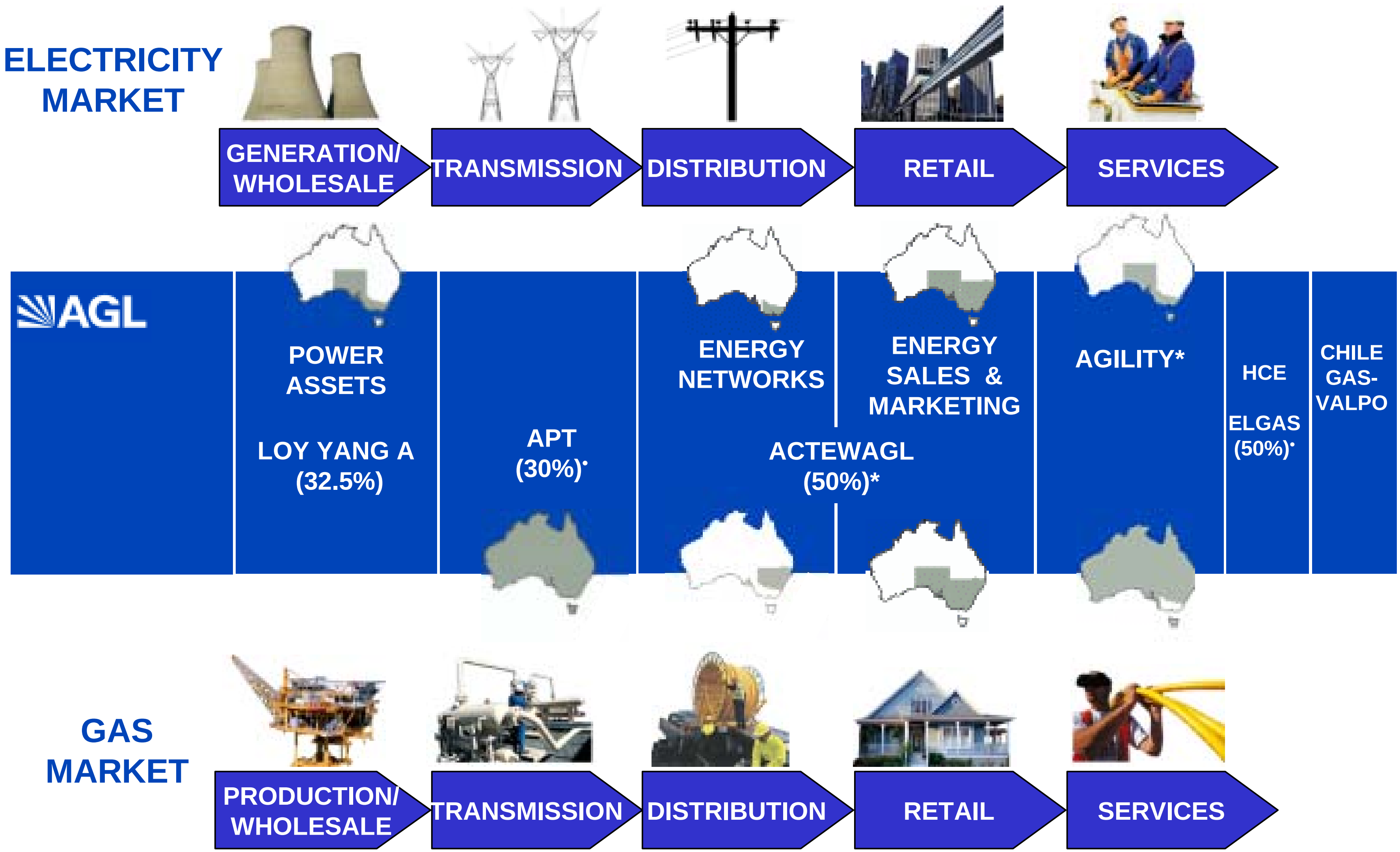
Opportunities & Challenges for the WA and Australian Energy Sectors

Greg Martin
Managing Director

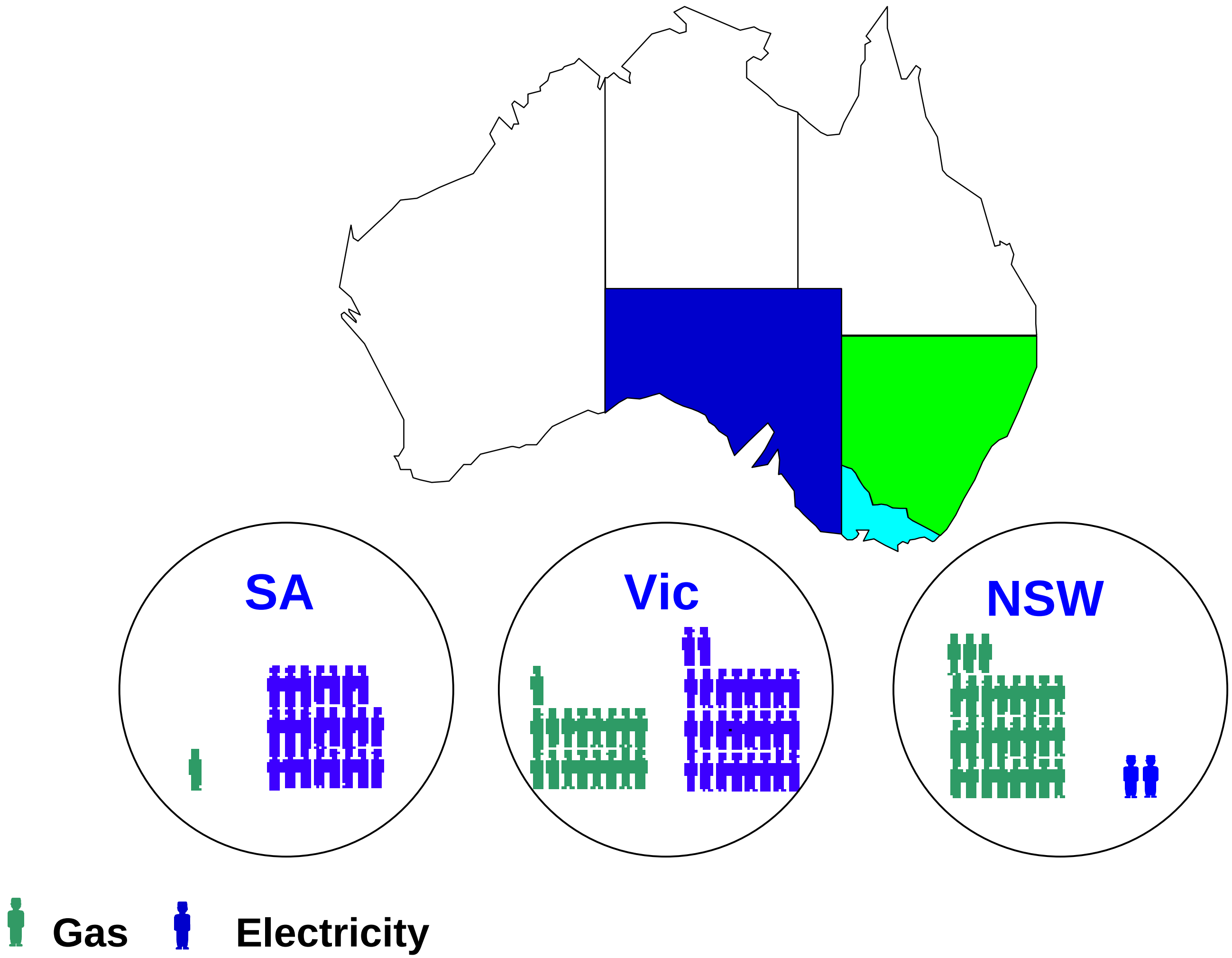
Presentation to WA Division, Australian Institute of Company Directors
7 December 2004

AGL Business Portfolio



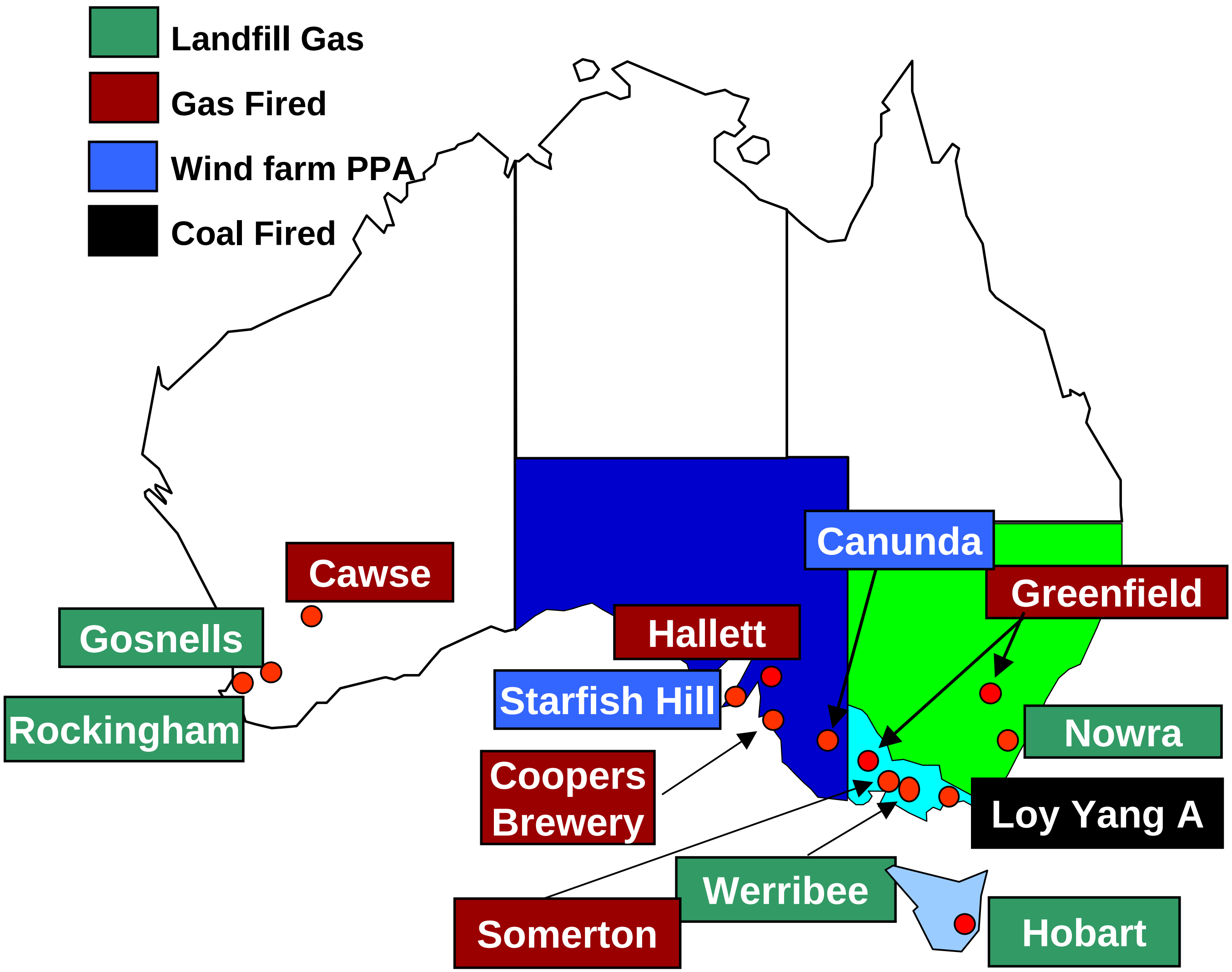
Australia's largest integrated energy company

AGL's Retail Energy Customer business



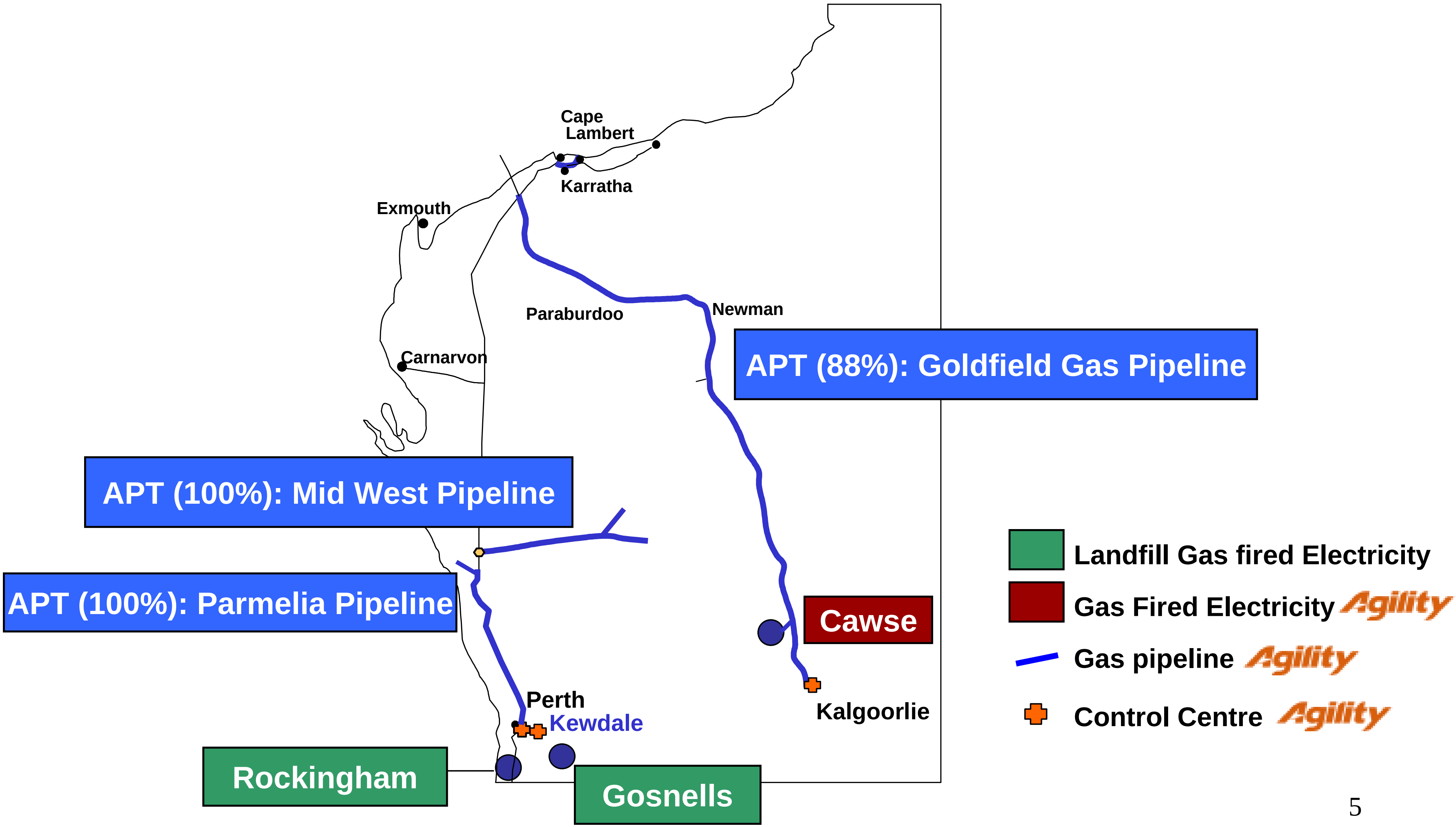
Key markets in South East Australia

AGL's Power Generation Business

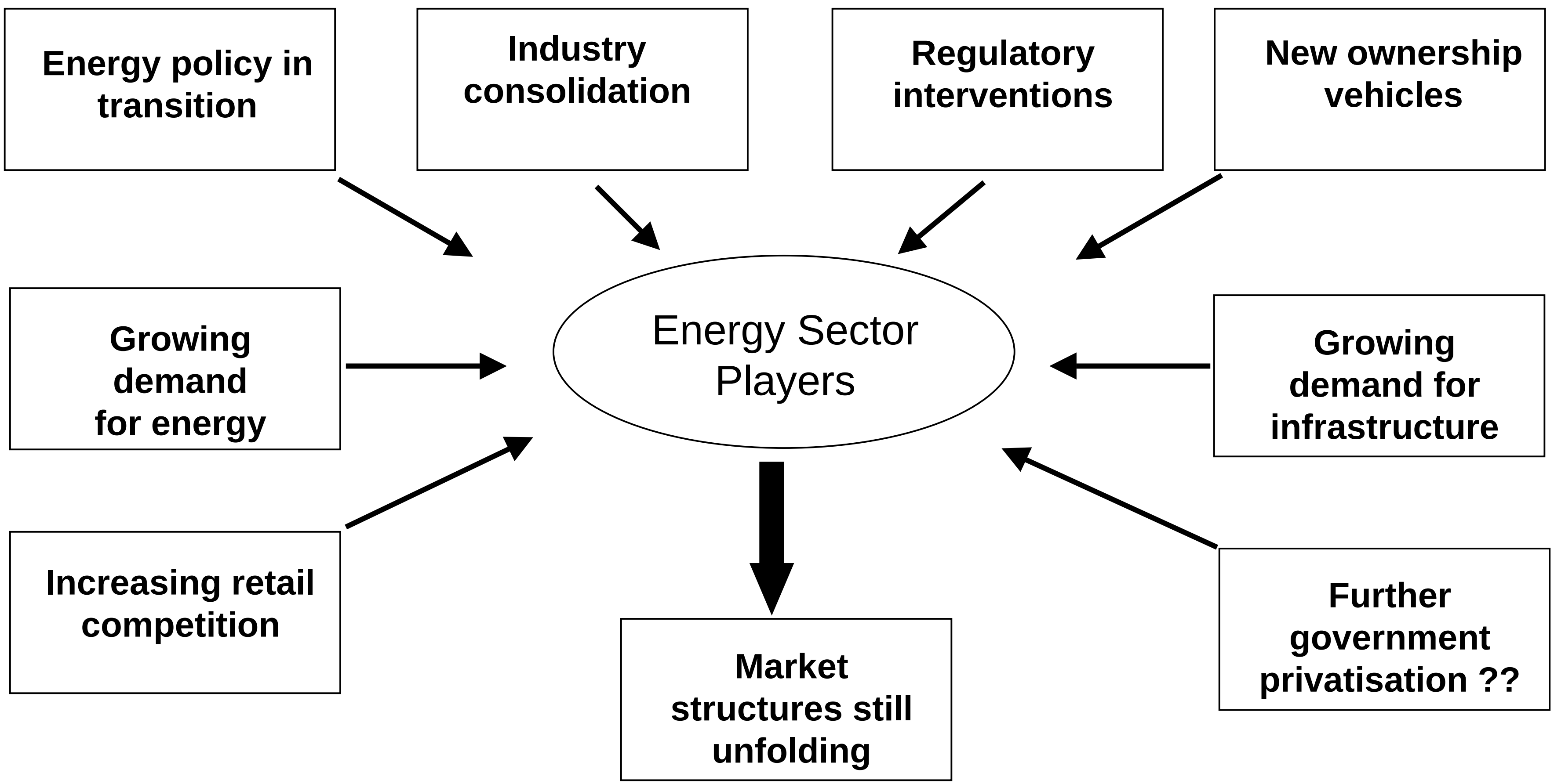


Platform for growth

AGL's Western Australian Business Interests



National Energy Sector Dynamics



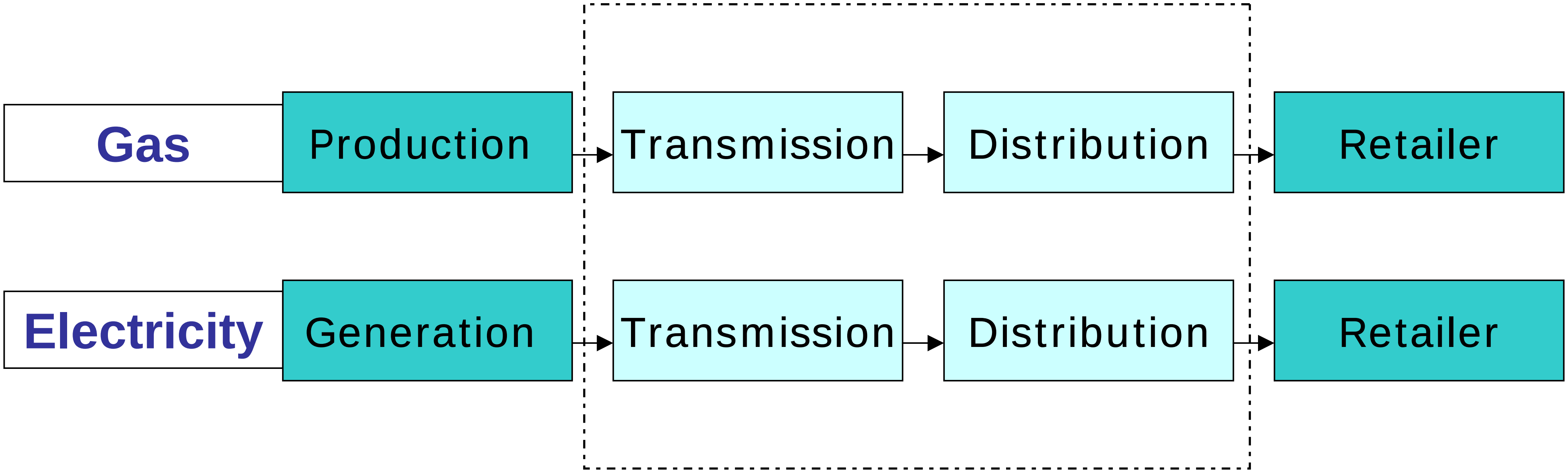
Evolution in Energy Markets

- **Historic view of the energy sector**

Gas	Production →	Transmission →	Distribution →	Retailer
Electricity	Generation →	Transmission →	Distribution →	Retailer

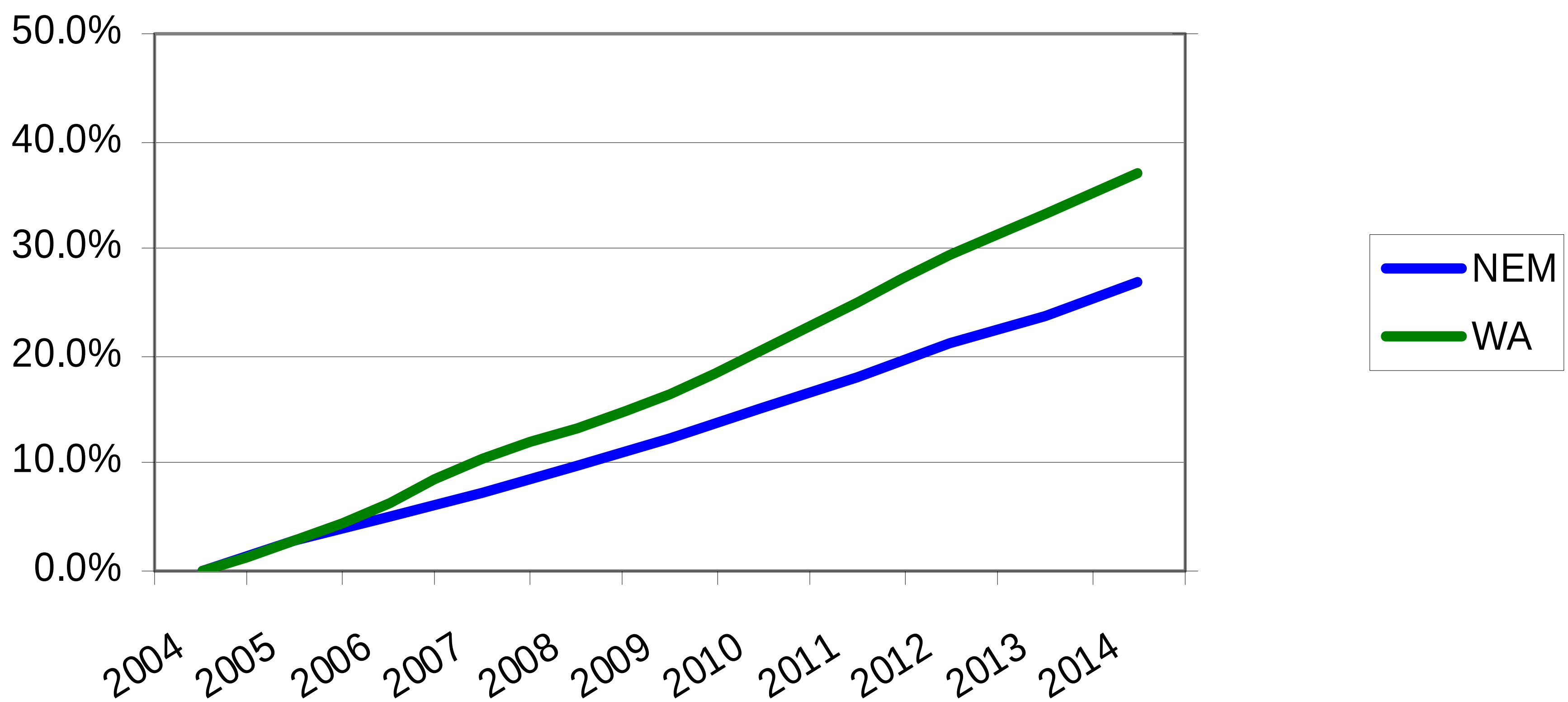
Evolution in Energy Markets

- **Emerging energy market structure**



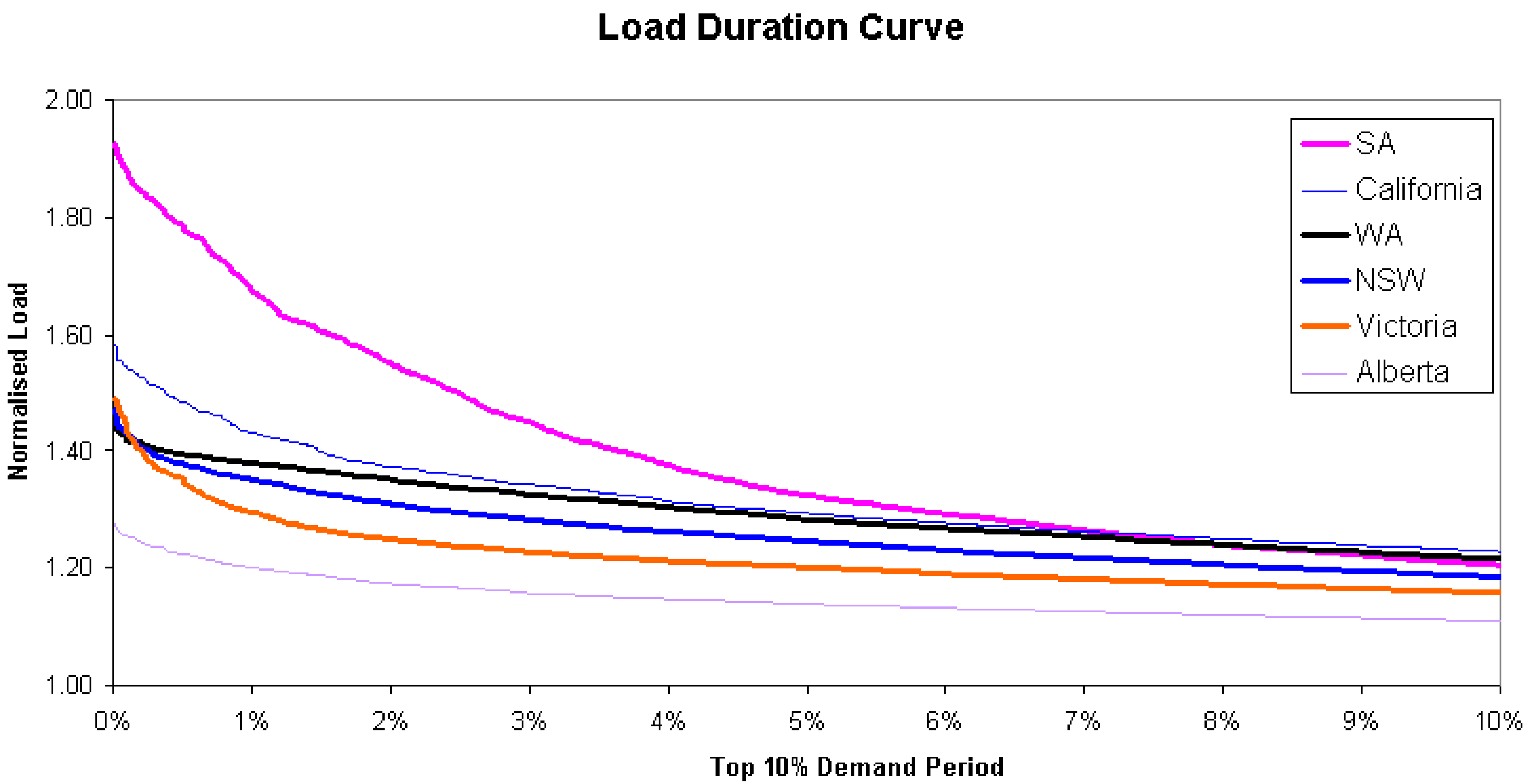
- **Dedicated infrastructure ownership vehicles**
- **World trend to integration of production / generation and retail activities**

Forecast Growth in Demand



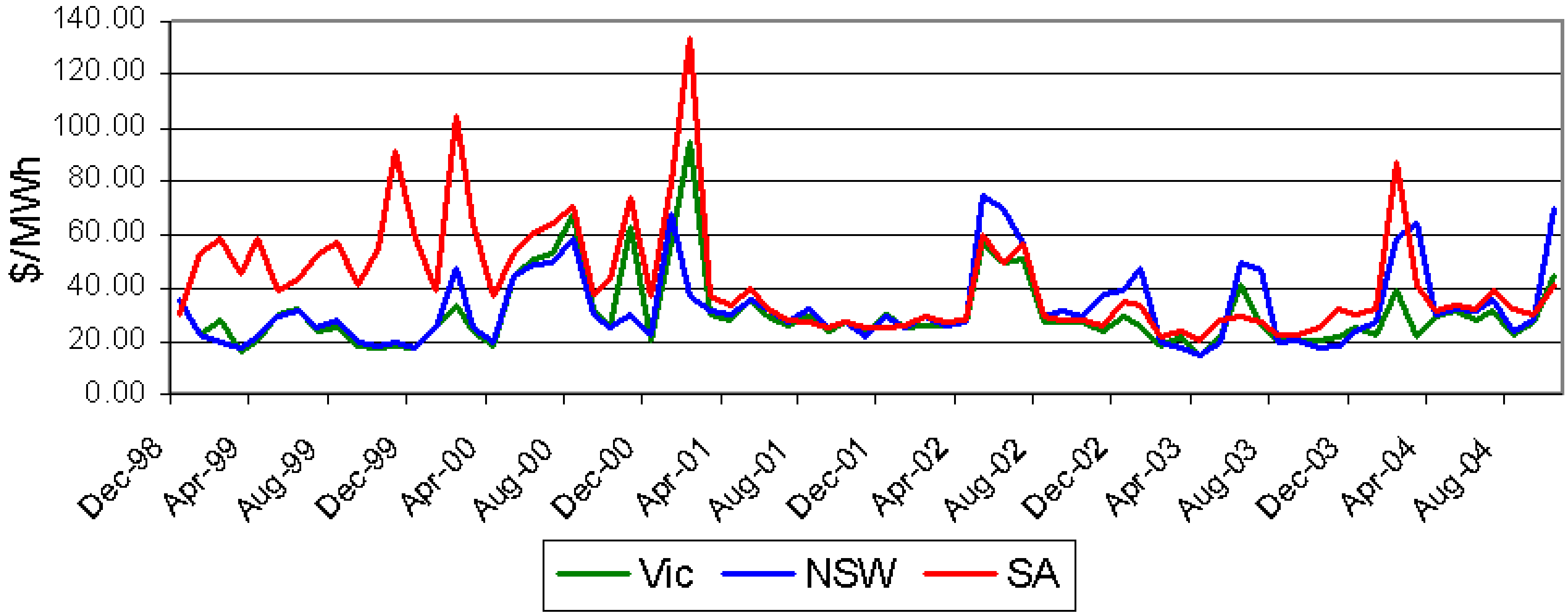
Source: Frontier Economics

Electricity Peak Demand



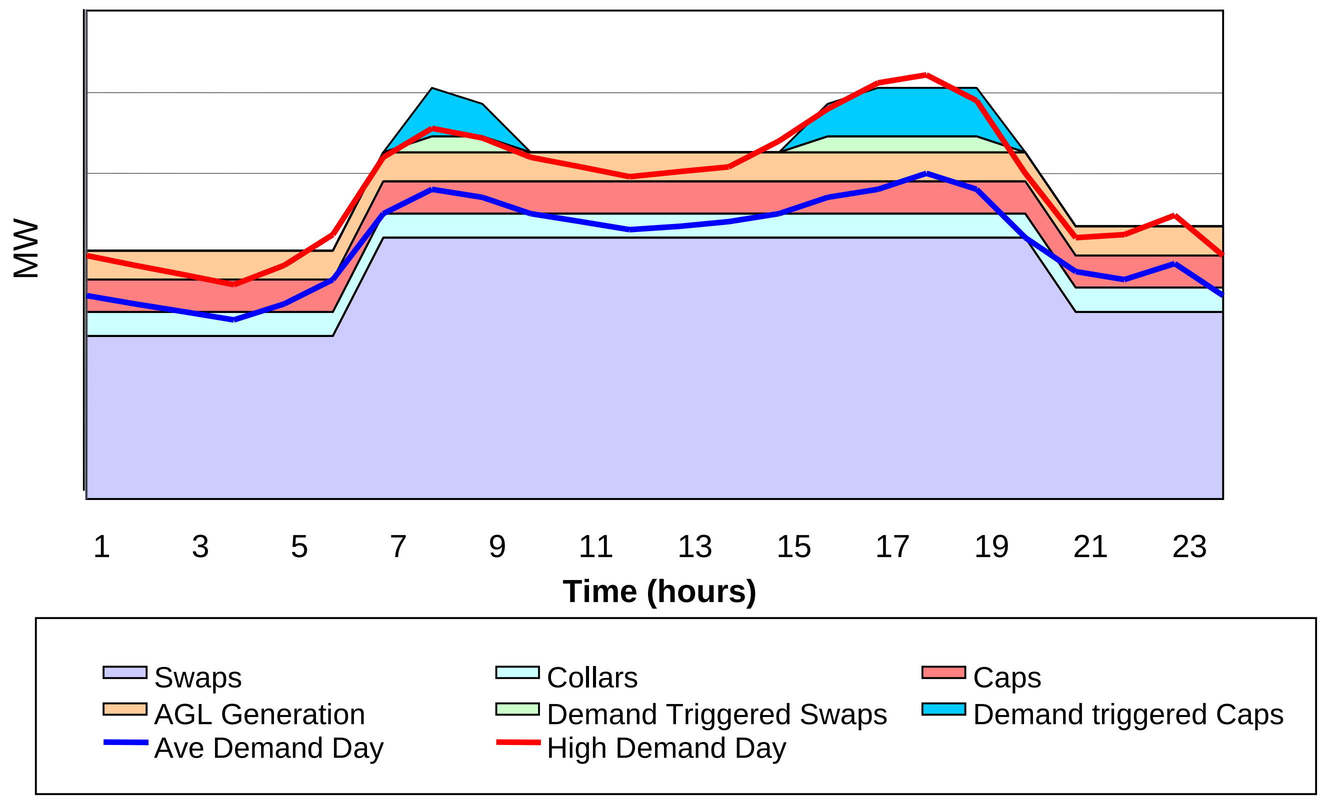
Increasingly driven by rapid increase in air-conditioning load

Volatility in Wholesale Electricity Prices



Risk management of portfolio essential

Wholesale Electricity Market Risk Mitigation



Complexity and cost of hedging demand profile

Implications for Energy Policy Settings

- There is no substitute for good old competition
- Level playing field for all market players across both gas and electricity
- Provision of appropriate governance & institutional arrangements:-
  - Imposed, highly regulated market structures to be avoided
  - Transparency to encourage new market entrants
  - Legislative & Regulatory interventions only in cases of market failure
- Clarity & certainty are essential to provide confidence
- Pricing signals needed for new investment and new entrants
- Clear long term targets required for greenhouse gas abatement
- Responsive to customer and market demands

Challenges for the Energy Sector

- Supply / demand balance
- Maintaining safe & reliable supply
- Completing reform processes
- Timely investment in new capacity
- Meeting varied & often competing stakeholder expectations
- Developing a national greenhouse framework

- Summer 2004/05 !!

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