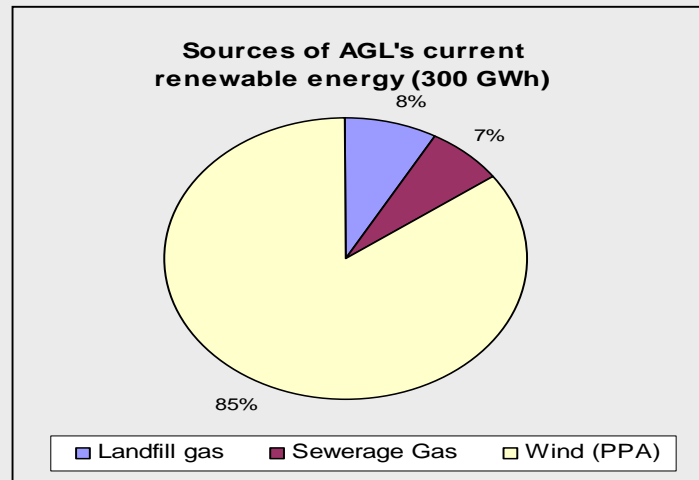
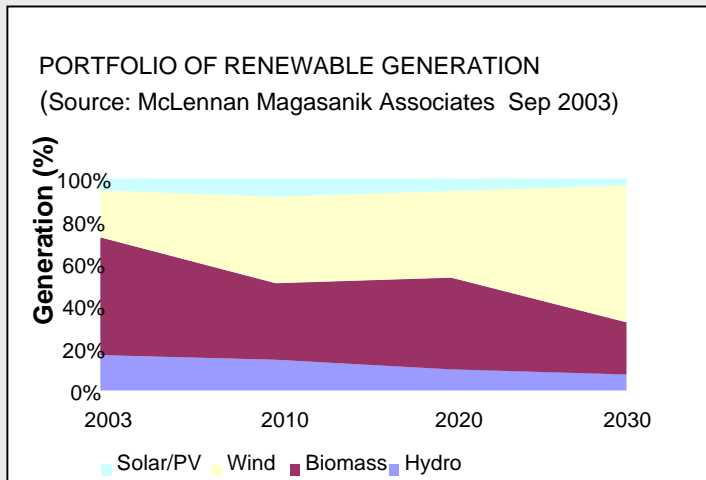
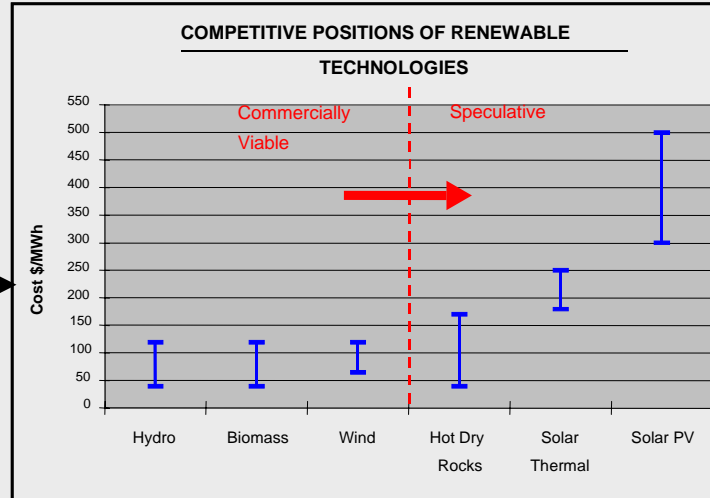
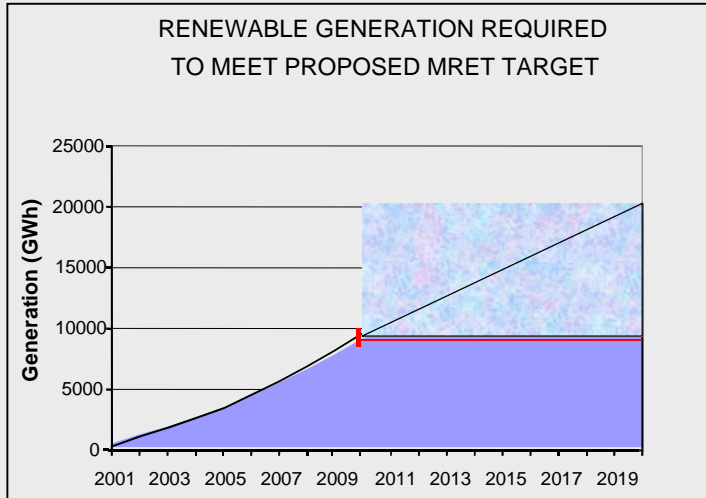
# POWER GENERATION STRATEGY

## ② Power Generation Investments - Investment in Loy Yang A

- Largest base-load electricity power generator in Victoria
- Adjacent coal mine
  - 1.8bn tonnes of reserves (40+ years of fuel supply)
  - Coal contract with Loy Yang B
- Lowest marginal cost generator in the NEM
- Output of 2,200 MW represents
  - 24% of Vic's installed capacity, 5% of installed capacity in the NEM
- Investment IRR (approximately)
  - 12% ungeared, 18% geared
- Provides fuel diversity
- Provides natural income hedge



# POWER GENERATION STRATEGY



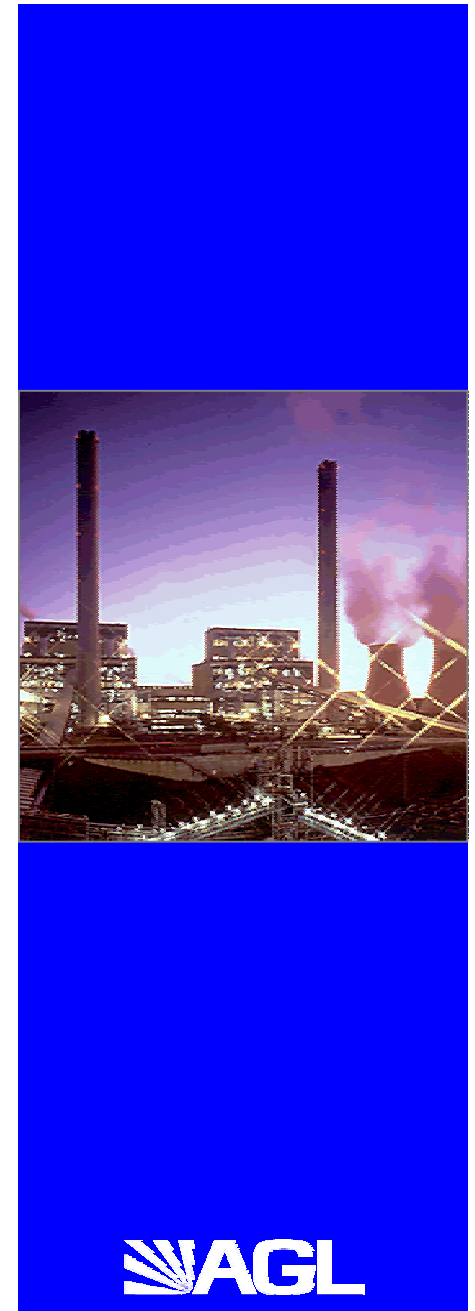
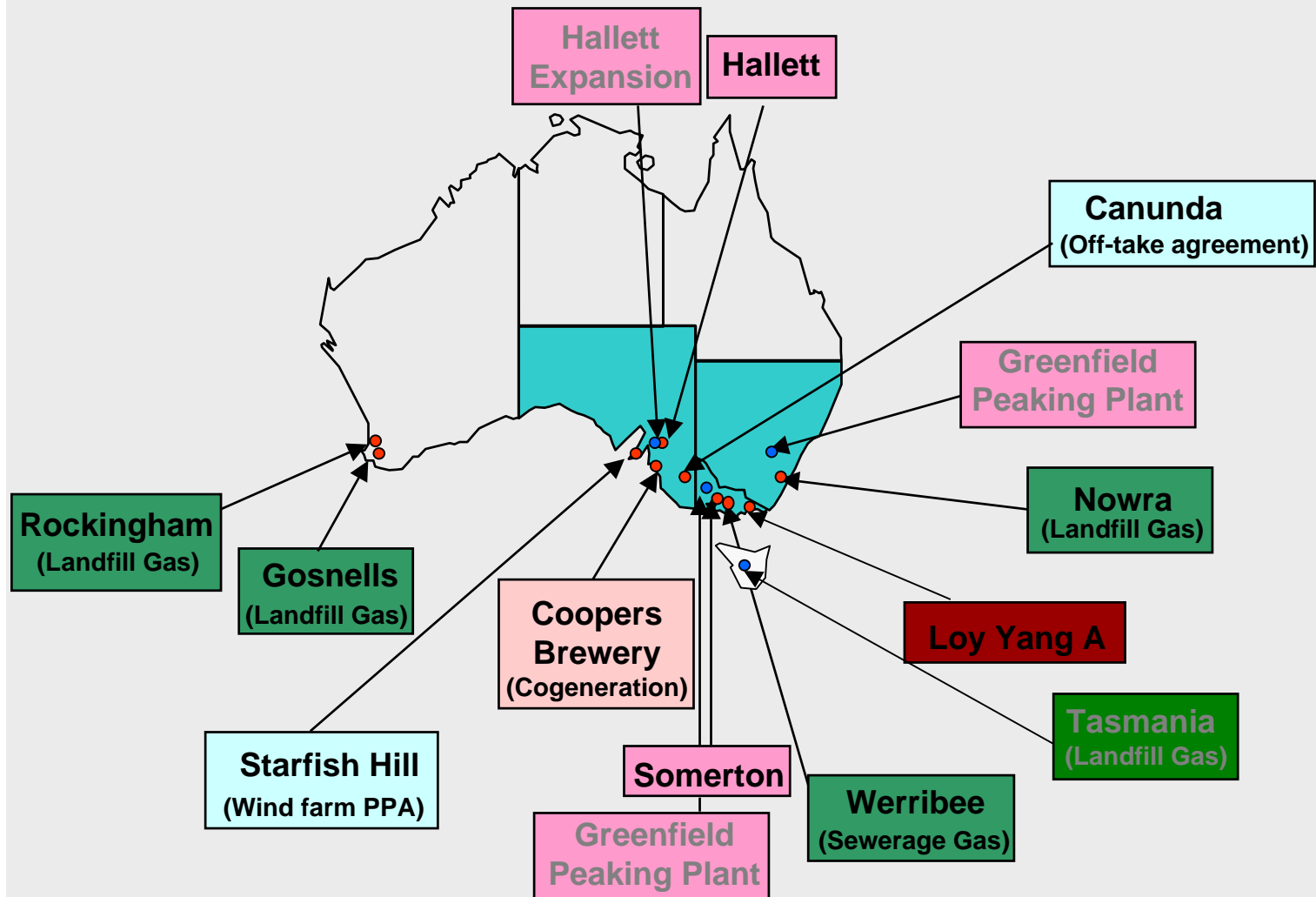
- AGL will require further sources of renewable power in line with evolving legislation and will either purchase renewable energy or invest in generator capacity

- Decisions based on requirement to achieve acceptable return on capital invested



# POWER GENERATION STRATEGY

## AGL Power Generation Interests



# OUTLOOK - Year ending 30 June 2004

- Weather outcomes January to April 2004
  - Electricity:
    - High temperatures in SA and NSW (with near historical high demand), average in Vic
    - Pool prices higher than prior years
    - Moomba impact on SA electricity prices limited
    - Excess supply in Vic resulted in absence of extreme volatility in other states on very hot days
  - Gas:
    - NSW:
      - April and May have been mild and have seen low volumes
    - Vic:
      - While April was warmer than average, there has been a cold start to May
- Competition
  - Increased retail market activity and churn in Victoria
  - Launch of SA retail gas marketing
- Chile Gas
  - Argentinian government decree has seen gas volumes (Chile's sole source of natural gas) held constant at 2003 levels
- As foreshadowed at the half year and subject to unforeseen circumstances
  - **Forecast that the half year underlying\* after tax profit will represent 62-64% of full year**
  - **Forecast underlying\* full year eps growth between 6-9%**

\* Underlying profit excludes Significant Items and equity-accounted impact of COMindico



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