

# 2017 AGL Sustainability Report

Tim Nelson, Chief Economist, AGL Energy



# 2017 Sustainability Report

Highlights include new Stakeholder Advisory Council and enhanced disclosure of stakeholder engagement



1. Performance assessed in five key areas: customer; community; environment; economic and people
2. Prepared in accordance with GRI Standards: Core Option
3. Report assured by Deloitte (ASAE 3000)
4. Stakeholder Advisory Council provided advice on material issues
5. Integration of strategic narrative and material issues
6. Enhanced disclosure of stakeholder engagement
7. Public policy discussion

# Social and economic inclusion report

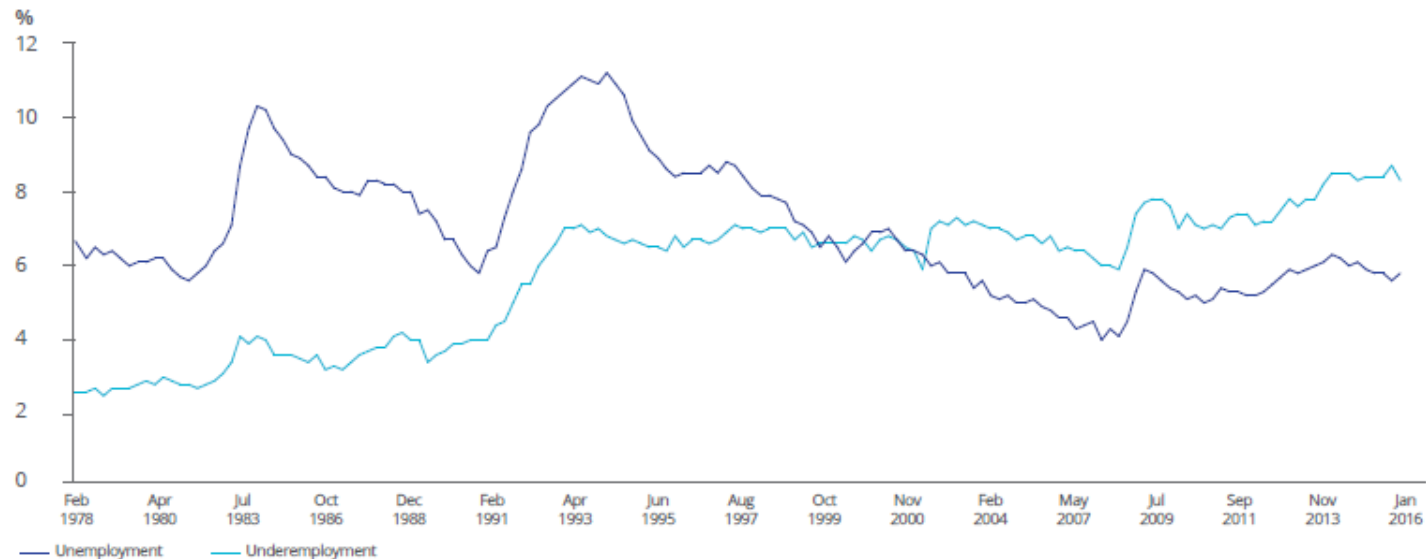
Commitment to developing a social and economic inclusion policy



1. Outlines trends in income and wealth inequality
2. Discusses the materiality of these trends for an essential service provider
3. Considers the key intersection between broader societal issues and the energy sector
4. Commits AGL to developing a Social and Economic Inclusion Policy

# Employment trends

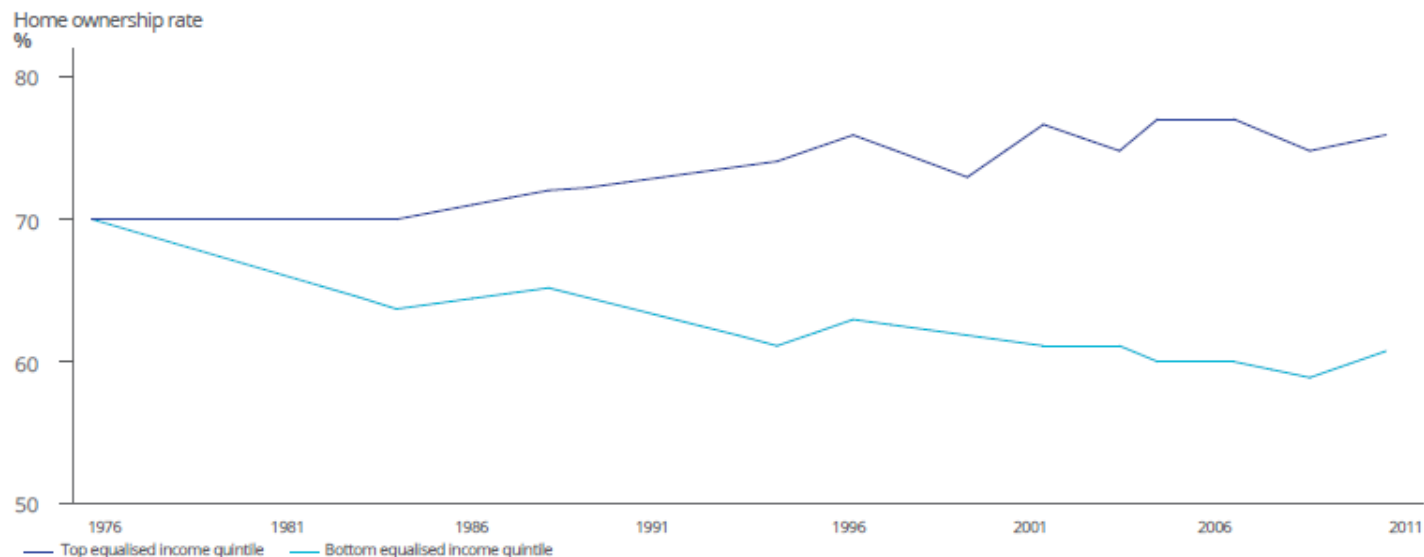
Underemployment has increased and 'automation' presents further risks to employment



Source: Australian Bureau of Statistics

# Home ownership

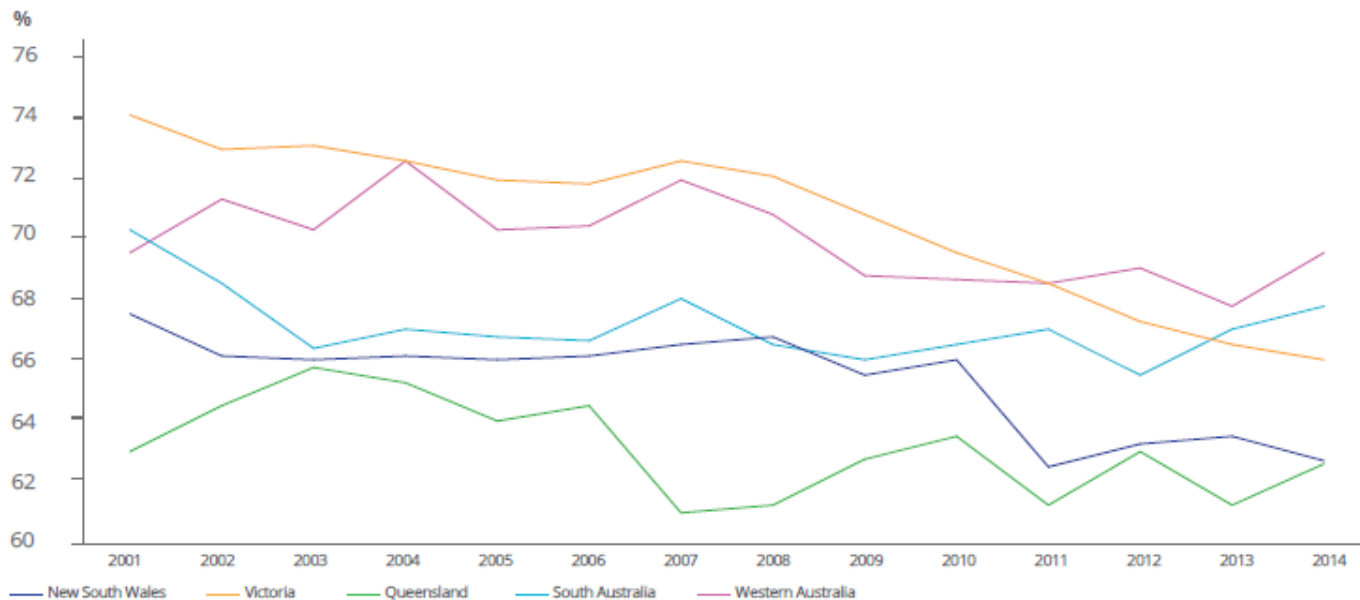
Home ownership is a critical determinant of participation in distributed energy resources



Source: Grattan Institute

# Home ownership

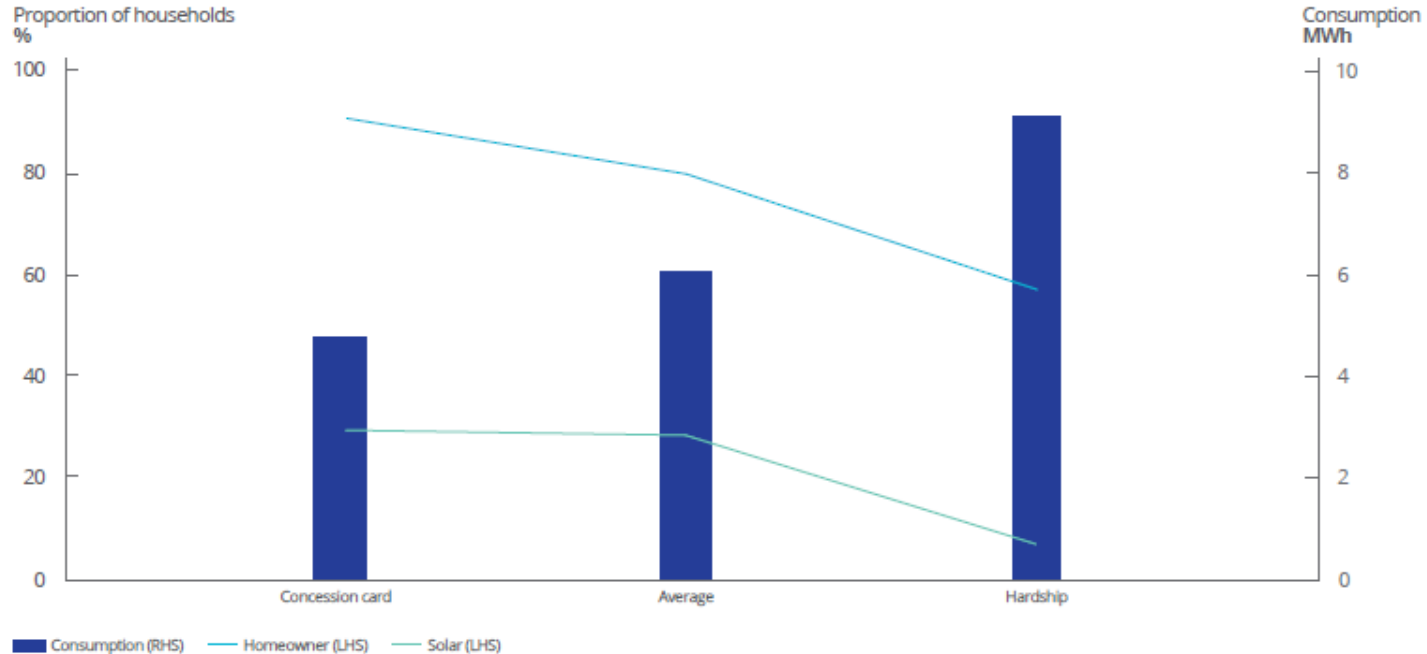
Home ownership is a critical determinant of participation in distributed energy resources



Source: Melbourne Institute HILDA Survey

# Inequality in energy markets

Concessions are not necessarily the best area of focus for addressing inequality



Source: AGL data



# Rehabilitation report

Comprehensive overview of AGL's approach to rehabilitation of major generation sites



1. Outlines AGL's approach to rehabilitation of major energy generation sites
2. Provides key outcomes of rehabilitation review
3. Commits AGL to The Transition Project in relation to the Liddell power station
4. Commits AGL to an annual update on these issues through the Sustainability Report



# Rehabilitation report

Comprehensive overview of AGL's approach to rehabilitation of major generation sites



# Rehabilitation report

Rehabilitation review followed a robust process



**Phase 1**  
Independent review and  
assessment of rehabilitation  
costs

**Phase 2**  
Internal review by  
AGL Chief Engineer

**Phase 3**  
Development of alternative  
use costing models for  
consideration

**Phase 4**  
Executive review and  
assessment



# Rehabilitation report

## Estimated rehabilitation costs by major site



Asset <sup>2</sup>	Planned closure date	Provision amount (AUD \$m)	Rehabilitation costs (nominal FY17) (AUD \$m)	Rehabilitation costs (real FY17) (AUD \$m)	End state basis for provision
AGL Macquarie (Liddell & Bayswater)	2022 - 2035	141	898	510	Return of site to as near to pre-development condition as practicable.
AGL Torrens	2035	12	105	59	This means the removal of appropriate buildings and infrastructure (e.g. generation infrastructure), remediation of disturbed land but may leave in place appropriately remediated voids and land formations (mounds) as well as leaving in place roads, electricity and water infrastructure and similar type public service infrastructure.
AGL Loy Yang (power station and mlne)	2048	54	562	261	Formation of lake, return of disturbed land to agricultural use, and develop native flora/fauna vegetation corridors <sup>3</sup> .
Other	Various	100	189	127	As per AGL Macquarie and AGL Torrens.
		307	1,754	957	

# Rehabilitation report

## Estimated rehabilitation costs annual net cash flows



# Rehabilitation report

The Transition Project



1. Phase 1: Technology suppliers and consortiums encouraged to provide proposals for the site
2. Phase 2: AGL to conduct a series of information sessions
3. Phase 3: AGL to convene a review committee to assess proposals
4. Phase 4: AGL to perform detailed assessment of options

# Key public policy issues

Three key issues requiring attention



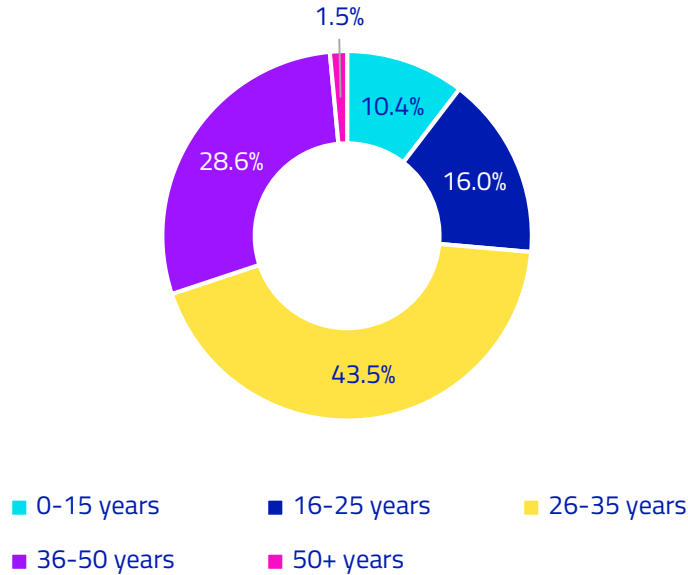
1. Absence of durable climate change policy
2. Importance of retail price competition
3. 'Behind-the-meter' products and services

# Absence of durable and credible climate change policy

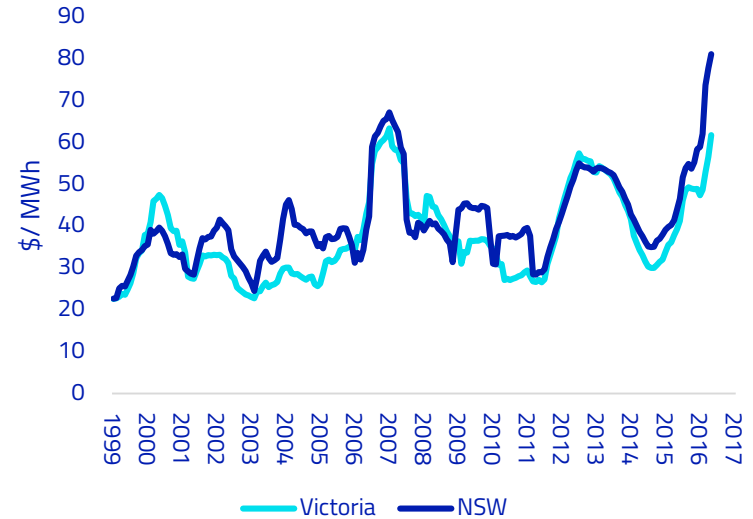
A 'disorderly' transition to lower emissions generation has impacted prices



NEM thermal generation fleet by age



Rolling 12-month average electricity price since NEM formation



Source: University of Melbourne, 2014

Source: AEMO



# Policy recommendations

Assuming an EIS or CET drives investment, what else is required to achieve wholesale market policy objectives?



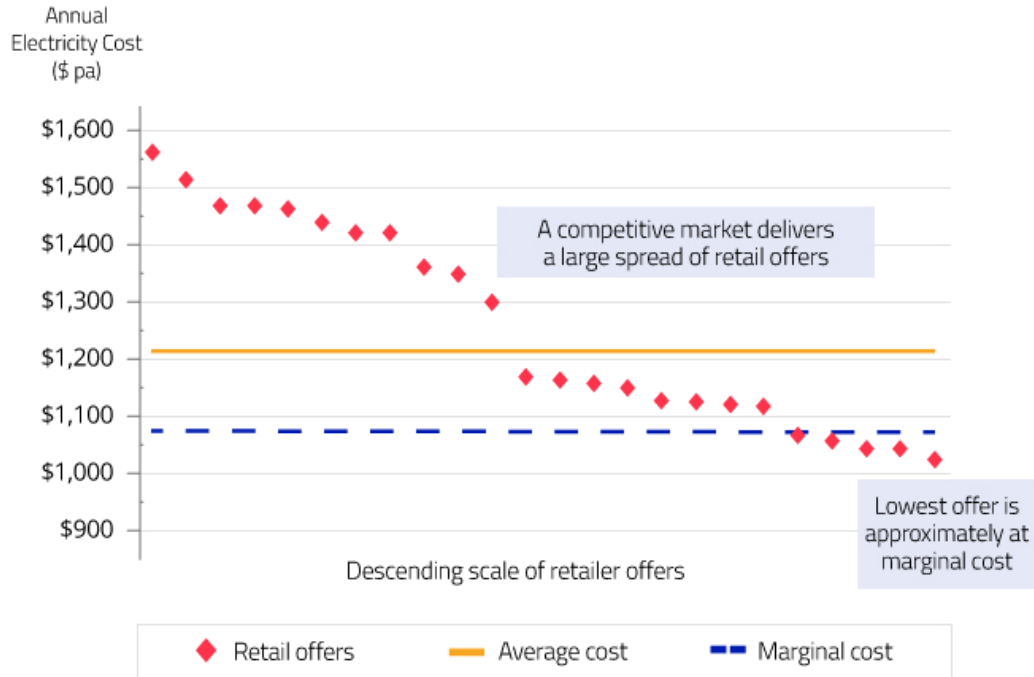
Criteria	Achieved by current NEM 'energy-only' market	Policy recommendation
Efficient dispatch	Yes	None
New investment	No	Ensure climate policy incentivises complementary 'firm' capacity
Security and reliability	No	Establish supplementary markets (e.g. inertia, reserve generator)
Real political economy of pricing	No	Rule-based mechanism for ensuring advanced knowledge of impending generator closure

# The importance of retail competition

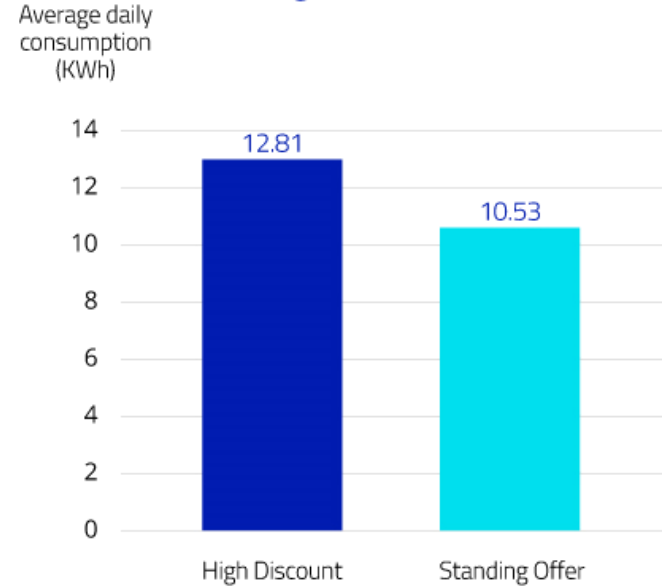
Retail competition is providing significant benefits to consumers who engage in the market



## Retail offers in the Victorian electricity market

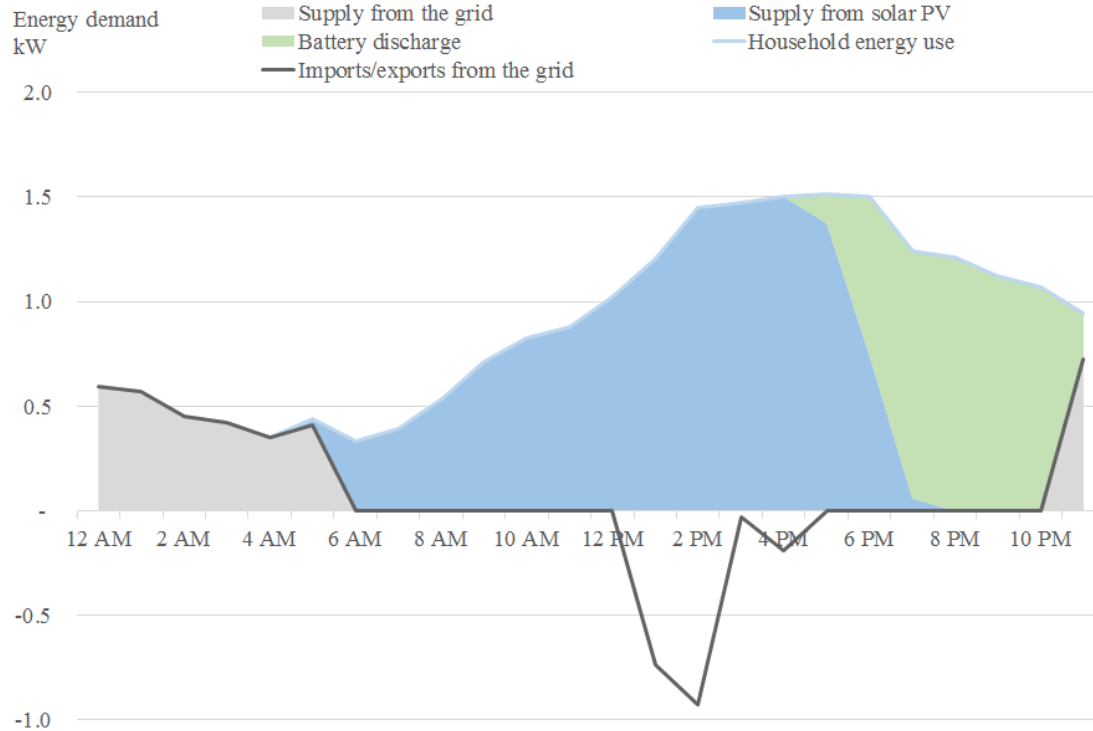


## High usage customers are accessing high discounts



# Renewables behind the meter

It is critical that networks introduce cost reflective tariffs to ensure optimal deployment of new technologies



1. The changing nature of the Australian electricity industry
2. Electricity market design in a decarbonised energy system
3. Access rights and consumer protections in a distributed energy system
4. Price dispersion in Australian retail electricity markets

## Contact

Tim Nelson  
Chief Economist  
[tanelson@agl.com.au](mailto:tanelson@agl.com.au)  
[@tanelsonaus](https://twitter.com/tanelsonaus)

James Hall  
General Manager, Capital Markets  
[jbhall@agl.com.au](mailto:jbhall@agl.com.au)  
Phone: +61 2 9921 2789  
Mobile: +61 401 524 645

Chris Kotsaris  
Senior Manager, Investor Relations  
[ckotsaris@agl.com.au](mailto:ckotsaris@agl.com.au)  
Phone: +61 2 9921 2256  
Mobile: +61 402 060 508



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