

Michael Fraser
Group General Manager ES&M



Presentation to UBS Utilities Conference
29th November 2004



Wholesale Market Scale and Diversity

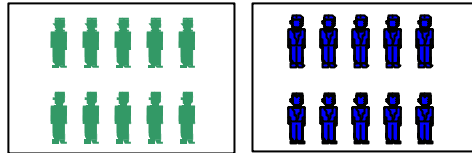
- Energy Sales and Marketing (ES&M) Revenue and Expenses
- Examples of benefits from scale and diversity in wholesale markets
 - Gas market
 - Diversity and peak capacity management
 - Electricity market
 - Regional and intra-regional diversity
- Operational Update
 - Activity by region
 - Participant activity
 - Outlook

AGENDA

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ES&M REVENUE AND EXPENSES

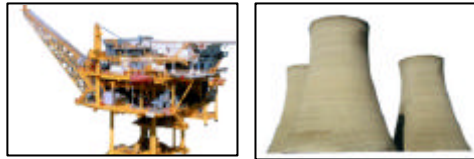
REVENUE



Invoice customers

\$3.4 bn

WHOLESALE ENERGY COSTS



Purchase gas & electricity

(\$1.9 bn)

TRANSPORT & DIST'N COSTS



Transport gas & electricity

(\$1.0 bn)

OPERATING COSTS



5.7 m customer calls p.a.
4 call centres

(\$0.3 bn)

14.5 million bills p.a.
> 600,000 market contracts

EBIT

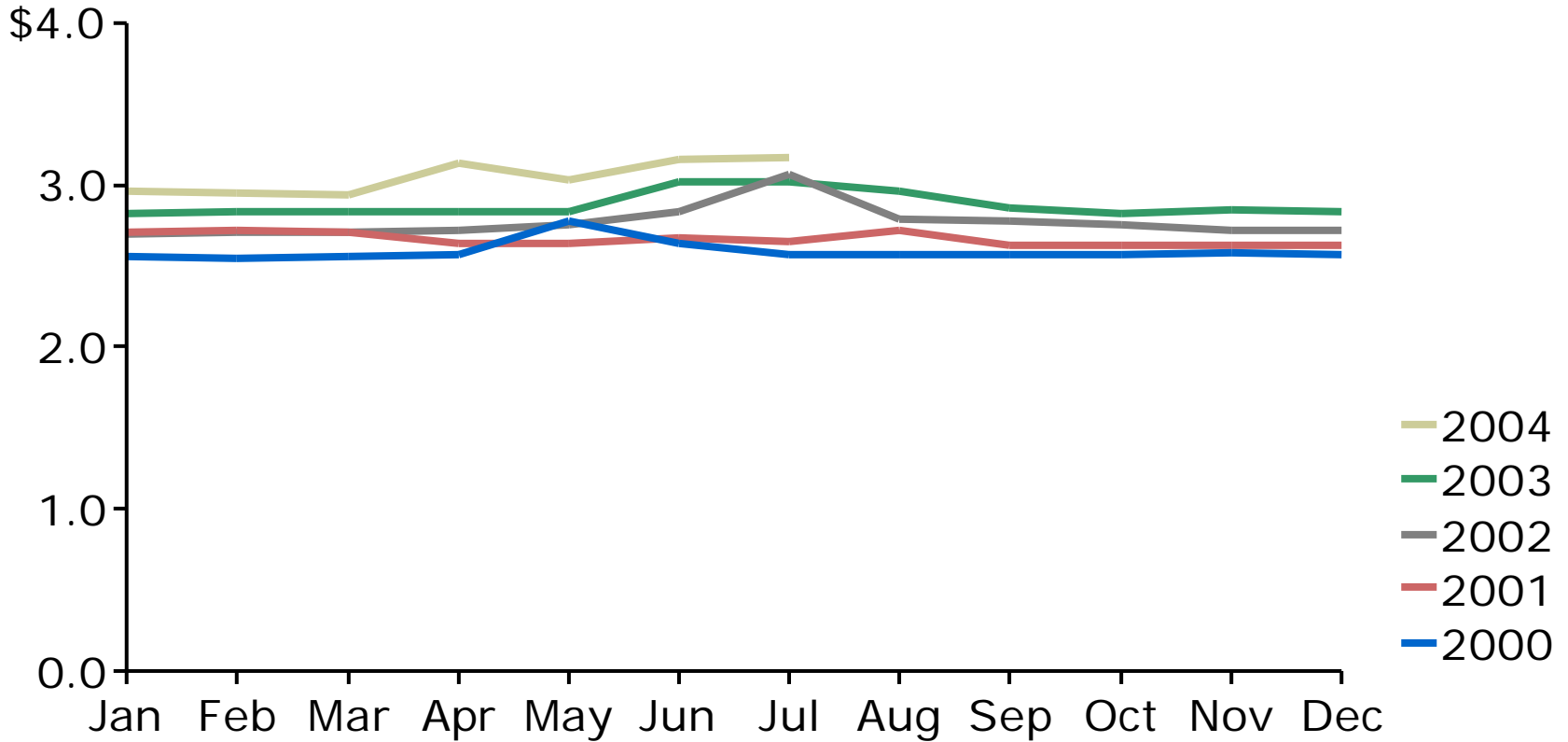
\$0.2 bn

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GAS MARKET EXAMPLE

Gas prices are relatively stable, but demand is variable and managing capacity peaks is important

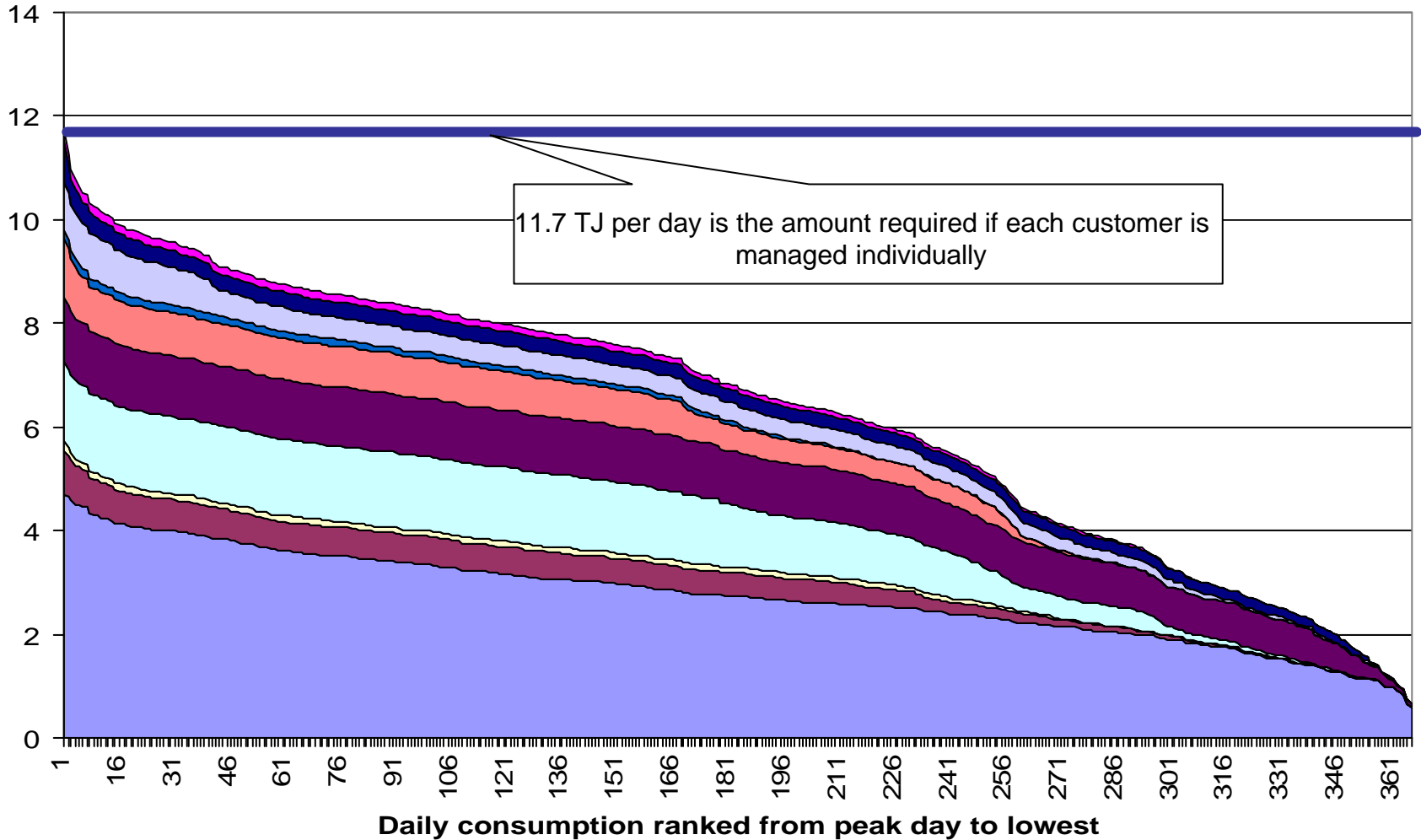


Victorian gas pool prices

GAS MARKET EXAMPLE

Customer Diversity - peak capacity management

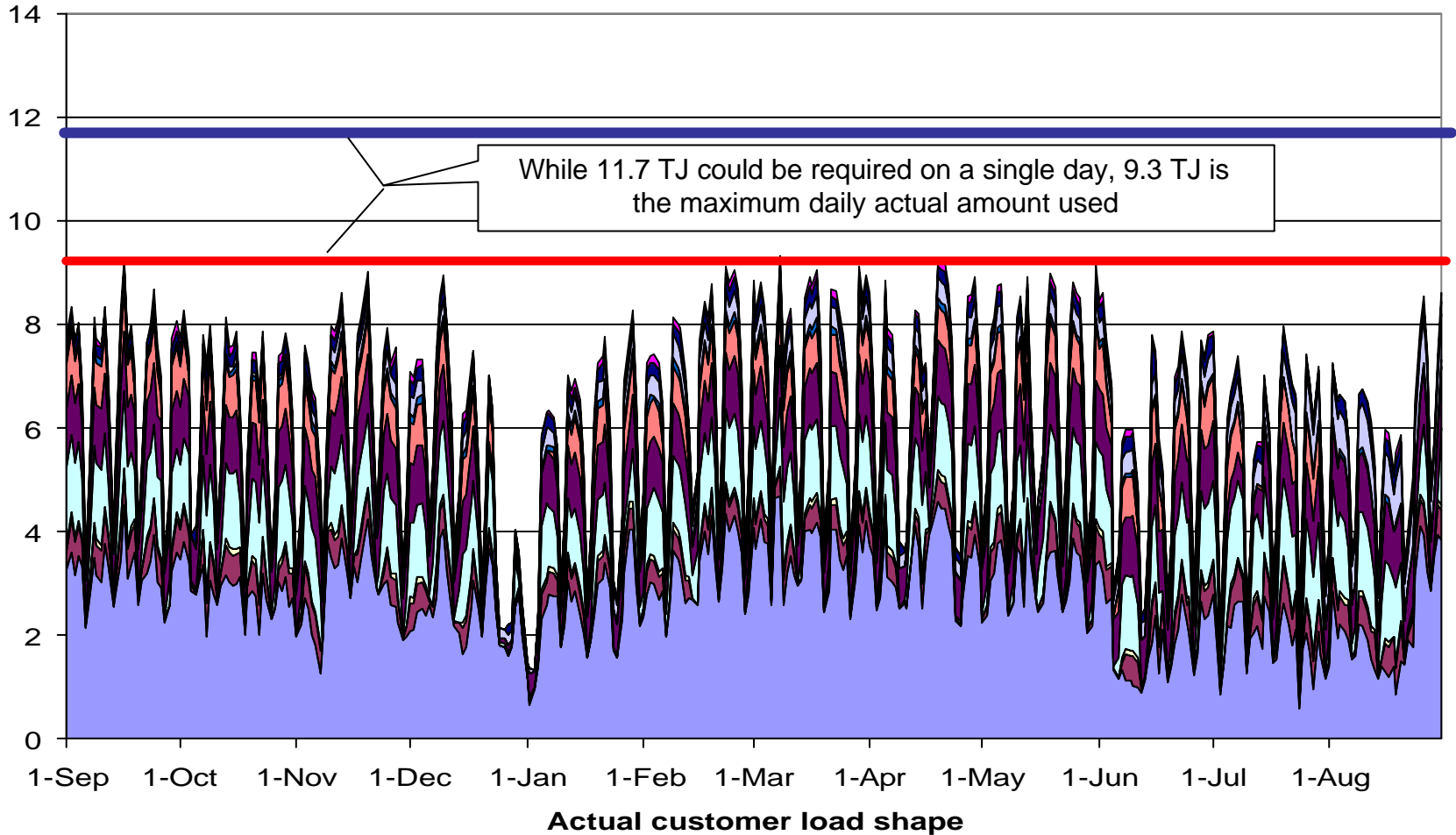
Cumulative peak capacity required if each customer is viewed individually



GAS MARKET EXAMPLE

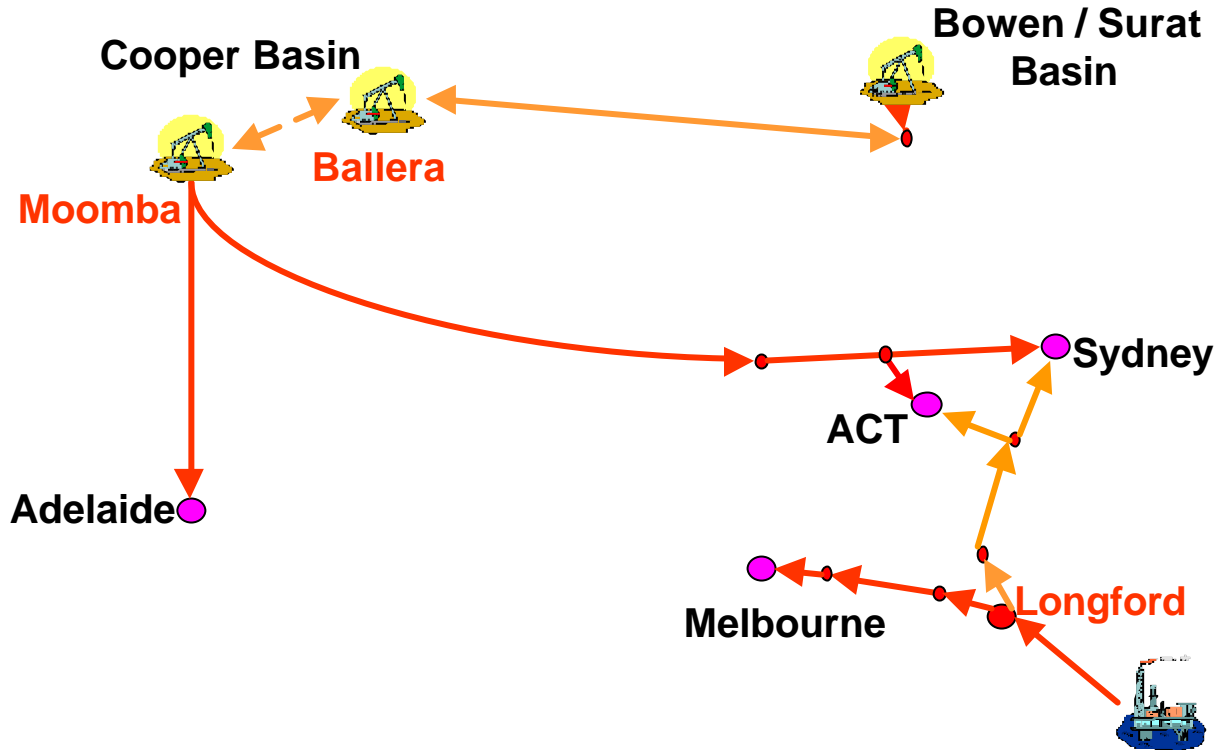
Customer Diversity - peak capacity management

Diversified peak capacity lower than cumulative individual peak capacity



GAS MARKET EXAMPLE - Meeting demand on a mild day

Competitive multiple supply options and security of supply

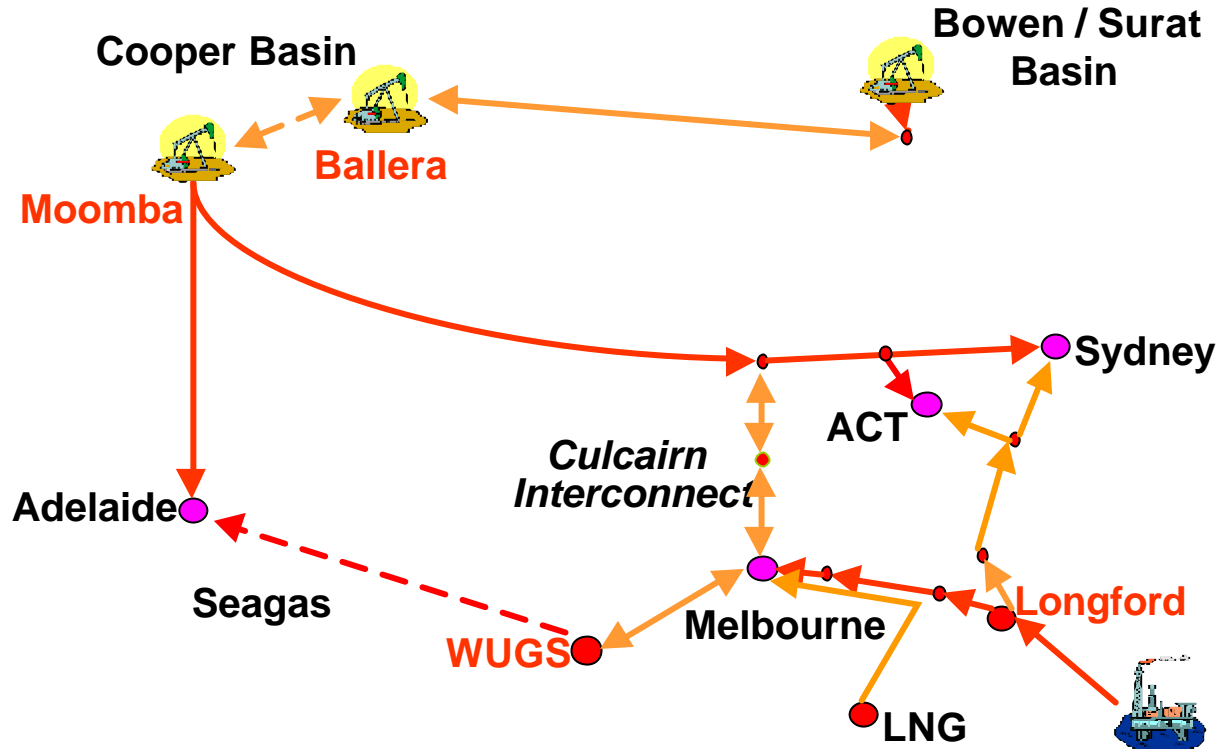


- Melbourne demand met from Longford
- NSW/ACT met from Moomba & Longford
- Adelaide demand met from Moomba

GAS MARKET EXAMPLE - Meeting demand on a peak day

Competitive multiple supply options and security of supply

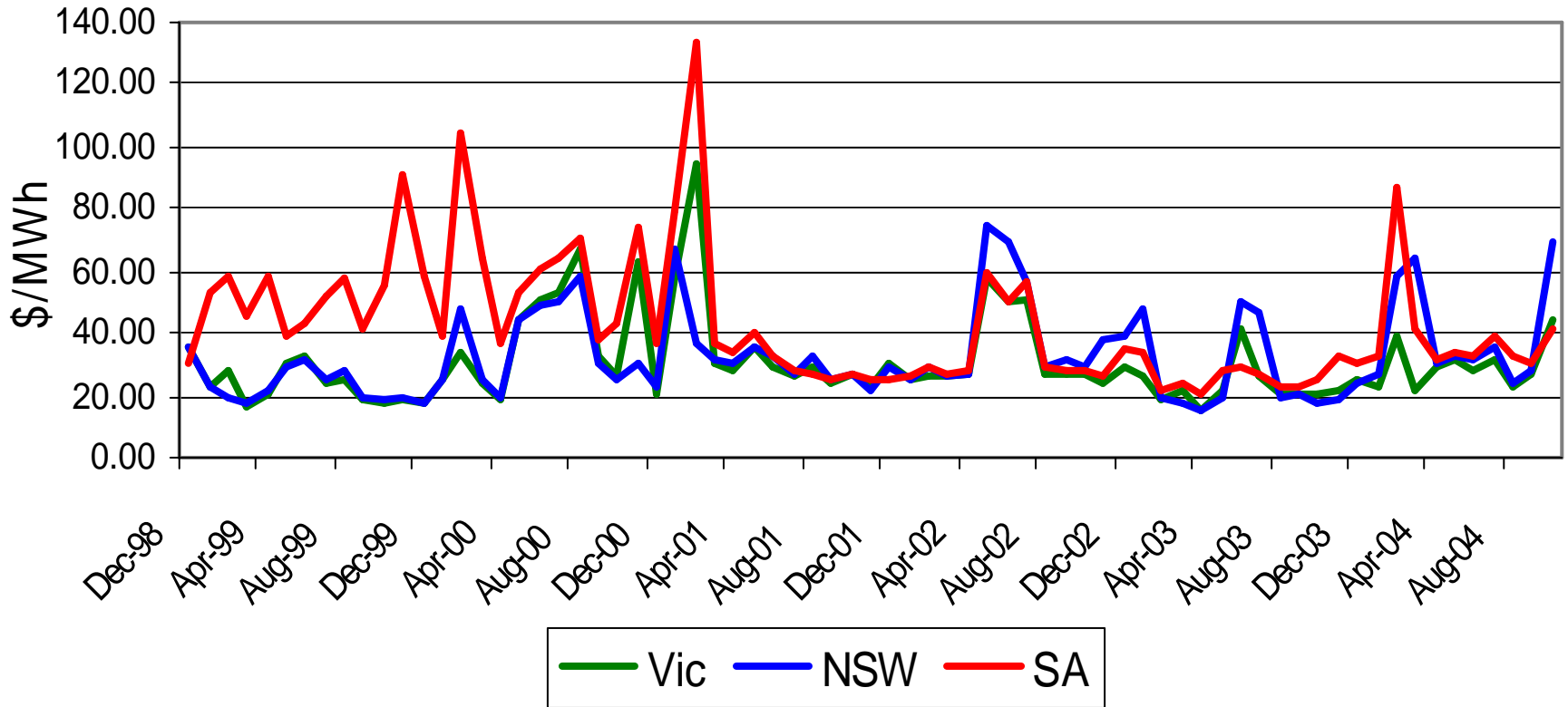
- Active management of alternate supply and transport arrangements increase flexibility and decrease cost



- Melbourne supply options - Longford, Storage (WUGS), LNG, Culcain Interconnect
- NSW/ACT supply options - Moomba, Longford, Culcain Interconnect
- Adelaide supply options - Moomba, Seagas

ELECTRICITY MARKET EXAMPLE

Price volatility creates market risk



ELECTRICITY MARKET EXAMPLE

Benefits of intra-regional diversity

Diversity “flattens” load reducing hedged cost of wholesale electricity

	Small <u>Regional load</u>		Wider <u>Regional load</u>
Average Peak load	752 MW		1107 MW
Load factor (average load/ max. demand) %	51%	→ <i>Flatter or less peaky load</i>	58%
Amount hedged via cap products	722 MW		798 MW
Hedged cost (\$/MWh)	\$59.42/MWh	→ <i>Lower cost</i>	\$56.90/MWh

Assumes financial product costs of:

- Peak swap: \$68/MWh
- Off Peak swap: \$28/MWh
- Cap (\$150/MWh strike):

ELECTRICITY MARKET EXAMPLE

Benefits of inter-regional diversity

- Inter-regional diversity creates flatter load profile allowing portfolio optimisation

Fin Yr 2003/2004		NEM	Qld	NSW	Vic	SA
Peak Period	Avg MW	23,441	6,174	9,391	6,214	1,647
	Load Factor	79%	78%	77%	73%	64%
Off Peak Period	Avg MW	19,123	4,975	7,620	5,144	1,327
	Load Factor	72%	67%	67%	70%	52%

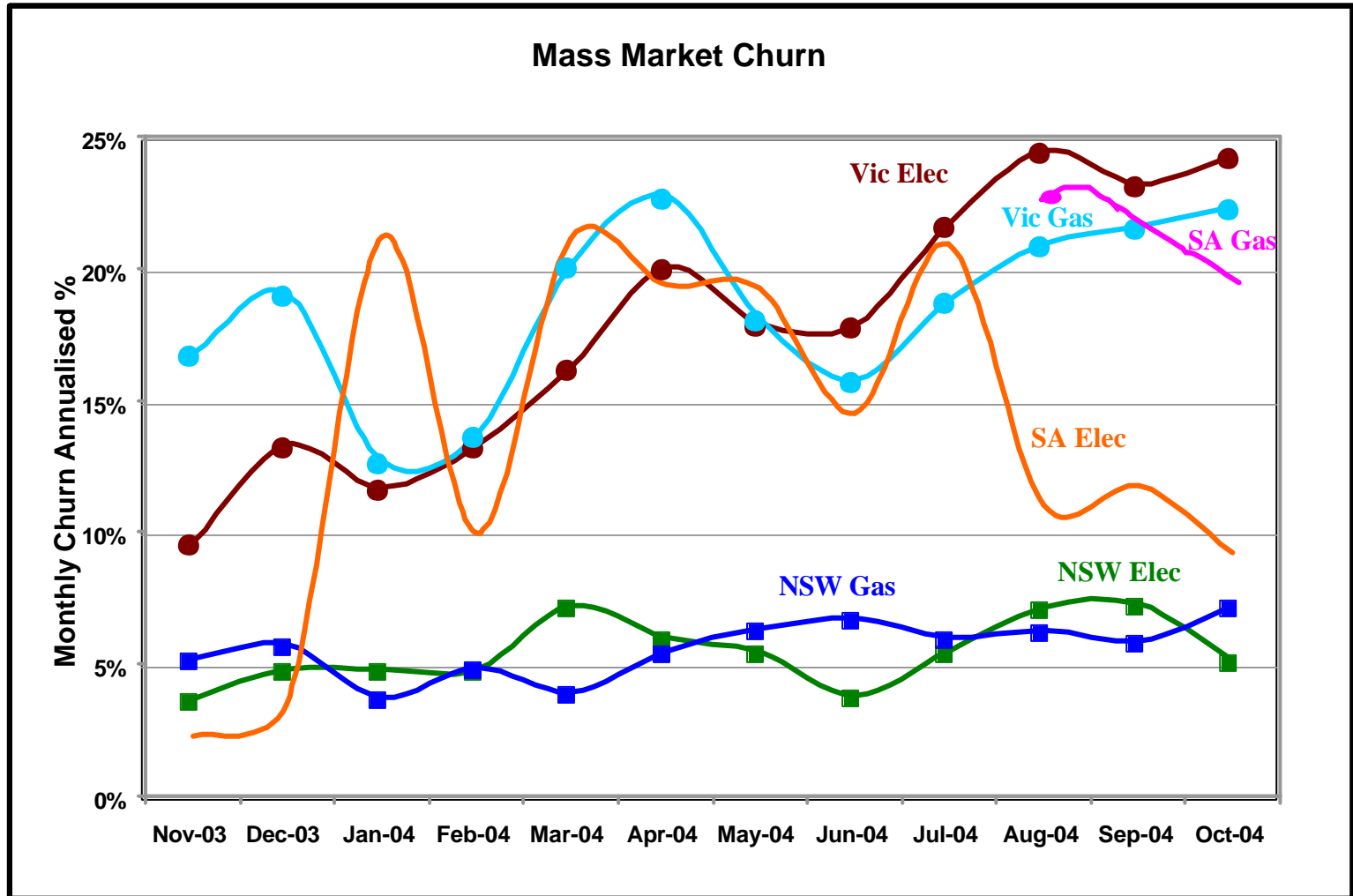
- Basis risk between states needs to be managed
- Increased interconnection reliability will enhance opportunity

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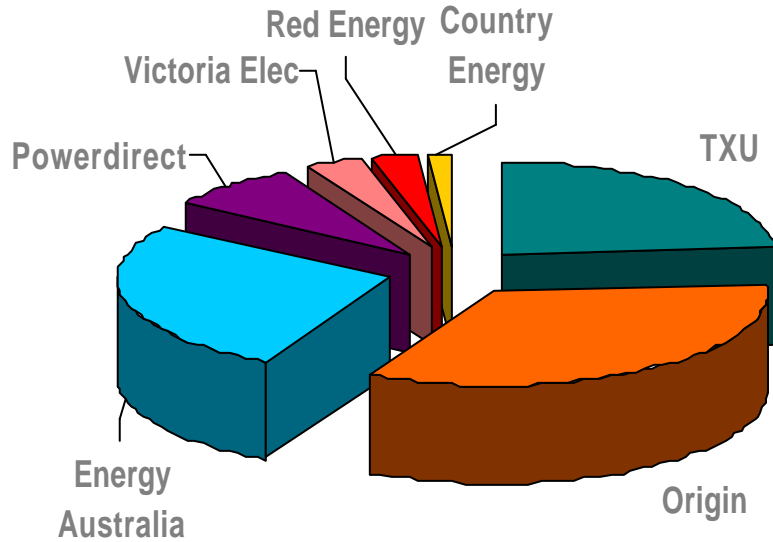
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RETAIL COMPETITION ELEVATED

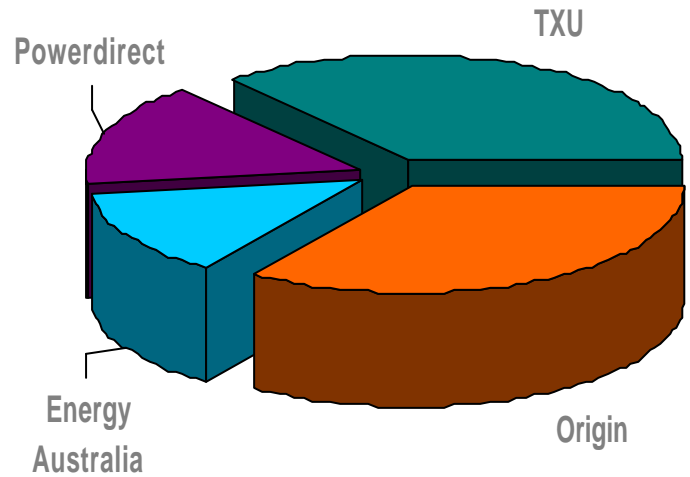
AGL lead indicators showing positive outcomes



COMPETITOR ACTIVITY AMONGST AGL CUSTOMER BASE



Vic AGL Electricity churn out by competitor



SA AGL Electricity churn out by competitor

Barring unforeseen circumstances...

- Expecting ES&M EBIT for 2005 in line with 2004
- EBIT/Sales margin expected at lower end of guidance range of 6 - 7%
- Number of items will significantly impact H1 - H2 split this year
 - Prior year first half contributed approx. 70% of full year EBIT, this year expected to be around 60%
 - 2003-04 winter colder and longer than 2004-05
 - Higher levels of competition
 - Licence fee amortisation
 - Moomba incident
 - SA regulatory price review

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