

AGL INVESTOR DAY TRANSCRIPT

14 November 2016

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TRANSCRIPT

Mr Vesey: I'm Andy Vesey, the MD and CEO of AGL and just really pleased to have you. This is a working lunch session, so please feel free to continue having your lunch. At one of the breaks, we'll have the tables cleared, but I do want you to relax and enjoy yourself. I have this terrible thing about being impatient and so we're starting early, maybe by a minute. I got permission to do that so, James, thank you for allowing me to start the conversation. But let me start with a safety moment. Safety is very important to us, and what we do with 1,500 of our people working in hazardous plants where there's dangers, we keep them safe. It's very important, and to support that we bring the same culture of safety to all our work locations, to all our meetings and to the communities that we serve. So, just let me cover a couple of items. One is your most – well, probably the highest probability safety issue here is trips and falls, so if you've brought bags please make sure they're tucked under the table, that they're not in the pathways. To the degree you have hot liquids, do not spill them on your colleagues or your competitors. It wouldn't be a good thing. And I've tried that so I know.

If you hear the typical sirens – we do have a beep, beep, beep – and if you hear a beep, beep, beep during the session, remain in place. That means that we'll get instructions as to whether we need to do anything or not. Should you hear the woop, woop, woop, you get out of your seats. There are two emergency exits, one immediately to stage left, behind there there are sliding doors on that side. There's another one right out here towards the water. Exit those doors, proceed towards wharf two, which is in that direction. You'll see others directing you along as well. Very unlikely, but should it occur, please do that. And if you're travelling on that walkway there is this wonderful barbecue stand, do not stop and get a sandwich or anything else. Please go right to the wharf.

The other thing I'd like to do before we begin is to acknowledge and pay my respects to the traditional owners of the land on which we meet, the Gadigal people of the Eora Nation and their elders, past, present and emerging.

My second investor day. I'd like to think we've accomplished a lot since I was last with you standing here and, as you remember, we had a – I think for those who were with us, we were up at the Macquarie Generation site and we actually gave you presentations on a bus. Well, you're not going to have presentations on a bus. We told the buses not to show up and you'll have those very intense information full presentations shortly. But I want to let you know what this is really about and what we're going to spend the majority time talking is really about the transition; the changing in the market, the disruption and how we will use capital to sort of build that bridge to the future. And there's plenty of opportunities for misadventure, if not done correctly, so you'll hear a lot about how we think about that, how we make investments today to not only ensure that we continue to operate well and deliver value, but that we're creating optionality, optionality as we move forward, which is very important.

So it's all going to be about that; how we think it, about how we make decisions, where we think the opportunities are, and not to basically say, well, we have a business and in this disruption it'll be cannibalised. It's really about getting all the value out of the existing business while finding the ways to take step-wise progress towards that future. So that's really what we're going to be talking about today and you'll have plenty of time for Q&A and after the meeting when we have our drinks and light canapés, you'll be able to talk to the AGL folks and even ask them more questions.

So let's review the agenda. If we could put the agenda up, and I do want to say you have a – it doesn't really look like a slide pack in front of you, I had to take out my glasses and they weren't strong enough – they're a more of a representation of the slides which are available for you. So don't really try to look at them. They'll be up here and they are lodged and you will be able to find them, but do not try to strain our eyes to read that, but follow along in the top. We will, shortly, begin with sort of that market and operations update and I will shortly invite Richard Wrightson to come up and give you a presentation on wholesale markets, and then he'll be followed by Doug Jackson. When I say these names, I want you to raise your hands. So Doug is in the front. Richard is nervously pacing and

thinking about what he's going to say when he gets up here. We all do that. So Richard will be first. Doug will talk to you about how we're thinking about operation on various assets, specifically the question of how we maximise the value of those assets given their age. So he'll do that and then both Richard and Doug will be sitting up here and we'll do about 15 minutes or so of Q&A. Then we'll take that first break. So there'll be a short break, the tables will get cleared, we'll refresh, we'll come back and then we'll start with the strategy and growth update. I will talk to you about strategic imperatives and how we think about a lot of these issues in a little bit more detail. Then Alistair Preston – raise your hand – Alistair Preston will come up and talk you through where we're going with our scenario planning process and how it's helping us as we think about navigating this transition, and I will tell you, if you don't know and if you see the work that Alistair is going to talk to, I think it's pretty much industry leading stuff. And I don't mean industry leading in Australia, I mean industry leading broadly speaking. So there's some very good things there.

Then he will be followed by Brett Redman, our CFO, who will talk to you in more detail about how we think about allocating capital, how we're going to use our position today to build that bridge to the future. Then we're going to do something with a little bit more movement, as we go back out we're going to have sort of a growth session in which we'll talk about some of the near term investments we're going to make. And Steven Nicholson will chair that and we'll hear from his people. So, Steven, if you could just raise your hand? There he is.

Now, let me tell you a story about these posts, what it reminds me of. When I was growing up, my grandparents lived walking distance to Yankee Stadium in the Bronx. Now, for those who don't know, the Yankees are one of the greatest baseball teams, better than the Cubs, great baseball team – well, rough times lately – and they used to have old Yankee Stadium. Old Yankee Stadium was built in 1923 and it had an upper deck that was supported by pillars like this. Now, my father, who worked hard every day in his life, never bought a ticket to anything. So, occasionally, he would get free tickets to Yankee Stadium to see a ballgame and we always sat behind one of these pillars and that's – this is what is called obstructed viewing. So, for those who have obstructed viewing, I apologise, but I watched most of my baseball games exactly that way. So bend your heads around, move your seats. I apologise for those poles, and I'm only saying that because where Brett was sitting, maybe some of you didn't see him.

After we do the break out on the growth and you go around – and the movement by your coloured lanyards will tell you where you're going to go – we'll come back here and Elisabeth Brinton, our new EGM of Energy Markets and New Energy – excuse me – New Energy, and she's bringing a lot of new energy to this. So you'll get a chance to meet her and get her perspective. She'll be up here talking about the way she's thinking about the new energy area. Then we're done in this room. We'll have drinks and canapés and Dr Tim Nelson, our very own Dr Tim Nelson will talk to you about – while you're drinking, about energy policy reform, which is the best way to talk about. We don't usually have an audience that's drinking before, they're normally drinking after we go through this, but Tim will talk to you in that.

So with that said, I'm going to conclude my remarks here and invite Richard Wrightson up to the stage.

Mr Wrightson: Andy didn't quite do the bus justice. There's nothing to talk about pressure when your new CEO in the business makes you present on a bus facing the front so you can't see what's going on behind. I can't have done a bad job because he invited me back this year, so something must have gone right. I'm Richard Wrightson. I run the wholesaling area, gas and electricity and now oil as well for AGL in the markets. What I'm going to spend a bit of time talking to you about is the current volatility that we're seeing in the wholesale electricity side of the market and what's happening – or how we see things happening in the market at the moment.

So what's been going on? On the left-hand side of this chart, you'll see a backtrack of the spot prices in the electricity market. From a year ago they've risen 100% in Victoria and New South Wales through volatility in our marketplace and we've just put up Victoria and New South Wales for this, being the cleaner markets to get data from. On the right-hand side you've also seen a similar uplift in the forward curve, driven most recently by the Hazelwood announcement pushing it up even further. Now, what this is showing you at the moment is, not only is the spot market driving up, but also the forwards is following it driven by various market factors. And I'll talk through some of the market factors, as we see them, that are impacting our marketplace at the moment.

Renewable build. The big suppressant on the market is meant to be the pushing of new renewables, and there's been a lot of renewables come through into our marketplace driven by the renewable energy target. So we're about 18,000 megawatt hours of renewables have been built. The story that's been a bit quieter behind it until the Hazelwood announcement is actual plant withdrawal. So actually seeing a fair amount of coal and gas, coal actually retiring, but gas being mothballed in the marketplace coming out. And I actually was a bit surprised by those numbers when we did the numbers, that actually the thermal generation withdrawal has almost matched exactly to date the wind build out. So it's actually been a replacement of thermal generation with wind generation in the marketplace.

On the right hand side there though you can see the big news in the market at the moment which is Energy's announcement about the Hazelwood withdrawal. Now, a lot of discussion about what that means in the market, and a lot of statements about that will be replaced by black coal out of New South Wales that's not quite running at full capacity, and perhaps some gas in the market. So when you're looking to replace brown coal, which is straight out of the ground, almost zero marginal cost to dig the coal, the key thing to the marketplace is what is the cost of the fuel going into those power stations to pick up the slack from the Hazelwood replacement?

So we did a quick chart, and we tried to convert this into equivalent dollars per megawatt hour, which is what my guys trade in. Gas costs on the left hand side, so that's taken from the SDT and gas prices and converted them using a heat rate of about 10.4 into an equivalent electricity. Obviously more efficient plant, it would be slightly lower than this. But you can see the volatility through the gas market that we've seen over this past winter, prices up to the equivalent of \$110 a megawatt hour conversion for energy.

When we look forward into next year, looking at gas going forward, next winter is going to be incredibly tight. We are trying to find more gas for the winter period to go into the portfolio. We're actually reasonably covered for our contract position, but we see an opportunity in the market with those rising prices.

The other sleeper story on the right hand side is the actual cost of black coal in New South Wales, which over the past few months has been having a fairly strong rally. Now, that curve has been flattened out somewhat by the scaling, trying to keep the scaling the same. But the black coal price in New South Wales has almost doubled, actually over doubled over the past year. Now, if you think of spare generation coming into the marketplace, that spare generation has to access more coal in order to fill the gap left by Hazelwood. Interestingly enough as well, you've already got enough coal to run at your peak periods, you're actually finding more coal to fill into the softer periods. So that \$55 per megawatt hour actually converts to a base load price in the 60s and 70s, to replace the Hazelwood plant that shorter marginal cost was in probably about the \$4 or \$5 a megawatt hour. So the message I take from this is fuel is tight. It's not a capacity story, it's not a capacity of thermal generation, it's where you're going to get your fuel from to burn to replace that withdrawing plant.

On the demand side, I've been doing investor presentations for a while, and every year I've been doing it, that demand curve has been getting lower and lower and lower and lower. This is the first year we've moved into 16. We're actually seeing a tick up in demand. Now, the tick up in demand I

will say quite openly is the LNG trains coming on in Queensland. They've chosen electrification, that's pushed up the demand, that was sort of known about. The further comment though that we're seeing in domestic demand is previously that the energy efficiency new solar has been outpacing economic growth in Australia. So you've actually seen the domestic resi demand going down, despite GDP growth. I believe looking at our raw numbers we're actually seeing the beginning of that to flatten out, plateau and turn around a little bit, with population growth forcing demand up, energy efficiency still forcing it down, but net/net we're beginning to see a plateau and rising up of demand at the residential level. Not stellar, it's not going to knock our socks off, but from the history of declining demand in the NIM it's actually quite a positive story we're beginning to see on the demand side.

So how's AGL positioned for all this? First of all, I'd say we've got a fantastically well balanced portfolio. In terms of generation output on the NIM, the makeup of the different fuel types, the one on the right, you've got AGL's makeup. Now, it's not a perfect match, but you'll see it's pretty well balanced compared to the NIM. What it basically says, we will have issues in some of our fuel sources like any player, but we're diversified, we're not exposed to one particular fuel type. The other big news story out of that, if you actually go through those fuels, brown coal, that's a fixed price entry into my portfolio. I don't have to worry about my input costs. Obviously hydro, if it rains, fixed price input coming in, and it has been raining. Being a Melbournian, any Melbournians, you'll know it's rained a lot down there. Wind is a fixed price input. That leaves me with my gas portfolio and my black coal portfolio that is my variable input into my portfolio. So a lot of people have been talking about a rise in markets, those are great, provided your input costs are stable. And on the whole, our input costs are fixed.

But if you move over to our coal supply at Macquarie, what I'm trying to show on here, the grey line is our generation over the past couple of years, to give you an idea how much generation we put out. We've converted this to millions of tons of coal. The black is our contracted portfolio. Over the past couple of years we've been generating hard, making use of these prices and bringing down our coal stock, well, it's also good working capital management. And responding to the higher prices we've been seeing in the market in the spot and burning.

As we look forward, that stockpile's dropped down. We're looking for opportunities to buy more coal. But the big takeout I will point out from this graph is that black bar is still quite high levels, and fully meets our committed contract portfolio going forward, plus a little bit of spare on the top. So even within our black coal portfolio, I'm not out there buying \$55 per megawatt hour to burn through Macquarie because I'm desperate and need to. Most of it's hedged out with our existing contracts. We will look at buying more coal at current spot rates, but that will be a market based decision, where's the forward curve, where's the coal cost, how much money can we make by turning through that portfolio. So there's opportunity there to increase Macquarie's generation, albeit we have to make money out of it as it goes through.

Onto the renewable slide. This is quite a complex graph put up, and I think a few of you might have seen this graph before. But it's basically showing the LGC market and how it stands at the moment. As everyone who's been involved in the market knows, there's been a huge bank of renewables sat in the marketplace for such a long time, hangover from solar PV being able to produce renewables. We're finally heading towards the end of that bank, and as you can see in 2018 that bank practically disappears, and the market is starting to call out the new generation to meet the shortfall in the renewable targets.

We had a big debate, and we're looking at the modelling very, very closely. Will the market run into shortfall 2017, or will it roll over 2018? And I still think it's probably going to be 2018. But there is a shortfall calling out for new build. And looking at what's currently on the blocks to get built and delivered in time for the '18, I'm struggling to see how enough generation can be built to fill that shortfall. And if you look at the forward curve for REC, it's basically predicting that the market will go into shortfall and jump to the penalty price probably in 2018.

So why hasn't the market built a whole heap of renewable generation to make sure we don't go into shortfall? Why's it not delivered? There's a couple of stories going on behind. First of all, the length of time at a federal level it took to sort out the renewable policy in Australia. It didn't add to the certainty of investment. So you've had a long period of time where people haven't had the confidence to invest under the federal scheme to get renewables built. That's created this delay. If you actually look forward beyond '18, there's a lot of opportunities to build renewables, and we've got the path proposal up, so there's opportunities for renewables to come in.

The other area of uncertainty though that does worry us is the proliferation of state based schemes, and how those state based renewable schemes will interact with the federal scheme on renewables, not least where is the best place to put your renewables? Can you double dip in a state scheme and a federal scheme? So with the announcements in Victoria, we have announcements in Queensland, SA set its goal for renewables, how will schemes at the state based level impact our investments going forward? Which adds to uncertainty, but at least we have the federal scheme that's reasonably solid and is investable against. But that's what's created the delay in bringing those renewables in.

Now finally I can't leave the stage without having a brief conversation about South Australia that's been the talking point. I'm not going to get into the whys and wherefores of blackouts in South Australia. But what I've put up here is the movement in contract price in South Australia over the past few years. And some announcements in the marketplace, because much is made of plants being withdrawn, plants being put back in the marketplace.

The real mover in this whole market story is closure announcements around the Northern Power Station. That is the big thing that moved the South Australian marketplace. It was also the contracting around how do you replace the Northern Power Station, and people's contract books. Northern being the coal fired power station with reasonably secure supply was quite open to supplying contracts into our marketplace, people were quite happy buying contracts. With it gone, you tended to find the gas players were caught a bit out of the marketplace. Hadn't got long term haulage, hadn't got long term gas supplies, so couldn't easily just run into the breach and say "I'll supply the contracts instead". You also had a number of players in the marketplace deliberately choosing to take spot exposure rather than buy contracts, so as a generator, would you lock in expensive gas and haulage in the hope that you'll sell it into the spot price?

So what you've actually seen is liquidity in South Australia, and I've put price up here. Price is sometimes an indicator of liquidity, but South Australia has seen a complete dearth of liquidity in its marketplace, so actually just securing contracts has been incredibly difficult. With the recent return of Pelican, we're looking to see what energy does in that place, in that market, and whether it will bring contracts in, whether it will book haulage, whether it will build long term gas to actually start supplying contracts into South Australia. But it does remain an incredibly tight marketplace.

I would also like to point out the announcements re Torrens A. I don't think people have got a lot of faith in Torrens A, because when we make any announcements about the Torrens A plant the market hardly moved at all. So the market wasn't looking at Torrens A as being the saviour of that marketplace. It is all around Northern and Pelican.

And on that last bit I will hand over to Doug Jackson. We'll take questions after Doug's presentation, about the marketplace. I'll hand over to Doug Jackson who has Group Operations.

Mr Jackson: Thank you Richard, and good afternoon. So Andy talked about driving value. I guess from my perspective that's what we do, we take our inputs, our cost structures, and we try to maximise what we can out of that. I think there's three ways we think about it. First of all to do it safely, that's job one for us. And that takes great people. So we spend a lot of time engaging with our people, collaborating with our people, getting their ideas about how to do or job better and different. So I'll talk a little bit about that today.

But I think what's really important is that we have a well running set of assets, and so we're really focused on doing that, so taking safety and people as must-dos, there's how do you have great assets, how do you run them well? So that's the focus for us. I'll talk a little bit about that. And especially when you think about aging assets, they start to look quite a bit different at how you do it early in their life, versus how you do it later in their life, and so I'll show you some things that we're doing.

I also want to talk a little bit about Macquarie, so to two years out how we see it performing, and I think some good outcomes there. We'll also talk about a couple of challenges that we're managing, and they are being managed, it's some recent coal offloading at Loyang. But also safety was not what we wanted it to be in FY16. So while I say that's our most important thing, we didn't have our best year, and I'll talk to you about what we're doing there.

But again it begins with challenging how we do things, having fresh eyes, collaborating and engaging with our workforce, making a difference. It's about integrating how we do it, in the case of Macquarie, that's really an integration story. And often it's just going back to basics. Not everything invented today is better than things that were invented yesterday, so sometimes we forget that, and it's going back and tapping into what the original equipment manufacturer said, or what the old hands who worked there for 30 years know. And so we've done a lot of things like that. So we'll have a chat about driving value.

But let's start with safety. So as I mentioned, safety isn't where we wanted it. And I talked about integration, and I talked about Macquarie. So what we've learned is Macquarie didn't have the same focus on safety that AGL had more broadly across its assets. And so on the left hand side you see the FY15 calendar, pretty flat, running around four total injury frequency rate, so that's four incidents per million man hours, person hours. And so that's an okay result, but we still strive to do better. And then it ran up through FY16, and you'll see at the right hand side, peaking for our contractors at 11 incidents per million hours of exposure. As a company we ended up at an average of 4.3 for the year. Still too high, we're still hurting people, too many people.

So through the year, and these are rolling averages on the left hand side of the chart, and so through the year we did a lot of work on focusing on what we call Target Zero, creating our new branded safety program. It starts with believing all incidents are preventable, and the tone at the top, so right from Mandy, right from the Board, all the way through the leadership team to the person on the floor believing that all incidents are preventable. But it also takes visible leadership, and that's been a big focus for us. And we did a lot of support for the Macquarie team who were transitioning, so integrating them through that forming, norming, storming type process, to now they're starting to perform on safety. And that's important.

So we've halved the incidents on a year over year basis for the same period one year out. So a good result, but not good enough. Our aim is zero harm, so that's where we're trying to get to, and it started at Macquarie, where a lot of that ran up for us. Having said that, they've done a lot to start to turn the tide. And the team is on top of it.

Let's talk a little bit more about Macquarie. Some of you would remember we talked about it two years ago when we bought it. We bought Bayswater and we got a plant for free, was sort of the way we termed it. We didn't put any value into the business case, and so we said we have to be able to make it work on the Bayswater economics. And I think we've been able to do that, and we've got some additional value from Liddell which you would know about. It's affectionately known as 'the old girl' by the people that work there.

So we think about Liddell quite differently than we think about Bayswater. We think about those differently than we think about Macquarie, and we think about them differently than we think about Torrens. And I think that's what I'd like to talk to you a little bit about, is when we think about our

asset strategies, it's really think about each asset individually. I won't go through them all, but I'm going to focus a little bit on Macquarie.

So these charts here, when we bought the plant we said a couple of things to you. We can operate it better, and we can make more money than the previous owners could. But look, I think the next couple of charts will show you that the proof is in the pudding, not only in the pudding but it's in the eating, and I think we're getting some great results. It hasn't all been perfect, but we've gotten some good results. So the chart on the left, the area graph, that's the mill losses for the mills. And the mills, think are like coffee grinders, they take the coal in, like you put coffee beans in, grind it up, mix it into a fine powder, almost like a talcum or a baby powder. Then we blow that into the furnace. So they're the important part, they get all of the fuel into the boilers. When they're not running full, we're not running and making full production.

So at Bayswater we invested virtually no additional dollars, very, very few dollars, around a million or two over our capital and operating budget combined from what was historically there. So small investment. \$45 million gross margin improvement in the year. So we think that paid off. We called it 'milling is thrilling', and that's the last time I'm allowed to say it, but some of you would remember 'milling is thrilling'. Well, \$45 million is pretty thrilling to us, so we'll take that one.

On the right hand side is outages. And so sometimes it's going back to basics and it's fixing things the way they ought to be fixed, just doing good old fashioned maintenance, and taking some ideas from the old hands. So that's what we did at Bayswater. At Liddell it was really fixing old problems new ways, getting focused on critical path, operating discipline, not piling on. A lot of people see an outage, a forced outage, and say "There's the opportunity to fix everything that's broken". I call it piling on. That gives you schedule creep, gives you costs blowouts, it leads into unpredictability, because often that work's unplanned. So our discipline is even if it's a forced outage, the only thing that shouldn't be planned is the event that took you off. Everything else, work you do, needs to be planned. So that discipline's in place. We call it the forced outage readiness process. A pretty cool name I think.

But we think of a red, yellow, green sort of matrix. So if the market's really hot, and you can get good price in the market, we take a tighter view of the critical path. If it's a soft market and you have a long time to go till your next planned outage, we'll take what we call a green view, and we'll do more work. And potentially a lot of the critical path does slip, but it's done in a conscious way, we think about that a lot.

So new approaches to old work, harnessing the insights of talented people, thus leading to some results. But it sounds alright, a few million dollars here, a few million dollars there, but is it sustainable? So we took a look at what's the output look like since AGL took over Macquarie. So on the left hand side, Bayswater. So the first dark bar is not the absolute mathematical average, but it's sort of the sustained performance of that plant. On the right hand side is sort of the new sustained performance of that plant. So a nice noticeable shift up. And that's really the milling improvements, area improvements, get a little more focus on our routine maintenance plans there.

The tail off on the right hand side of that first chart is really we had some major outage overruns that we were not happy about. So the planned work we were doing, necessary work to be done, a lot of found work, so we really reinvested in our planned maintenance outage process for this year, and I'm pleased to say our first Liddell outage came in exactly on schedule, so good results by the team there. So we think we'll fill in that hole and raise the bar a little bit more for Bayswater.

Liddell, a little different story. The big dips on the right hand side was when we had the Liddell boiler outage. You may recall we took four outages to take care of some safety concerns that were emerging. They were concerns that I would say were one time and won't be repeated, they were very technical, external corrosion based thing in a very isolated zone, so we've inspected and cut out and

replaced all of those at risk areas. So we don't expect that, and you'll see in the last five months of this bar chart pretty good performance. And I'll show you another chart in a few moments. So prior period to AGL, post period to AGL, I think we've made a good shift. So I think it's not only fixing things, it's doing it on a regular and sustained basis. So we expect Bayswater to continue delivering, we expect Liddell to deliver as well.

So how are we going to do that? I think the challenge is as plants age you need to think about them differently. You need to find different kinds of operators and maintainers who want to do that kind of thing. So we'll do more of this, but I want to talk about the options. So Richard talked about the rising price curve, he talked about the rising coal curve, which is an input cost for Bayswater or Liddell. This is Liddell on a year to date, four months, versus the prior year four month period. The dark blue is the commercial availability of the units that we're running. So I took the planned outages so those don't come into play, because sometimes they're big outages, and one might be four weeks in a period, one might be eight weeks in a period, so I normalised for that. So it's the running units that weren't on planned major overhauls in this period. The blue is how much time it was commercially available to run. And so not great. It was okay, it was kind of better than what we bought in the business case, but not good enough.

So the work we've done is we've taken a strategy that I call the sweet spot strategy, and it's really fewer megawatts, more megawatt hours, which is really where the hashed part goes. So I'm available to produce, whether the coal is there, or whether the market is there, I've created the option for Richard and his team to look at getting the fuel and making the generation work. So we've created a lot of options for Richard and his team.

And I get to think about lower cost, because with this more predictable profile, I can plan my maintenance further ahead, I have fewer forced outages. In fact if I back cast this year's performance to last year, I'm about \$7 million ahead year to date in terms of value creation. Now that was built into our plan, so don't get excited and start ramping more money onto my budget targets. That was part of the plan. We said we're going to take a sweet spot approach, and we're going to run these units, make them more available, optimise their output.

So why do I think this can work? Because I've done it a couple of times before. Not here in Australia, but once in the US and once in Canada. Old assets getting to the end of their life, find out where they run best, what's the right level. Liddell will run really nice somewhere between 420 and 440. And so you'll tend to see it there, you'll tend to see it lower on the low peak periods, it will be available to do 500, each unit, should the market be there. So it's run it less hard, treat it nicer, and it will give you dividends at the end of the year, at the end of its life.

So the key for us is safely running this asset for the next few years. It's not a run to fail mode, so don't let people convince you, if you hear it, that is not the case. It is a managed basis. So we don't want to strand investment, but we're going to keep the unit safe, we're going to keep it predictable. And we will understand how to operate the units quite well. So as I said, I've done it a couple of times in my career, and actually I've shut down a couple of some of the best running units in Canada in their last years of running. Maybe not the most productive in terms of absolute megawatts, but the most predictable and most reliable.

So I think there's a lot of good things we can do. And that gives us time to operate the plant and think about transitioning our people when we start to retire that plant as well. So creating options, that's what the sweet spot is all about, it's paying dividends, and we'll see how she goes over the next eight months, but I think it will operate as I expect.

Look, the mine, a bit of a challenge as I mentioned, some coal offloads in the early part of this year and the tail end of last year. Pleased to report October was a good month, no coal offloading in the period, so that was a nice change from the previous three months. But look, what's really happening

as the mine advances, a couple of things. We're getting further away from the plant, so travel distance, conveyor distance, complexities show up. But as we advance the face of the mine, we're getting into more inter-seam. Inter-seam is really a mix of dirt spread in amongst the coal. And then we have overburden, so the light blue is the overburden on the bottom, which is actually on the top of the mine, and then the inter-seam is the stuff that's mixed throughout the coal seams.

So we can see it coming, we see it happening, this is a chart out to 2025. And you see it's a 50% increase over sort of a flat period between 2005 to 2010 roughly, so that's a lot of extra dirt. And to put some numbers around it, we're right now moving about 40 million tons a year of dirt, and will for the next few years, of total volume I should say. Of that 40 million, 30 million is coal. We used to move only 35 million. So we've had a doubling of the dirt we have to handle to get to the coal. That's the first issue. The second issue is when it shows up on both of our coal winning dredgers at the same time, that means they're competing for coal and dirt, they have to use the stackers, that means I can't be running my overburden dredger, which means I fall behind on coal reserves. So it's managing all of those issues.

The other complexity we have at Loyang is the raw coal bunker. It has one day of coal. If I go to Macquarie, we can have two or three months, or more coal as when we first started out sitting on the ground in a stockpile. So I challenged the team a couple of years ago to think about a stockpile. I said "Look, we've never been able to do it, it's always been too costly, too many risks, can't do it". I said "Well, how are we going to do our overhauls or mid-life refits without that ability?". So they set their minds to it, and they came up with a way. And we did it last year. And we did it on a test basis to make sure we had enough coal to run our first dredger mid-life overhaul. We had no offloads during that period, we had a really good run using that reserve coal.

So I said "Well, how do we turn that into a permanent reality?". And so this year we are going to invest, and have started already, in about a 300,000 ton coal stockpile. So that will give me four times the coal volume available. We've had 100,000 available in October, didn't have to use it very much, but it was available and when we did it helped us out. So we know it will work, so we're investing in that. So I think our offload situation, while they won't be zero, they'll be drastically reduced from the recent run. We know we can do it cost effectively and we also can do it very safely, we've built that strategy in mind.

I think the last thing I'd like to talk to you a little bit about is Torrens. Richard mentioned the price changes. He mentioned Torrens A didn't make very much of a dent in it. We had originally planned to mothball it at the end of this financial year. With the changes in the market, the Northern decision, we've brought it back for service one more year. We're going to continue to review that on an annual basis, because at some point we'll have to say we have to retire some of the units, maybe all of the units, or have to put an investment into it. But we'll look at all of the market facing realities, all the technical conditions, to make sure that we can safely and reliably produce that power, so we'll review that annually.

Torrens B, we're investing in fuel optionality. Richard mentioned a rising price curve, but also a tight gas supply. So we're going to make sure we have fuel oil optionality on B station that's reliable. We've invested in new burner management systems, we'll make sure that they can be converted to diesel, which is a much more readily available fuel. And so we'll have a diesel back up if we have a challenge with gas supply, so it will help our negotiation with the gas suppliers and haulage contracts, as well as create true physical optionality.

The last thing I'll talk about briefly, Brett may talk a little bit more about it, is creating the options to build an open cycle gas turbine plant. So we have a development permit in place to build up to 800 megawatts of gas turbine in or around the Torrens area. We have a couple of spots in mind, but it could be on the site or it could be adjacent to the site, but in that area. And so we see that as a true opportunity, because I think as we think about the market, not only does it have to be flexible and

adjust to variable winds, but it also has to be flexible and able to firm up the capacity for, as people have heard, a fairly heavy reliance on intermittent generation. So that's what we're thinking about for Torrens.

So driving value, I'll go back to just three quick things. It is about safety first and foremost. Didn't have a great FY16. FY17 is much, much improved, we've halved the injuries year to date, on a year to date basis. So we're happy, but not happy enough, we expect great things out of safety. We also expect great people. Without great people it's hard to accomplish our objectives, so we're spending a lot of time on training and talent management, harnessing their insights and knowledge to do our jobs better and differently, and challenging the status quo. But most important for us, having well running assets. And that's what we're really focused on doing. Keep them safe, keep them reliable, keep them well run. So Richard, can I have you come up, and we'll answer questions.

Question: Hi, Mike Dodd from Citi. Richard, one for you. With the Portland contract no longer being on foot, can you just talk briefly how you're dealing with that extra load in your portfolio, as in have you benefited from the recent step up in prices, or did you hedge some of that load out before you've had the recent step up in the wholesale curve?

Mr Wrightson: I can't talk the details, but obviously the termination of that contract, followed by the Hazelwood announcement was a good opportunity. The rise in the price is good, given AGL's position. But a lot of it also depends on how quickly we turn through the portfolio and how we can put those prices through to customers and back end to the wholesale markets.

It is a pretty strong rise into that forward curve. I'm not a bull, never been a great bull on anything, to go to 65 in Victoria is a very, very solid price. I can see it stopping around that level, especially when Hazelwood comes out. The interesting thing for me in terms of Hazelwood disappearing is they've given a March deadline if they have issues with any of those units, and they are fairly old, that we actually see it close prior to that, or units disappear from the marketplace.

But in terms of the Portland contract, we made an announcement about that contract terminating, we didn't sell the complete output, so there's opportunity there, and we'll look to the market to see how we're placed, but I'm not going to say whether it's 100%, 50% or 20%. There is some there. Thanks Mike.

Question: G'day, Rob from Morgan Stanley. Thanks very much guys. A couple of questions I guess just around the ability to stockpile brown coal at Loyang A, and this may be a very simplistic question, I'm sure you've thought of it, but isn't the problem with stockpiling brown coal that it kind of explodes from time to time if you store it?

Mr Jackson: Actually it doesn't explode, but they call it spontaneous combustion, and that is the concern with brown coals and storage of brown coals. Look, we've looked at it quite hard from a technical perspective, we understand how it can happen. So you've got to have a good base to store it on. You have to compact it, you need to sort of keep it covered if necessary, but you also need to have fire suppression and safety systems in place, and that's certainly all been thought through. So we're going through a process with our insurers and regulators to make sure that they're very satisfied as well, and that's all on track at this point.

Question: And just a question on I guess, I don't know if you could call it Tip C, or the potential to build another 800 meg of peak in SA. How does interconnector flows flow into that investment case?

Mr Wrightson: There is a lot happening in the South Australian market. We're looking very closely at what the interconnector cases are and whether they can be put up. There is obviously an option for the government just to put the money up and build them. From our perspective, it is about optionality. If you look at the cheapest capital cost, you're always big machines. If you actually look

at what the market requires, small and flexible. So we've got to balance between what the market desires, and what's the cheapest to build.

Obviously the building of SANI, the South Australian/New South Wales Interconnector will have an impact on the spot market over there. The issue we're facing, and that's why I put the contract prices up, building non-firm supply into South Australia, we've already got lots of it. The wind farms are non-firm supply. The Haywood interconnectors, they're non-firm contracts that you buy off them. Building another interconnect is another series of non-firm contracts delivering to South Australia. What South Australia actually really does need is firm capacity made available to it. That allows you to underwrite contracts and look to that contract price.

The other thing though with that contract price is you can't imagine anyone building anything in South Australia but diesel or gas, because there's no coal left over there. If you look at raw gas costs coming out either from Queensland or Victoria, and haulage into South Australia, those contract prices are not that shocking, in fact they're probably underdone a little bit. So South Australia has a cost problem, relying on gas.

Mr Jackson: And Rob, I'd add a little bit to that in terms of I think the challenges, South Australian market, the more you build interconnectors, they start to become what I call the farm house on the end of the power line. And you need to have some on-site, in this case on-state generation to firm up that (47:31) capacity. So I think there's a lot of regulatory and complementary policy that has to come together that thinks about all angles of this, not only just transmission, but firming type markets, whether it's capacity or other methods, I think there's a lot of policy work to be done as well to support an investment.

Question: Sandra McCullough from Credit Suisse. Doug, back on Loyang A, can you talk through the R and D you've done on stability, the slopes of the mine, and stabilising them, and also the major CapEx that you've flagged I think for FY17 or '18 to shift the overburden heap.

Mr Jackson: Yeah. Look, I guess the FY17, moving the TS4 stacker, I think that's what you mean, moving it from the current place we put overburden and inter-seam back in, that project's tracking along well, so we'll move that through here in the next few months, so we'll start to be filling in overburden and dirt materials into the base of the mine this year.

On the batter stability, as it's called, those issues, I guess a couple of things. We do our own internal engineering, but we do a lot of work between the three mines working collaboratively on this issue, I guess partially in response to the Hazelwood inquiry, where they asked for the three generators to work together to come up with sharing of engineering and technology along with third party people like GHD and Jacob's Engineering. So I think there's a lot of work been done in that, and I feel pretty comfortable that we have a lot of talented people looking at all of those areas.

Question: Pete Wilson, Credit Suisse. Just a question to you Richard. I was interested in your comments around the contribution of the increase in thermal coal costs to the increase in the forward price that we're seeing, and you put up a slide showing the derived coal price. That curve you put up, did you derive that from the electricity market, or is that an actual average of the coal? And then, yeah, any colour I guess you can give on where your marginal coal is coming from, maybe where (49:50) marginal coal is coming from, and how we should think about that price.

Mr Wrightson: That curve is directly from the Newcastle coal spot price, coal spot price, so it's a conversation rate, I've forgotten the thermal efficiency rate we've used for the coal, but it converts it back to an electricity price from buying spot coal at Newcastle.

It's a complex story, is coal, because it's not just buying the coal, it's actually also buying train slots. And I don't know if anyone remembers the Macquarie acquisition presentations, we made a lot of comments then about where Macquarie sits on the train slots, whereas the coastal stations are

actually past Newcastle, so actually getting in train slots to get trains down to those stations is difficult. Where is the marginal coal coming from? We're looking at opportunities with our coal suppliers to increase. I don't know where the others are looking at coal, I am of the belief that they are tight on coal supply and don't have much incremental access to coal beyond what they've already got. We're looking for opportunities to pick up more coal. But the positions are quite tight just because of those rail slots. So once you've bought the coal, actually getting it on a train and delivered to your station proves quite difficult.

Obviously we do still have a stockpile, we haven't completely emptied the stockpile, so we're looking at the stockpile and opportunistic coal purchases when the price of the coal delivered to the station, we can convert into a profitable turn around into the contracts market. The nice situation we have, it's an opportunistic situation rather than a necessary situation. If we'd already fully contracted the full output of that power station, I think I'd be a bit in panic mode at the moment, because my costs would be rising badly underneath me at the moment. Fortunately that incremental generation out of Macquarie is all, if we can get it at the right price, we'll burn it, if we can't get it at the right price, we won't burn it. So it's an opportunity.

Question: Just one last one to you Doug. The Hazelwood closure, there's two effects, there's a price effect then there's a utilisation effect. How much more in terms of utilisation can you get out of Loyang, in terms of capacity factor?

Mr Jackson: There's utilisation available to it. So I think we're in good shape to capture some upside, and as Richard says, it will take time to transition through to the bottom line at the company level. But certainly the plant is a great plant, it runs well, and we expect it to continue running well, so I think Loyang and Bayswater, I think of them as our two anchor plants, and then we have Torrens and Liddell which are sort of our swing plants, and they're there to capture market upsides, as well as hydro is. So I think in the case of Loyang, in a good position to operate. It will be the lowest cost plant in the Victorian market, I guess the NIM, on a marginal cost basis, so it should be positioned well.

Question: Just firstly on the rec price. Are you concerned if you start looking past that 21 period into the next three or four years there's potentially a rec failure, that the price actually goes the other way towards zero, as everyone puts in more and more renewables into the system? Because it seems like there's a disconnect between the COP 21, the signings which the government's made for the Paris Agreement, and what the renewable strategy is. And I guess it's how is it influencing your investment decisions when you start thinking about it that way?

Mr Jackson: You can talk about the recs, but maybe the investment it might be better to have Brett deal with that later on in the day perhaps. But talk about the recs?

Mr Wrightson: Clearly when you go to what is effectively a penalty price, you can build renewables that can beat that penalty price now, it's more of a timing issue. The risk is do you overbuild then crash the market? It is always a risk in any investment. I think we've had that cycle in the past. I think the opportunity is there to balance this appropriately. Can things go wrong? Yes, they can go wrong. And when you look at investments, you have to assess those, when you're looking at a particular individual assessment and see whether that is likely.

I'm reasonably confident there's a fair more discipline in the renewables market than there has been in the past, and how we build them. People are actually looking at the economics of those plants very, very closely before they go ahead, so I'm reasonably confident of the discipline there. But yes, there can be overbuild, we've seen it in the past, it could happen in the future, but I think the discipline is there, people have learnt their lessons on that overbuild.

Question: You made mention of Liddell running at sort of 420 to 440 megawatts. If you think about Bayswater and Loyang, obviously they are not young plants, they must have an optimised position too. Where do they sit relative to their face value capacity, which obviously is available if needed, but where's that sort of optimised level?

Mr Jackson: So when we think about the sweet spot operating level, there's a number of factors, there's commercial, but there's also the plant operating technical concerns, and in the case of Liddell, we know when we push it up over 450, 470, 480, you start to see signs where it's running really hard, and so you kind of overcome that good spot in the curve, and then it costs and erosion rates and tuning ability of the whole system starts to get a bit tougher. And so you find that sweet spot where those things all line up, just like having a car that you can drive it at 100 kilometres an hour, and it feels really good, but if you drive it at 130, notwithstanding the speed limit issue, it doesn't feel quite as good. And so operators and engineers get a sense of where that level is.

And so that's really what we've done at Liddell, we've looked at all of the historical trends. When it runs here, everything sort of shakes, when it runs here, it runs really, really smooth. And so that's kind of where we got to it. Now, when I say 'shakes', it doesn't mean it's physically shaking, but you start to see the control tuning charts move a little bit, and you know you're pushing, your fans get to the full limits, they don't have the extra little oomph to get over the next hill in your car analogy. So it's really just being prepared to run it there when you need to, when the market's really there, but not every hour.

Question: In terms of Bayswater and Loyang, they're exactly the same, they're older plants, maybe not quite as old as Liddell, but I'm sure they don't run like a Maserati.

Mr Jackson: No, actually they do. They're more like a Rolls Royce actually. They've been very well designed. So Liddell was built in what we call the hot box era, where make everything as tight and small as you can. And the newer plants overcome that issue, and that's not just here, in North America it's the same issue. And so they've got much more conservative design factors in terms of velocity and erosion, and swallowing capacity of the steam turbines, so they're in a much better shape. So they'll run full load, full hours almost all the time, and not suffer adversely.

Question: And just finally in terms of the South Australian and the open cycle generator, the conditions couldn't probably be better conceptually for supporting that type of investment decision, yet there is no investment decision from the likes of AGL, or actually anyone else out there. What are the constraints which people are looking at them which worry you about making that sort of decision?

Mr Jackson: Yeah. Look, I think there's a few. You've got to make the hurdle rate first of all, and the view of achieving that hurdle rate over time. And I think issues of interconnectors and issues of policy that could change, those are the very real things that I guess confront us. And if you talk to Stephen about long term price paths, or you talk to Brett about investment risk profile, those are the first two things we start to talk about. But I think there's many other factors as well, and at some point we do have to start to replace older plant, in this case Torrens A or Torrens B in a decade or so. So there's a lot of forward thinking has to be done in that, and so that's part of what the team's looking to do some analysis with, including our scenario analysis work you'll hear more about later as well.

Question: A couple of questions on the Loyang EBA. Can you give us firstly an update on how that's all going and where the key crunch points and risks are? And then Richard how you're managing that risk in the portfolio, how are you hedging around that risk?

Mr Jackson: So look, I guess in general principles, it's all public information, so the CFMU and the ETU have both put in protective action ballot orders. They will finish their voting on the 29th of this month. Assuming they get support for those protective actions, then as early as December 3rd for the ETU, and as early as December 6th for the CFMU.

We also have as people would be aware, applied for an application to terminate the agreement, and so both of those things are running their normal courses right now. Look, we're still hopeful to potentially negotiate an outcome as well, and we're looking at all of the options should protective action take effect. But again, we're still hopeful that we can get to an outcome that doesn't take industrial action.

Mr Wrightson: And just from a market perspective, I've a long history of Loyang in my career, and the thought of industrial dispute when you're a one station company was the scariest thing in the world. It's part of a 10,000 megawatt portfolio. We have spare capacity in the portfolio, we have a diverse portfolio, it is still not a pleasant idea of industrial action at that site. Is it manageable within the portfolio? Yes. We do have spare generation to manage some of those risks. So yes, compared to where Loyang power management used to be, it's far more comfortable facing these issues as part of a diversified portfolio with a reasonable amount of options in the portfolio to call upon in case something does happen.

Question: Paul Johnson here from RBC.

Mr Jackson: So I think is this our last question?

Question: Thank you. Yeah, just a follow on couple of questions on the implications of Hazelwood. Just in terms of generator bidding behaviour, and I guess yourselves included, have you seen or do you expect to see significant changes in the way generators are bidding their capacity into the market? Obviously we've seen the price change, but is it enough of a change to the market dynamics down in Victoria to have a real sort of shift permanently in the market down there?

Mr Wrightson: Yes. Quite simply. I mean, it is such a large plant being withdrawn from the marketplace, so yes, it will. Now in terms of bidding, my duty trader, who is on duty now, every five minutes they're looking at the plant, gets a simple instruction. Look at the portfolio, with the portfolio of assets you have, make as much money as you can within the rules of the marketplace. And I think most duty traders have that across the whole portfolio. So the demand supply balance change, it will change the calculations in the duty traders about where the opportunities are for set in the portfolio.

The spare generation that will come into Victoria to replace it, black coal and gas. And both are suffering quite dramatically from supply shortages in this marketplace. So it's not a very simply we move from a zero to \$4 marginal cost to \$15 to \$19 a megawatt hour marginal cost. The marginal cost of the mid-merit coal plants and gas plants has risen quite dramatically in the background. So is that permanent? Coal prices can collapse, new gas reserves can be found, I question whether new gas is going to come in to crush our marketplace. Coal, we're on the vagaries of China. But once you've even got past that, you've actually got to get access to your coal, get that coal to your stations. So for once I'm pretty bullish on the Hazelwood stuff, it's going to make a material change.

Question: You mentioned that liquidity had dried up in South Australia substantially. Again, relating back to Hazelwood, do you think it's enough of a change to really effect liquidity as well, and would there be any follow on impact on the retail competition side as well?

Mr Wrightson: No, not on that side. There is plenty of capacity with access to fuel for Victoria and New South Wales, it's getting down to a price level, whereas South Australia, people didn't have access to haulage or gas contracts, couldn't offer the contracts, the coal was gone, there are literally no contracts in that marketplace for a sustained period of time. Now, as other players, or maybe ourselves, secure longer term gas and haulage, if that's what we choose to do, those contracts will come back in, but the market is still incredibly tight over there.

Mr Jackson: Alright, thank you very much. What is next on the agenda? A break. A well deserved break. Thank you very much.

Mr Wrightson: Thank you.

(Video plays)

Video: AGL today has two key strategic imperatives. One, to operate in a carbon constrained future, and two, to build advocacy and become a more customer centric business, as we seek to harness insights and enrich our customers' energy experience.

These imperatives drive three key objectives. To transition from being a mass retailer to a personalised retailer, from being an operator of large assets to an orchestrator of both large and small assets, and from coal fired power to lower emissions technology. These objectives are driving AGL's strategy and decision making as we think about multi-decade transition in the energy sector.

Some aspects of this transition are certain, and our current business model and asset base have an enduring role to play. Other things are less certain, because we're operating in a world in which factors such as government policy, consumer take up of new technologies, and the outlook for energy demand are uncertain. That's why we're embedding scenario planning and uncertainty analysis into our strategic planning processes, to ensure we're flexible and responsive to change as it unfolds.

We've already made a number of key decisions that demonstrate our commitment to delivering our strategic imperatives. These decisions include investing in renewable energy and digital transformation, and setting a timeframe for the closure of our coal fired power stations. And one thing we know, is that the AGL business today is in robust shape, benefiting from a competitive advantage built upon our strong asset base and diverse customer portfolio. This puts us in a great position to invest in the competitive advantage of tomorrow, knowing we have the best possible foundation from which to address change.

Supporting us through this change is our strong financial position and disciplined approach to managing capital. This is a key AGL advantage today, and it will remain a key AGL advantage into the future. That's why we've initiated steps to ensure we're as financially ready as we can be, committing to at least \$1 billion of asset sales, to capital expenditure efficiencies, and to \$170 million of operating expenditure reductions. And as we think about how to allocate capital for growth, we're making choices that will help us manage risk, and provide value to shareholders as we go.

For example, we've made several technology led investments that can help us serve customers better. These include Sunverge, the software that is enabling our development of the world's largest virtual power plant in South Australia, and now Energy Impact Partners. Our \$300 million digital transformation program will radically improve the way we interact with customers and drive operating efficiency. A \$200 million equity commitment to the Powering Australian Renewables Fund is driving investment in low emissions generation technology. And we're entering the Western Australian retail market as it transitions to greater levels of competition.

As we assess these and other growth opportunities, we have demonstrated that we'll return more funds to shareholders where appropriate. We've introduced an increase to our dividend payout ratio to 75%, and we're undertaking an on-market buy-back of up to 5% of our issued share capital. It's an exciting time for AGL and for our industry. We're clear about where we need to go long term, and we know we're well positioned to create value both today and over time as transition occurs and we invest in growth.

It's an exciting time for AGL and this is just the start of the story.

(End of video)

Mr Vesey: So you would think I'd have nothing left to say, and I shall start with questions. They're still trying to find a way of replacing me with a video, so we're not going to let that happen yet, so

sorry, I still get to stay up here and talk to you. Well, first let me say that I thought the job that both Richard and Doug did was excellent, a lot of stuff going on there. And they have sort of the heavy lifting part of what we do.

Now it's easy to stand here and opine about what's going to happen by 2050, that's my speciality, and then you can hold me accountable, because as somebody said, I'll be 90 some odd years old, and I'll still be around, maybe here, I hope not, but maybe here, well, then again after the recent election maybe this is where I will be. So we'll see about that.

But the question is really as I started, is this transition, and it's really about how we manoeuvre through what's coming at us. And this is, if anything, if anything, a story of transition and disruption. And I think all jokes aside, when you think about Brexit and when you think about what happened in the US election, this is all an issue of the disruption caused by a number of things. And one of the things that drove at least in my view the outcome in the US election was this question of technology disruption. And it works this way.

I mean, my father never graduated high school, but he was able to afford to send me to university and give me the great future I had. But if you were an individual in the US without a high school education, let alone without a college education, technology has sort of put you in a tough spot. Technology and immigration become big issues for you. And there's been this big pushback because of this disruption that is now showing itself in a lot of different ways. So we're a part of all of this.

Now the question becomes in this transition in disruption, you can either bring up the walls, dig in, defend what you have. Well, our view is that we are going to find the opportunities to smartly move through to find those opportunities, and to slowly build that bridge to that future by making the right investments the right way at the right time, and being very conscious of the risk, being very conscious of the capabilities that we have to build.

So the four kind of things I want to talk to you about is really some more detail around the strategic imperatives, and talk about how we go from the competitive advantage today, which I really do believe we have, to use that to bridge to the future, give some context around the recent capital allocation decisions, and then how we think about this from a strategic planning perspective, specifically scenario planning, but much more how we think about what we now call uncertainty territories. And in these last two issues, in terms of the recent capital allocation decisions we've made, and strategic planning, we'll have presentations on that, Alistair will join us and talk about the process, and Brett will cover more on capital allocation.

Then after that we'll talk to some of the things you heard about. Stephen Mikkelsen will chair sort of our session, we will talk about the digital transformation, which is very key to us. The very interesting question about the potential, developing the new potential source of natural gas by bringing in LNG. Now, that gets people's heads spinning when we say that, but as long as we have this divergent between molecules and pricing domestically, and see what's happening in the near and mid-term internationally with LNG, there's an opportunity for that, basically to be able to take LNG and store it in a floating vessel, maybe there's some arbitrage between north and south, doing some re-gas on land. I mean, it's not a technically difficult thing to do. There's no cryogenic aspect to that. And as long as the market looks at that the question becomes a very interesting option to help put yourself in a position to have a better footing with the people who want to sell it domestically.

And lastly is the intention to enter Western Australia, organically, targeting 100,000 customers over 24 months, much like a Project Storm that people might remember we did in New South Wales. The idea of growing this natural growth, that seems to be as close as you can get as a natural extension, very low risk for us. We believe that's a market that is quite interesting.

And then we're going to close with this other thing in terms of new energy and changing our focus to becoming an innovation and technology accelerated to help get the capabilities and technology to move into the future, and a big key part of this is our Investment and Energy Impact Partners Fund, which Elisabeth will give us more detail back later in the day.

So having spent the last two years on the road with many of you and the question of capital management, I always say well, there's always three pieces, there's a balance, and we always say we're still developing that growth story. Well, I think we're not only developing the growth story, but we're starting to actually literally put our money where our mouth is. We have over \$700 million of growth investments since February, and we're going to talk about those today.

So first turning to our strategic imperatives. We have the two, we have the sense that we have this carbon constrained future, and we I think in the last year emitted 44 million tons of CO₂ into the atmosphere, being Australia's largest ground source emitter of CO₂. That in itself creates a sense of risk for us, because you can have your own view whether you believe or you don't believe where the world is going, but we have a clear view that we have to de-risk our portfolio, it's an imperative. And whether it's a two degree goal or the 1.5, or whether you think that the new American President will tear up the COP 21 Agreement, it makes no difference, I can tell you, because I talk to enough people, that there is an inevitability towards this issue. Unless somebody, somewhere, misplaced a decimal point in their calculations, we have now exceeded over 400 million, billion parts – 400 parts per million CO₂ in the atmosphere, and had one of the warmest summers. So I think this is where we're going, and we have to be in the front, and we have to lead on this, we don't want to play catch up. And we're in a great position to do this.

The other is this move for strong customer advocacy which has to drive on that issue of mass personalised retailer. Customer advocacy in change is very important. When you going through massive change, having customers advocate for you, and have strong brand loyalty is essential. So we think that's another one of the imperatives. In a time of transition, in a time of moving and changing, you want to make sure you have customers who will trust you, that will go with you, that will follow you, that will follow your lead and be there on the other end. And when you think about my industry and you think about our business, when you look at our net promoter scores, they're minus, they're in negatives. We have no advocacy. So developing strong brand loyalty and customer advocacy, key for this transition.

So when you think about those imperatives, and then you have the three things you heard in the video, one is from a master personalised retailer. That's where technology is going. You've heard me talk about this before, and you've heard me talk about the day when all the devices will do their own arbitrage. But the technology and capability is there to drive value in the value chain to the consumer. And we have to figure out how to take advantage of that. A very gross example of that is our car charging product, which is now available. I mentioned this in June, it's now available, that's what an analogue business does. If we were a digital first company today, and you'll hear more about us becoming a digital first company, that could happen in five days. It took us from June to November to get that product ready. That doesn't seem like a customised product, but it is. If you have an electric vehicle, and you have a digital meter, you can have a special product.

We can develop products for every end use in your premise or in your business, and design it in a way which is meaningful to you. And so being a personalised retailer is key to developing consumer advocacy, that's why we are aggressively turning ourselves into a digital first company, because we want to be the first one there, we want to have the innovation, we want to build the platform that will allow us to continue to innovate in the customer space.

Operator of large assets to orchestrated assets. We know that the future will have much more in terms of distributive resources, both production and storage. We know that. There are almost 1.5 million rooftops that have photovoltaics on it. And this is before the reinvention of solar tiles by Tesla.

Now, the key is they've always been out there, but they've been sort of re-imaged, and re-marketed. And they'll come. And batteries. Australia will be the number one market for batteries, and the prices as everybody knows are going to go down. So what do you do with it? We're asking that question now.

And we realise that the idea is not to sell them, but it's to orchestrate them, realise that if you have 1,000 megawatt plant, or 1,001 megawatt plants, it shouldn't make any difference, because we're in the risk management business. And when you think about why we bought Sunverge, why we're doing 1,000 battery project in South Australia, it's because we want to understand what this means to us, and how to develop the revenue models and business models around that.

And lastly, the coal fired plant. We have to replace it with something. We are burning the ships off the shore. We decided we're going to close our plants. We have to replace it with something. And what are you going to replace that with? Well, some might be distributed assets, but surely they will be both large scale renewables, and most likely larger scale gas plant. I mean, you already saw in one of the slides that we have a planning permit to build up to 800 megawatts of gas turbines in South Australia. But when you think about the development of new gas supply, you can also think about the development of new gas technology. Whether gas becomes a bridging technology, or just part of the picture, we don't know.

But the fact of the matter is that we are advocating now something that I believe will position us very well. Some people call it enlightened self-interest, when we talk about the things we're doing, when we talk about launching the PARF, putting our greenhouse gas policy in place, the commitments that we're making to the community to position ourselves for this transition, yeah, it's what I always tell people, it's where you sit depends on where you stand, alright, that's what we always say. And where we're standing, we see a future now that we want to achieve to maximise the value to our investors and to our customers. And that's what drives our policy advocacy.

So when we think about disruption, I have to say that AGL is no stranger to disruption. Founded in 1837, first gas lamps in Sydney in 1841, I think we lit six of them. And in 1876 in Sydney was the first electric light. It wasn't a commercial product, it was celebratory and it was a, what they call carbon arc lighting, it wasn't incandescent. But in 1880 in Queensland was the first commercial lighting system. So that's disruption, right?

Now, it's an interesting thing about disruption, because when we think about the incandescent light and lighting, it's hard to imagine that there were still gas lamps in homes in the 1930s, and they were in the poor homes, they were in the homes that people couldn't afford the wiring and the new electricity. Gas lighting at that time was viewed as a lower quality product, not healthy, and particularly dangerous. But it was still in the market, because there were people that couldn't afford the others. That sort of poverty penalty when it comes to new technology won't exist anymore politically. So one of our biggest challenges, and it's a challenge we have with the community, is how do we actually use the new technology as well to deal with our hardship customers, as well as the customers who can afford it?

And this is the big advantage for AGL, because this is something we're willing to do, we're willing to bring the benefits of new technology to all customers, and we believe that also works in terms of our commitment to the communities, and helps once again build consumer advocacy and public goodwill for our brand.

You know, after the South Australian blackout there was an article in the AFR about a fellow who had a battery, I think it was a battery wall, I won't mention the brand, but a power thing you put on the wall, and he said gee, he didn't even know there was a blackout, he microwaved his dinner, watched his colour TV, went to bed, and it was fine. And the article went on to say that this battery that you hang on the wall thing cost about \$20,000. And I'm fond of saying that 23% of my hardship customers

don't make \$20,000 in a year. So how are you going to change the world? You're not going to change it just pulling the top end, because we won't be allowed to. We take all our customers seriously, we have this commitment to the community, and we believe that new technology will allow us to do this. We just had an event in partnership with New South Wales government to put solar panels and a digital meter into a hardship customer's house. We're going to do a couple of, I shouldn't say a couple, a lot of these to demonstrate that by putting in smart meters and solar rooftops we can manage the building of debt that these customers otherwise would have, and there's actually a very positive return on it. So we're going to think about all those technology pieces.

But when it comes to this issue of disruption, and we can see it with the panic around the announced closure of Hazelwood, you saw it in the forward curves with the surprise of Northern shutting, we've been advocates for an orderly transition, because orderly transitions and orderly closure of the coal plants will allow us to plan, will allow us to deal with these discontinuities, will allow the markets to work more rationally.

We also, and as mentioned earlier, is that we believe in national level incentives for renewables development, not state based. I was just last week with the Treasurer in Victoria telling him the VRET scheme that they have, well, how many hundreds of millions of dollars that's going to cost the Victorian government, where if you have an orderly plan for closure, or a 50 year rule for closure, the wholesale market should be able to support most of that plant investment.

And then we're also keen in talking about firming up these intermittent sources. Now, we have an energy market here that's energy only. We've argued for a long time that that isn't going to be helpful when you want to put in open cycle gas turbines, large scale batteries, to help support the renewables. But change in this market is very difficult. So we are now advocating that anybody who builds renewables will have to firm it up by stapling firm capacity to it, creating a secondary market and a revenue stream that allow people to invest in open cycle gas turbines, batteries, and other firming capacity. And you're going to hear more about all these policy objectives tonight over drinks, and Tim Nelson will tell you about all these great ideas, and they are great ideas, and they're mostly his, and we're so proud to have them here, so he'll talk to you later.

South Australia came up, probably the day after the Prime Minister said it was about renewables, I said it wasn't about renewables, and that renewables don't necessarily equate to lack of security and reliability, it's just how you run the system. And I think at the end of the day there will be a lot of recommendations coming out of it. But once again, this is a question of mismatch of technology, market design, operations, the whole thing. There will be enough issues for everyone, it's not going to stand in the way of further development.

And if you want to see a very similar outage, go back to 1977, July 13th, I was there, I didn't cause it, July 13th, 1977 it was the only time in history that New York City islanded and disconnected and blacked out because it disconnected from both the rest of New York state, upstate New York, and Long Island. And it happened because at that time New York City was burning 3% sulphur fuel oil, it was very, very expensive, so they used to ride interconnectors from the northern part of New York state where they had coal and nuclear, and they kept in-city generation very minimal. They were depending on three major interconnectors. A big lightening storm came over, struck two of those interconnectors that were fully loaded, they dropped, the city couldn't bring up generation in in-zone fast enough, and they lost the city. There weren't any wind turbines, there was nothing. It was just regular thermal plants. It happens, right, so it takes a lot of things, and there's a lot of lessons to be learned. I think at the end of all of this we'll be smarter about this, and to go to a point that Doug made, adding more interconnectors don't make a difference if you don't manage them correctly, and if you don't have the right market design. I am confident that we will, and we'll help in engaging in that conversation as we go forward.

But the fundamental issue is it's the disorderly withdrawal of capacity that causes the biggest issues. So we continue to advocate, and we will advocate loud and strong for a planned transition, and we're hopeful that people will hear us.

So we go on, the question becomes we have a responsibility to the people we serve, we have over three million customers, we have to think about how we have to continue to serve them in this transition, and we have a responsibility to all of you, not only to extract the full value of the investments you have today, but to slowly make the right new investments that will give us value going forward. We believe we're uniquely positioned to do that.

So let's talk about competitive advantage and the use of capital. How do we think about our competitive advantage today? Well, we have a very good, what did you call it? Rolls Royces? I'm glad you didn't say Maserati, because I'd rather have a Rolls Royce for a plant than a Maserati. We do have Rolls Royces, we do have solid plants, we have great operators, we have very low cost generation and I would imagine that we're best in class, both from an emissions perspective with those particular plants, but also in terms of their economics. We have scale and diversity in our customer base, which gives us great capability and superior systems that also will help us. So we are in a perfect place, we have the perfect launching pad to drive this future, and that's what makes us so excited and willing to talk about the future.

Now, in the last 18 months to two years we've built a strong engine. Shareholder returns are outperforming the market, our cash conversion rate is high, and return on equity is improving, because we're quite focused on that. Our outlook for the financial year '17 is robust, our mid-point of our guidance range translates to about an 8% underlying profit growth, and with our new dividend policy implies a yield of about 5%. That's a 13% return in a relatively low growth and uncertain world. And that's something that we continue to focus on how we continue to provide that kind of performance.

But one of the things we do know is that the competitive advantage of the future is not what it is today, and that this will degrade over time, and we'll work harder and harder to get you less and less, unless we evolve those new profit engines that will replace the old. You know, they're going to be driven by the orchestration of assets, large scale, small storage, distributed generation, mobile assets such as electric cars, batteries on wheels, probably the greatest vector to bringing them in, and take up here has been quite slow. So we try to do everything to move that along as well.

And also thinking about the assets in the house. As we think about distributed resources, we also think about distributed load and don't think about the house as just a collection of all that load, we start to think about the individual pieces and that comes down to that customised retailer, personalised retailer. How are we going to think about that? You can imagine that somebody only wants to serve the base loads of the home, lighting and maybe a refrigerator. Others might want the more peaky, depending on how they are going to match those up into the market. So I think the whole world is going to change, and we're in the business of making those right investments today, so we can bridge into that in the future. So it's all about serving and creating value for the customer, each in their own way. And that's why we define – if you remember our last investor day, or strategy day, our new business definition which is "harnessing insights to enrich the customers' energy experience". It's about data, it's about understanding the customer, it's about being more intimate. And that's really what we're heading to. And the fact is that we really want to have the smartest and most connected relationship with our customers.

So this brings us to the question of if we are going to build this bridge with capital, what is it going to look like. We always engage in that conversation, well do you have a capital-life strategy. And we don't have a capital-life strategy, what we have is agile capital. I am just introducing that word for the first time here, and I want to explain what we mean by agile capital. We are in a time of transition, of flux. We think we know where it might be going, we're not sure – that's what we'll talk more about

with our uncertainty territories. When we think about agile capital, what do we mean? One, that it links back to our anticipatory mindset that we talked about. Remember the six dimensions. It was scenario planning, intimacy with customers, markets and technologies, rapid-learning organisation, lean processes, adaptive supply chains and business partnerships, and responsive portfolio management. We get it. Get into businesses that make sense. Get out quickly. Don't leave your capital around if it is not producing value. It's more than that. Every time we make an investment in a future that's uncertain, one of the things that we want to ensure is that every capital investment creates optionality, that it gives us options. And sometimes options is just making a small amount of investment, so that you do have the option of transportability of getting out of that. So creating optionality is very important.

The other thing that we haven't really defined well, because I am the one who starts and I have to let everyone come up with the better words, which I call is the Occum's razor principal. Only invest the right amount. Now an example of that, is the investment in Sunverge. Brett and I sat down and said, we're going to make this investment, we need this capability, because Sunverge will then power the orchestration model. We had a choice. We could have bought the company, but we decided because it was an IT platform, it could be obsolete. We didn't need to buy the company, we needed to have an investment that would get us what we wanted to get, and that's why we only invested in 20% of the equity. Only invest in what you need. We are not just looking to maximise returns, we're looking to maximise all business objectives. So being very focused on what the objectives of investment are, and only investing enough to get that met, and not over investing. You've got [response] portfolio, management optionality, Occum's razor and the other one is time-to-value. We don't want to sit around a long time, between the time we put capital in and we get value back. We've seen investments like that and we don't think that's right, because if it takes a long timeframe to get your money back in a world that is changing rapidly, when you're pivoting somewhere else, your capital is stuck. So you can't invest in capital and projects that take you a long time to give you a payback. You can't wait for the curve in the hockey stick. You have to think about those types of investments. And if you think about those dimensions, that's agile capital to us, so we're defining it that way.

Sometimes it might be big investments. Sometimes, we always see where we can get a management premium through operations, we want our capital there, other times we don't. So it's this whole bridge, and that has all the normal things around it, right. It's part of this comprehensive capital management plan, maintaining balance sheet flexibility, strength, investing in growth and providing for shareholders. Actual capital doesn't change that, but it eliminates the risk or has a view that the way you want to go forward with your capital in a world that is rapidly changing, where you have unknown outcomes, where you have uncertainty territories that you'll hear about from Alistair, it takes a different way about thinking of building that bridge to the future, because you are never certain where it is going to go. Now, Alistair and I debate philosophy a lot. He tells me I don't understand it, so Alistair wanted to teach me about a particular, de Loos, was that his name? I said, give me a book on this. He gave me the cartoon version. He gave me the idiot's guide to de Loos. That was 20 years ago and I'm still insulted that he didn't think I was smart enough to understand it. But the whole fact about, there's a western view, this arboreal view, the world where if you see the future, you can figure out how you want to get there, some very clear steps. You can say, I have to go here, then I have to bridge this way and then I go that way – it looks like a tree – and you can build a decision tree. Eastern view, which is different, it's much more unknown, much more – I don't know rhizomatic – it's like a fungus. You can't see it. Maybe a fungus isn't a rhizome. Grass is a rhizome. You don't know where it's going to sprout because the connections are unseen. What you always have to be prepared to do in a rhizomatic world is ride the ryzome, is to go where it takes you and to be ready to make those moves. That's the agility part of it. When we think about our capital, it's about having that same kind of agility, not saying I know exactly where it's going, but having the humility to know that you don't know, necessarily. If you are going to invest in that kind of environment, how do you think about it. That's agile capital. We'll talk more about it. You'll see it as he goes through some of the

examples. It's quite exciting. It all relates back to this philosophy of the anticipatory mindset, we don't know where the future is going to go, but we want to anticipate a lot of those drivers.

The third area; the context of our capital allocations – I'm going to let Brett talk to it – but it's all about discipline. What we're doing is about discipline and recognising that what we want to do as we have this balanced approach is protect our current position, so we can continue to liberate and drive value into the current investments, build our capability and expand our base. You'll hear more about that as the opportunities we are looking about, and we call it a spectrum because a lot of things are more developed, some things are less developed. Brett will talk to that.

When you think about it, we talk about a \$300 million investment in digital transformation – there will be a group talking about that today. Critically important, the \$200 million we have invested in our equity into the PARF. \$65 million which is the Energy Impact Partners, which is a very exciting initiative and Elisabeth will talk more about that when she is up in front of you. It's all about capability and start-up technology, but having our focus global to bring it in, because we don't know it all here. We're going to be paying attention, not only looking for opportunities for technology to bring to our market, but also learning a lot about what's going on to make those connections. It also includes our plan to go into Western Australia with the target of 100,000 gas customers in two years, very organic. You'll hear more about that. And this crazy idea of potentially bringing gas in and re-gassing it so we have more competition in the gas markets.

As well as talking about what we will do, there are lots of things that we won't do. And what we won't do is we will not enter into any risky markets. We didn't talk about something else, and we talk about that, we do have a unique currency right now. I think we have a great capability of understanding how to do retail; how to make the transition from regulated to retail markets. There are other transitioning markets like that, that are not in Australia, that are developed economies that have strong institutions. I can think about some of them in Illinois, because I participate in those markets. So the question is, can we capitalise on what we believe is a world-class ability, that doesn't take investment, but takes portable IP. We'll talk a little bit of that. You'll also see that in our development spectrum. But we won't enter risky markets and we won't deploy capital for long-dated returns. We are not interested in power development anywhere, because the world is changing too fast and it doesn't meet our definition of agile capital.

We will continue to do things like PARF, try to figure out how to be innovative around the way we finance, how we protect from risk. And what we don't do, we're going to prevent us from exposing your capital to uncertain policy environments and that's what PARF did here.

So a lot going on; let me finish with the transition to Alistair. You know, we do face uncertainty, you saw it in the video. Policy uncertainty, demand uncertainty, technology uncertainty, you name it, it's uncertain. And this whole idea is how you think about uncertainty is what we call uncertainty territories and how they impact on our various scenario views is very important. How you test ideas. Alistair will also tell you about the ACID test. Is it really gold or not and how do we test within our strategic framework, investments we are going to make, to see if they take us to where we want to go.

So scenario planning supports us in being expansive in our thinking, but disciplined in our decision-making and hopefully you'll get that sense. I am going to stop here. I am going to ask Dr Preston, who is not only a tremendous strategy guy, but if you want to talk about Fuko or de Loos he will also give you the philosophical side of that well. With that said, Alistair, why don't you come up and talk to us.

Mr Preston: That was a different life, the philosophy. We're going to talk about scenario planning here. Scenario planning is a process-based form of strategy development. My colleagues ask me, when are we ever going to finish this scenario planning and I take great delight in saying never. It is a process, it's a continuous process. It's premised upon a belief that we can't predict the future,

especially in an industry such as ours where there's a great deal of disruption currently occurring and will be in the future. So instead of having a single view of the future and building a strategy around that, and sticking it come hell and high water, we are going to build multiple views of the future which we refer to as scenarios. By the way, the scenarios are positioned in 2025. So we write the scenarios as if we were living in 2025 and cast back upon what would need to bring us to those scenarios. But what's more important about the scenarios is that we constantly watch the evolution of events to see which scenario we are tracking towards, so that is the continuous process. We'll talk about these areas down here, monitoring the ever-evolving events, which is the watch tower and then to test our investments, that's the asset test that Andy referred to.

The belief is basically if we can understand what may happen, we're going to be better positioned to deal with what does happen in the future. As I said, it's a very structured approach to scenario planning. So rather than engaging in an exercise of creative writing, we follow these steps along the top here, which I will cover in each point, and then we develop the scenario a watch tower and an asset test are the outputs of those.

What we first start with is to try and look at what Andy has referred to as uncertainty territories. These are the major trends that we see are guiding the change in our industry. What happens in this mind-mapping exercise, which is a brainstorming session that we conduct, we will see how clusters begin to emerge, how ideas [coallis?] on these certain clusters. These are typified by the number of arrows that are pointing into them, which will be the drivers of change, and also the arrows that are pointing out of them which will be the outcomes of this particular change. I've listed them here, because although the scenario are important and they breathe life into this whole process and they help engage people to think about the future, these are what count, these are what we watch. These are what we monitor. The uncertainty territory is here. Distributed energy resource penetration rate, that is a key uncertainty, the pace of change, the direction of that change is something that we will monitor very carefully. Changes in consumer behaviour driven by the choice of energy assets that people can acquire, plus expectations about how they interact with businesses is something else we will monitor. Competitive intensity is key to us as we see traditional and non-traditional competitors entering into our markets.

The role of the network as the technology behind the [metre] expands, how will the networks respond to this, how will they try and get behind the [metre] and start engaging in those activities instead of staying in front of the [metre] – where they belong.

The CO2 profile as well. This was actually written before [COP] in Paris. But now we are very interested in the commitment to the CO2 profile, the commitment to the ratification of the agreements. Industrial electricity demands, particularly the impact of smelters on our business is another area that we will be monitoring very carefully, and also government intervention. Government intervention, both in terms of market design but also knee-jerk reactions to critical events, such as the South Australian blackout, may impact the government's intervention into this particular sector, so we will want to monitor that very carefully as well.

They are written in an order. It's not an order of magnitude, they are written in what's called a domino effect, an influence effect. You start with each one and you see how far you go, and the one that you can get the lowest influence on the chain is the one that you order them by. We believe distributed energy resources will change the way that people think about energy; will change competitive landscape by creating the opportunity for new business models; will incite the role of the network to come in and start playing in our space behind the [metre]. Will affect the CO2 profile, little less in terms of electricity demand and government intervention, but because of the chain of influence drops quite low in these uncertainty territories, this is the order we work with. It's possible for that to shift later on.

The next step in the process is to identify the key drivers and the outcomes of the uncertainty territory. What is driving the uncertainty territory? This goes back to the mapping exercise. Just as an example here, we'll talk about the distributed energy penetration rate. We chose cost. Pretty obviously, as the cost drops, penetration rate is likely to increase. We say that the low cost is an 80% chance of happening before 2025, in fact before 2020.

The other one is not so obvious, but it's the ability to control these assets. Are they going to be dumb assets, dumb batteries in the house, which will serve the customer of the house, or can they also be controlled by a third party such as ourselves, aggregated and orchestrated on behalf of the owner of the asset, to add value to them and to derive value for us. Given the emphasis on controllable load and controllable storage in the home or in premises, we think there's a high probability of that happening.

So if you read this two-by-two, it gives you an idea of how the scenario evolve. In that green corner, we see a high penetration because of low cost and high control. We see that then leads into the proliferation of disruptive business models such as VPPs, micro-grids, the possibility of peer-to-peer trading could appear in the sphere.

If you are in the red – which has turned lilac for some reason – if you are in the red scenario here, then we're looking at high costs. We only give that a 20% possibility of happening, and low ability to control. Or that people don't trust us and don't want us messing around with their assets. That would then reshape that particular scenario under the red versus the green.

Yellow, is where we have low costs, so people by a lot of it, but they are not controllable, or don't want us to control them, and that can create a lot of intermittency into the market and create instability in the system and that's in the yellow scenario.

Clearly one of the outputs here in green will be a lot of distributed assets and they'll all be smart. But we're more interested in a more profound aspect, and that's why the outcome that we focus on here is the proliferation of these new disruptive business models, and this will entice traditional and non-traditional investors or players to come into our market and we have to be able to watch for that as well.

We ended up with four scenarios. We actually have nicknames for the scenarios, but they're probably tongue-in-cheek. The first one is called Power Shift and that is a shift in the way we generate power and also a shift in consumer power it's meant to capture. It's actually become our reference scenario because as I'll show you in a moment when we look at the watch tower, most of the indicators is pointing towards green, not all of them. Here is a snapshot of what green contains. It's a high uptake of smart distributed energy resources, stimulates new business models. This results in increased competition from traditional and non-traditional players. It represents the government has proactively engaged in an orderly transition from thermal to renewable plant, and it changes the customers have higher expectations, and that many of them have transitioned from being merely a passive consumer of energy into an active market participant. They are engaged in transactions with their assets in the marketplace.

Shell, actually, has dropped down to two scenarios, because Shell was one of the leading founders of the scenario analysis. They have one called Blueprint which looks similar to this, in that there's an orderly proactive approach and the other one is called Scramble and Scramble is where there's this rush at the end to see if you can achieve the Emissions Control Standards, but it's a much more knee-jerk reaction.

Green is much more proactive, but yellow, and particularly red is a lot more reactive in the sense that there isn't an orderly transition taking place, it's a much more knee-jerk reaction, a much more scrambled approach.

So what do we do with all this? One, we want to create a watch tower, we want to monitor the evolution of events to see which scenario we are tracking towards. Or do we have to write a brand new scenario? So we've developed our triggers, so let me just explain this. First of all it comes back down to the uncertainty territories are listed in the left-hand column. These are monitored by triggers, and we are still regarding those triggers as some sort of proprietary value to those triggers – we are not yet ready to release all of them – but the triggers are used to show whether we are trending towards green, yellow, blue or red. At the moment, as you can see from here, we're trending primarily towards green. In consumer behaviour in trigger 3, which is about the trust that people have in this industry which is the [retrack] score we'll be using there – we're in the blue area. That's something we can influence by the actions we are going to take in the future, so we'll shift that towards the green. A little more troubling is in the industrial electricity demand, and the industrial electricity demand, one of the triggers there is to look at the performing to non-performing or non-performing to performing loans in China and the impact on smelters, and that's trending towards yellow at the moment. Given the effect of Hazelwood, and the potential impact that that will have on Portland, so we are very cautious about that.

Down here, government intervention, we're trending towards yellow there as well because of the impact of South Australia and any possible contagion that might have, so we're watching that very closely.

Just to emphasise, that we've chosen distributed energy penetration, which is not too proprietary. We've looked at the global lithium battery manufacturing capacity, and that is what we are saying is going to be the next wave in the distributed energy transformation will be lithium iron batteries, so we want to see what capacity there is out there because we believe that will affect the price most dramatically. These are the ranges that we will see of the number of gigawatt hours globally in production in 2025 under these scenarios, and where are we trending to.

This also indicates that there is a watching brief. I am going Game of Thrones here. We have watch towers, we have watches in the watch tower and they have a watching brief. So a group of people will concentrate on looking at a particular uncertainty territory and will keep a list of closely-watched events. For example, if you are in the watch tower looking at the competitive intensity, I hope you'll be looking at Tesla and what they are doing in the whole battery market. Also Telstra, their announcement to enter into the home energy management with their new store in George Street now, which is selling ConnectNow, which is a home automation system. We'd also be looking at our traditional competitors, but also keep an eye on Mojo and their pricing strategy, so there will be a list, a watching brief of different events that we will be monitoring on a monthly basis. That's the watch tower.

Finally, I would like to talk about the ACID test. And this ties back to both the concept of agile capital and the anticipatory mindset. Again, you see down the left-hand side the uncertainty territories, and the attempt here is to say, how robust is a potential investment against each of these scenarios we're facing. The first thing we say is, is that investment relevant to, or is the uncertainty territory relevant to the investment. If it's yes, we score it in terms of robustness, which is defined as reflects on the conditions of the scenario, if it amplifies or diminishes the value of the scenario. The bigger the weighted average robustness score, the better. We are also interested in the variance; is there a robust in one or two or is it robust across all four. So we measure variance as well. The lower the variance, the more similar across those investments. We test for strategic fit because we want to make sure we are consistent with our strategic imperatives, and then we also rank it in terms of optionality. Optionality is the cost to exit, but also the cost to be able to mutate the investment, to be able to pivot during the investment, so as we are not committed to one particular outcome.

To breathe some life into it we evaluated three – we evaluated many proposals – but the three you know about are the digital transformation, the PARF and Sunverge. If you look at the digital transformation we characterise it as a no-regrets business decision. We believe it's robust against all

of the scenarios because customer expectations of how they are going to do business with us will be consistent across all scenarios. It has a relatively high optionality, 16 being the highest score for optionality. The optionality comes from the agile structure, the agile approach we are using. Instead of designing a system, investing it on time and on budget, only to find three years later you've got a system that is redundant and it doesn't meet customer expectations. Here we can pivot and turn at various points in the implementation. So that is a high robustness score, a relatively low variance score, robust across, and a relatively high optionality. The path, which is capital light, has a lower robustness score because it's not that robust under the red scenario but it's robust under the scenarios, so it has a reasonable variance, very high optionality, AGL's commitment into these are five-year PPA. Brett will explain more. We have high optionality to be able to exit at those points from our engagement.

Sunverge is interesting. We define that as an early mover advantage. It's very highly robust in green but is not as robust in the other scenarios, because it requires a lot of assets out there, distributed assets and they have to be controllable for the VPP to work. There is high optionality in it, because we invested in Sunverge without buying the whole company, so the cost of exit is not that high. And we are doing a demonstration model in the VPP that Elisabeth is now running and that gives us the option to prove out the value pools before we scale up the investment.

The idea of the ACID test and these measures is to really link back our investment, it doesn't replace BD work or MNA work, but it links us back into the scenarios, so we are testing the investment proposals against our views of the future and how they sit within that.

To wrap up very quickly, the bottom three here; the scenarios, the monitor, the watch tower and the ACID test form part of an ongoing strategic conversation. These will take place every month with the watchers in the watch tower and they'll be aggregated and the closely watched events and the triggers will be reported to the executive team, and then we'll make decisions about whether we are trending towards the same scenario as we were last month. How does Trump play into this? What impact? What view will we be taking about the uncertainty territories, given his election, given Brexit a few months ago.

This is the scenario planning. As I say it's very systematic leading towards these key tools, the scenarios, the watch tower and the ACID test. I will hand over to Brett. We'll be available for any questions afterwards.

Mr Redman: Thank you, Alistair and good afternoon everybody. It's fantastic to see so many people here today. A lot of familiar faces here and a lot of new ones as well; hopefully I will get a chance to say hello during our drinks break a bit later on.

I am going to talk today about agile capital and how it's enabling AGL to grow. There are three key themes that I want to cover off on: a brief analysis of the outcomes of our recent uses of capital; a look at our evolving use of capital in the medium term; and a look at the spectrum of our growth opportunities.

As Andy outlined earlier, AGL strategy is evolving. Historically, it was grounded in the integrated strategy. This was about managing risk by building a gentle business model that has provided a foundation of strong cash flows. As we move through an inflexion point towards being a personalised retailer and an orchestrator of assets in a low-carbon world, these cash flows give us the strength to make the change.

The drivers of growth in our total shareholder return over recent years illustrate this. The major acquisitions of generation at Lang and Macquarie, paired with investing and expanding our customer base via projects such as Project Storm in New South Wales and buying APG have enabled our recent strong performance. Over the past three years, our total shareholder return has been over

three times the ASX200 with most of the outperformance occurring since the equity raising with Macquarie. So shareholders who invested in the equity raisers in 2012 and 2014 are now seeing their support rewarded. But I don't think we can emphasize enough, as Andy covered in his introduction, how much the strength of our asset base and our customer portfolio today positions us for the transition our industry will undertake in coming years.

Just proving I know a lot about technology.

As Andy outlined earlier - sorry - but of course shareholder return is just one measure that we look at. We're strongly focused upon driving improvements in the return on equity as our business evolves. Return on equity is based on underlying profit and has been in the 7% to 8% range in the past four years, improving 8.3% in FY16, although I note that the step up to some extent reflected the impact of recent impairments. But regardless of the base, we're focused on improving our returns from here. You'll see this in the goals that we've published, whether it's OpEx reduction, sustaining CapEx reduction, tightening working capital, or selling non-core assets. You'll see it in the discipline that we approach growth investments and acquisitions. You'll see it in our approach to capital investment. It's all about sustainable improvement of returns.

Before I get into more detail, I will just recap for FY17 our outlook which reflects the expected delivery of many of the objectives we announced at our last investor day at May 2015. There is no change to the guidance that we gave at the AGM. We expect underlying profit to be \$720 million to \$800 million which is a 3% to 14% improvement year-on-year with a midpoint of around 8%.

The major drivers are threefold: an expansion of our wholesale electrical margins where we are seeing investments in being the lowest cost generator are paying off in a rising market, albeit as we continue the benefit will phase in over time; two, our customer value strategy, which is delivering an improvement in margins and reduced churn even as customer satisfaction has improved. Later on I'll touch on how we continue to invest in the customer experience. Finally three, the delivery of tight financial targets which are all about controlling what should be in our control.

This is against the backdrop of a tough start to the year, including a mild winter, and the margin headwinds in our gas portfolio which we've previously talked about. The anticipated improvement in profit for the year shows the strength and resilience of the business we have built as well as our focus on delivery, and of course the business has been made leaner, which creates the cash to invest in new growth.

The key target then has been divesting \$1 billion worth of assets. This is about making sure our capital is deployed where it can best be used and recovered where no longer critical to our success. It's about having agile capital. Today we announced the sale of our solar flagships projects at Nyngan and Broken Hill in New South Wales into the PARF. This sale is ahead of schedule and achieves two objects. It brings us \$257 million closer to meeting our asset sales target, and completes the investment for PARF on its way to funding \$2 billion to \$3 billion or a thousand megawatts of renewables projects. We are quietly confident we will sell the Silverton Wind Farm project into PARF pre-Christmas as well, ahead of schedule.

Following the signing up of QIC and Future Fund as equity partners in the PARF, we are very pleased with the frankly enthusiastic interest from the banking sector to be involved. Joining us in this first project to fund the solar projects are Westpac, NAB, SMBC, MUFC, and BNP, some of whom are represented here today, and thank you for those that are here today. This again demonstrates that high quality investors are ready and willing to support large scale renewables if done right. The risk sharing structure of PARF in relation to power purchase agreements has been of great interest to the market. We are comfortable that the five year fixed PPA and with five year [cap and collar] structure thereafter provides an appropriate balance of risk for AGL and our PARF partners.

We are now \$948 million of asset sales, taking into account the Macarthur Wind Farm and Diamantina Power Station sales in FY16. We are comfortable we will meet the billion dollar target by the end of the year.

Okay, so let's get into creation and use of cash in more detail. Bear with me. I know this slide is a bit dense, but it's because we've put up a fair bit of information here, some of which will be easier to read afterwards. At the end of FY16, operating cash flow was just under \$1.6 billion and is growing broadly in line with operating profit. In part this reflects a focus on converting EBITDA to cash as reflected in our working capital targets. We expect to maintain strong levels of EBITDA to cash conversion of 90% or more going forward. Of course, OpEx discipline will be a component of that with the new base \$170 million lower inflation adjusted from FY17 onwards.

Now let's look at the uses of cash. Roughly interest and tax are running at a little over \$300 million per annum and sustaining CapEx has been pulled back to also a little over \$300 million per annum. Dividends are expected to step up in line with the increased payout ratio of 75%, so it will probably be approach \$600 million. Assuming continued growth in profit AGL should then be generating at least \$400 million in surplus cash each year. This builds on the circa \$2 billion of headroom in the balance sheet we highlighted in FY16 result. Some of that headroom is being returned to shareholders via the circa \$600 million required to fund our share buyback. Clearly we are in a very strong position to fund growth. We certainly expect growth CapEx to increase from here and that's what I'll spend most of the rest of my time talking about.

Hopefully it's clear that the way we are using capital is evolving. Looking backwards we were building the base with heavy investments that have set us up with the competitive advantage that we all know well. Over the last 18 months or so we have been strengthening our base position through asset sales and efficiency programs, and we've completed a review of our capital management programs. Looking ahead, it's all about investing and growth as the transition that is occurring in our industry continues to unfold. This is not, as Andy said, about being capital light or capital heavy, it's about providing the right amount of capital where it's needed. It's about AGL targeting its deployment of capital to places where in this evolving world we can generate a premium. It's about creating options and being fast to value; that is making our capital agile.

So where will these efforts be focused? Where are we looking to employ our capital headroom? Strengthening our existing business in the [NEM 128:19] is very close to our core, and things like the Digital Transformation Program and PARF our integral to the way that core is developing. The potential to build strategic optionality in our wholesale businesses, for example for the LNG import program we're considering also fits closely within that care. We recognise that opportunities, though, to expand our traditional generation and retailing base in the NEM are somewhat constrained. But we believe there are opportunities for AGL to leverage that core capability, be it in new geographies or in response to the evolving definition of our market to expand our product offering.

We see the definition of our market is expanding as our energy becomes smarter and more data driven and as we begin to expand our capability to deliver services digitally behind the meter and in the home. We will only explore these opportunities where the strategic fit is strong but we recognise the future model is of a personalised retailer that can orchestrate multiple assets but generate, store, and consume electricity or energy which by definition includes the ability to capture value from that data that relates to the flow of electrons and molecules.

In the case of geographic expansion it's about looking for retail markets that are low risk, that are transitioning to become more competitive, and where we can deploy our evolving energy retail expertise. Markets like Western Australia are very familiar to us, and frankly we are uniquely positioned to acquire and integrate new customers because of our expertise, financial position, and the quality of our systems. This may over time also come to mean looking at opportunities in other developed markets. Not only do we have great expertise in traditional energy retailing and competitive

markets, strong execution of our strategy will arguably position us as a leader globally. This is potentially exploitable. But I must emphasise any offshore business would not be about power development or seeking positions in high risk geographies or emerging markets. It would be targeted and strategic investments that can contribute to the diversification and expansion of AGL's value base over time.

So let's look at this in a more specific way by ranking real opportunities more developed now through to opportunities that are less developed. The spectrum runs right through from PARF to offshore retailing and demonstrates the range and depth of investment opportunity available to us. I won't go into exhausted depths as we have specific presentations to come on several of these later in the afternoon. In all cases our process of assessment has included applying the asset test of robustness, strategic fit, and optionality that Alistair outlined earlier.

So let's start with the PARF. As previously announced we'll be putting around \$200 million into the fund as the fund develops. The same is true of the \$300 million going into digital transformation program which will be explored next in one of our breakout sessions. We are also expecting to approve after Christmas \$50 million to \$100 million to upgrade our core ERP systems.

Technology led new energy investments are another area in which we have been active through Sunverge and we'll become more so through the circa \$65 million investment in Energy Impact Partners fund which we announced today. I'm going to let Elisabeth talk to that in more detail which she'll cover shortly.

In Western Australia we're targeting 100,000 customers in retail gas over the next two years, which means potential expenditure of maybe \$50 million to \$100 million to create a cornerstone business. We'll cover this in more detail on one of the breakout sessions. Of course, as that market evolves retail competition opens up and other opportunities emerge, there may well be greater opportunity.

These four areas represent \$700 million plus of growth activity. In wholesale gas we could potentially invest \$200 million to \$300 million should we choose to go ahead with the development of an LNG important facility to enhance our strategic position. This will be covered in another one of the breakout sessions.

The final two rows relate to those projects I've discussed that are less developed but present compelling and potentially meaningful growth opportunities for the future. We plan to explore and develop ideas of expanding data driven retail offerings and investigate offshore markets. We have not identified any immediate actions but we do believe these areas can develop into meaningful growth drivers over time. In all instances, any investment that we make must meet our minimum 12% IRR post-tax nominal hurdle rate or higher depending upon the level of risk per investment.

So let me summarise by highlighting some of the key figures that frame the investment proposition here at AGL. We expect underlying profit this year to be \$720 million to \$800 million, about 8% growth in the midpoint. Our new dividend policy will target a 75% payout ratio on this profit. We assume operating cashflows will continue to grow in line with earnings enabled by EBITDA to cash conversion ratio of about 90% or more. After taking account of our higher target dividend payout ratio this should be providing at least \$400 million of cash available for growth on top of the circa \$2 billion that we talked about at our results briefing. Some of the headroom, about \$600 million, is being given back to shareholders via the share buyback, but we are still comfortably funding growth, maintaining flexibility to be opportunistic, and delivering strong results at the same time. We have over \$700 million of growth initiatives already underway. So this is the story of AGL's agile capital, which is a story of growth.

Thank you, and we'll now invite Andy and Alistair back to the stage for some Q&A.

Mr Vesey: All right, the floor is open.

Question: Pretty simple question, Andy. I think the two previous people talked open cycle gas turbines in South Australia, and I think you said we're not about developing power developments, we're not going to do new power developments. How are those two things reconciled?

Mr Vesey: The power development comment was more for the last thing on the spectrum which would be anything that's not in Australia. We have no desire to do anything like that offshore. That was that comment.

Question: When you think about the scenario planning you have, how much capital or spare capital did you need to keep in the balance sheet for the adverse scenario? So you've got this grand scenario which you think's pretty good, but clearly you want that flexibility and you talk about pivoting. How much do you need to keep in the balance sheet flexible so that if something does pivot and change that you need to be able to access it?

Mr Vesey: You take this one.

Mr Redman: Look, I think there's no question that you don't spend the last dollar of your balance sheet headroom. I think that would be certainly a risky position to put yourself in. We haven't got to the point of defining where do we need to be or what buffer is appropriate to take forward. What we've tried to do is illustrate that there is more than sufficient buffer, more than sufficient headroom to enable growth in the capital management activities that we've already highlighted. I think we're more than a fair way away from the edge. I don't expect us to get close to the edge but I probably don't want to get into defining exactly what buffer do we want to run.

Probably the last way to summarise it though is you can work our buffering back to the Moody's credit rating, BAA2. That's the place that we want to operate as a simple way of articulating risk and balance sheet headroom and you can see how Moody's think about that when they look at us and they regularly report on us.

Mr Preston: Just to ahead to that, part of the scenario planning and the anticipatory mindset is to create that flexibility within those investments as well, so that you're not necessarily committed to the full amount of the investment as you scale up once you've proven the value pools and the opportunities for growth.

Sandra: Brett, I wanted to talk about your cost assumptions for remediations and accounting for them on your balance sheet. So firstly on the cost, what's the confidence that the company has now got on that cost of remediation on the Loy Yang Mine. Secondly the treatment: as I've pointed out, you're one of the only companies that uses a bond rate to discount the 30 year liability. What's the company's thinking and where are you at on that use of a [WAC 137:56] to discount your remediation liability versus a bond rate, and the assumption of a 2048 closure, versus say a 2037 when your mining licence expires.

Mr Redman: Yeah, thanks Sandra. Look, I think this is certainly an evolving space. The way we've accounted for our remediation liabilities in the past has been fit for purpose, and certainly reflected the view of the day. We recognise that the view of the community on what we need to do around rehabilitation is evolving. We've got an open goal of going on with residence for example in the Latrobe Valley area. We're continuing to talk to the right government agencies about what we should be doing in our remediation planning. We recently upped our bond with the Victorian Government. I can't remember the exact number now, I think it's about \$50 million or \$80 million that we have lodged with them - \$56 million there you go, thank you. So I would expect this discussion to evolve. In a simplistic accounting sense if you were to change the level of your rehab provisioning, you'd increase the provision, you'd increase the asset, and you'd be amortising over time, so it wouldn't radically change our reported profits.

From a cash flow point of view you're talking about liabilities at this point with Loy Yang out to 2048, so whatever you do and whatever discount rate you use it discounts back to a relatively modest number. But we're looking at it and I expect over the course of this financial year we'll continue to think about have we got it fit for purpose against today's expectations and our best estimate of tomorrow's expectations, and we'll keep talking about it. We haven't stopped thinking about it.

Question: G'day guys, thanks very much. Just interested to learn a little bit more about the importing of LNG and how that - where are you thinking about locating that, what are the swing factors or what are the things in the watchtower I guess on that one?

Mr Vesey: Well that's a tougher one. Can you hold that question until the session that's going to come up and you'll get those answers which I think most of those questions can be answered from the watchtower with the considerations, asset test.

Mr Preston: We've certainly run the asset test on that but what we've seen is the evolution of the gas market in Australia is heating up and so we're actually conducting a specific scenario planning analysis around gas. We incorporated it into the overall scenarios but we now need to focus on that and so by the end of the year we'll have much more focused views - multiple views - on the evolution of gas in Australia, including Western Australia.

Mr Vesey: Yeah. One of the questions - and we fall into the trap ourselves is we tend to not talk as much about gas as a (141:09) retail field for a number of reasons, one of them being that we're sort of captured by this sense of a lot of electric in use technology, and it does beg the question as to making sure we give a comprehensive view to that product line, which is still substantial. So one part is sort of on the supply side, the other side is the demand and retail side, and that's why we've commissioned an enhanced view or scenarios that spend a lot more time thinking about the gas retail business, especially as we move towards the Western Australian market.

Two, we'll just go there and we'll go there.

Blake Henricks: G'day guys, Blake Henricks from Macquarie Investment Management. I was just wondering with prices, what's your view, maybe not up to 2025 right now, but just over the next couple of years on industrial demand and what happens with that where prices are?

Mr Redman: Look, I think - well firstly we've seen, after many years, our first big industrial style load come on with LNG up in Gladstone. So after the last four or five years of just seeing a lot of manufacturing shutdown which has been quite brutal on the market, there's somewhat of a stabilisation going forward. It's stabilisation because it's off quite a low base. This is on the elec side. What probably worries us quite a bit is on the gas side now where you've got rising gas prices and greater difficulty to obtain gas in states like New South Wales where there is pressure there on large scale industrial users of gas, harder to predict whether there'll be a - to put it euphemistically - a demand side response to rising prices. We don't want to see that but I think that's where the pressure is.

Question: Following on from that question, have you got some views on how you see the retail demand outlook shaping up, both in gas and electricity, given the rising prices?

Mr Redman: Yeah, you saw Richard put up his graph earlier on which was AEMO data so we tend not to publish our own in-house stuff, we put AEMO up. But I think his thinking is broadly in line with where AEMO's heading, but whether it's a little up or a little down - they're shaping it to be a little up - the main thing is we're not seeing that great rapid decline that's been going on over the last number of years. We're seeing a much flatter outlook. That's because you've seen solar settle down quite a lot, the big influx of solar coming in over the last number of years. The same level of subsidies isn't there as it was a few years ago from government. Energy efficiency is more in balance. Natural growth in households or number of residences is starting to offset some of the energy efficiency that's still there.

So that graph earlier that showed AEMO with a very modest increase going forward, somewhere around that to flat I would say is where we think retail is heading right now.

Mr Vesey: To add to that, that's one of the reasons why there's this whole view of electrification, transportation sector, ports, airports, to deal with (144:30) but also to basically give some growth because the growth is critically important to again then be able to make investments in the newer technologies. So you think about the overall demand broadly it's flat for quite some time, but that doesn't make any assumptions about shifting load in the transportation sector or in the electrification of ports, airports, and things of that nature. So a lot of that will be coming, but that's not in any of those forecasts.

Let's go over, back of the room, and I'll come back there.

Katherine: Hi, Katherine (145:14) from (145:14) Capital. I was just interested in terms of the overall at the group level with these growth projects, what sort of minimum return and what sort of time expectation before we see some return on those projects please?

Mr Redman: Yeah, so all of our investments have to make our published hurdle rate which is 12% post-tax IRR nominal. That's a minimum. That's a gate opener to the discussion. If you get to 12.001% it doesn't mean you're guaranteed internal sign off. So some of the projects that we were talking about just then range from things that are at the less risky end or lower end of the scale, so PARF I'd probably put much more down that [infra 145:55] style investment end, much more just scraping over the hurdle rates when we're looking at it. At the other end of the spectrum we were starting to open the door to things like a broader set of products and services into the home or where we've talked about looking at potentially offshore markets, you should expect to see that we would apply a much higher hurdle threshold for us to take onboard that higher level of risk, so we flex project by project.

In terms of when you see your money back, if you like, in recent years as Andy sort of touched on as well time to value, time to getting your back, has come much more into our thinking as well. So some of the very long lead time hockey stick investments that we've had we've started to pull back a bit on. You've seen that shift in what we're doing around renewables with things like the PARF. You saw that when we bought investments like Loy Yang and Macquarie where we talked a lot at the time about the payback period that we're operating around. So larger investments we'd look to see our monetising or our money back sooner. Maybe real small investments like Sunverge is a good example where the bet is small, so you can relax a little bit, that time to value while you're building capability.

Mr Vesey: Yeah, that's a whole - there's different class of investments. Some will be technology acquisitions and capability development, and we think about that differently. It doesn't mean that we have a lower hurdle rate, it's that we may make some - take a different view on how that return occurs and how we're actually valuing it. But as you go away from the core, as you go away from our traditional basket of investments, you're going to see higher requirements on return, and so you'll see a lot of investments as you get out of that down the spectrum that Brett put up there. It's going to be quite specific to the type of riskiness that different flows have.

Question: Andy, can you give us maybe a bit of colour on the (147:55) investment in the context that you're going into a gas market which is I suspect un-digital, you've got a business which has got in your business you say a negative promoter score here, and you're doing a massive digital transformation over two to three years. Doesn't this add just disturbance to the team, trying to grow a new market and starting a price war on the left-hand side of Australia whilst you're actually trying to get the business and the platform right on the right-hand side of Australia?

Mr Vesey: Let's do this. Like I said before, there's going to be a very specific conversation about them. If those questions don't get answered there come back. I think one of the challenges we have is that - one of the challenges for business in general is (148:39) of initiatives, right. What are you going to go after and how much time are going to leave? Quite often in a market that's changing the way ours is, we're going to have to do a lot of things at the same time. We're just going to have to be good enough to do that. I don't see necessarily that a movement and extension into our business on the gas side will cause the kind of tensions that you may think, and we can leverage a lot of our existing systems to do that. The move to digital will be an enhancement to it, not a distraction from it. I think that given the core capabilities we have in our existing systems we can easily integrate the kind of targeted numbers that we're looking at, and I think we can do that.

Now if I was here and saying that tomorrow we're going to make a big movement on the electric side where we don't have the same systems, we (149:30) separate from the markets, then I would think your analysis would be spot on. I don't think moving on the gas side the way we're thinking about it would be that significant a leap. I think it would create the conflicts and the value that we get as we up our digital game will add value there. But you'll hear more about that when we have the next session, and then if there are questions that you have that are unanswered that are still concerning let's bring them up in the final Q&A. I don't know if you want to add anything to that?

Mr Redman: No, look, the only other thing I'd add to it is we've got to walk and chew gum. We can't be so obsessed with getting our internal processes to perfection that we don't work on growth, and if ever there was a growth opportunity that suited our natural capabilities, we've been there before, we know the market, they'll talk more about it at the breakout session, but the wholesale market is in a reasonably good place with gas over there to take it on. It's a market that it is ripe for somebody to get involved, so we think we're the natural third player in the WA market which is why we're heading that way.

Question: Sorry me again. Just a question if you could maybe give us some colour about your capital investment framework, because you've been very clear about the 12% hurdle rate but you've also been very clear about incorporating optionality in that thought process. So do you value the option and then that potentially goes towards your return, or are you looking for a 12% clear and optionality on top of that, if that makes sense?

Mr Vesey: Let me take one shot at it and then let - when we're talking about creating an optionality it really isn't meant to be strictly in the financial sense, and the answer is no we don't add that optionality into the return. What we're talking about, the simplest way to get optionality in the capital investment is making it as small as possible so you can move, so that you can come in, you can come out, to make sure that you have exits from everything, you go in, that that investment can lead to other investments that you may make. You make an investment in Sunverge, well what is the capability required, how can you play that capability in different places? We do not value those options in a financial sense of the return, so everything has to stand on its own. Otherwise you get into the problem, if you want, of what they call the string of pearls approach where it leads from one thing to another and you get this wonderful return you never see. So the answer is no. At this point it's really optionality created in the strategic sense and we don't translate that value into it. Do you want to add anything more?

Mr Preston: No, that's fine.

Mr Redman: No, I think that was a good capture. If you think about real examples, small technology investments that we've made, \$5 million for example, that can - if that's creating optionality in the form of capability you'll probably be a little more broad in looking at its return or how you value it. As you start to put serious money on the table like the PARF, what we've done in large scale renewables is a good example. You want to see that you've got a path out if you choose to change in the future. I don't want to suggest for a second that we'd pull back - we're planning to pull back our capital, the

\$200 million that we've put into the path, but it's clearly a case of we're tying up 10% of the cost to build those assets rather than 100% which was kind of what was going on before, and even that 10% is a tradeable asset if for some reason in the future we wanted to change. But I'm not saying that we do for a second, but it's about having the option to do it as opposed to you're stuck forever.

Mr Preston: And in terms of the design of the investment itself, Sunverge is clear and Elisabeth will speak to it. It's a demonstration project to prove out the value pools before you scale up, and the digital transformation again clear that a lot of things can change in technology over a three year period, customer expectation has changed yet again, so the way you design the implementation of that transformation will really provide you an optionality to twist or pivot in turn whilst implementing it.

Mr Vesey: Okay. Stephen, do you want to come up and introduce the next session?

Mr Mikkelson: So as Andy mentioned before we're going to have some breakout sessions now. So I need to explain the logistics of it. You'll notice on your lanyard you've got orange, green, or purple. So we've got three breakout sessions. If I can get the orange group to go to the far end, so I'll describe it as where we came in on this side before, we've now broken that into three rooms. If the orange team could go to the far end, and at that end will be Maree Mamo and Simon Moorfield. They're going to talk to you about the digital transformation. So we've got 15 minute sessions, I think a little bit less formal, so ask all the questions that you've been asking. That's at the far end, that's orange.

The green: if the green could go to the middle room and in the middle room will be Phaedra Deckart. Phaedra's going to talk to you about our gas options and clearly including the most topical one we've talked about today which is the LNG imports. So all your questions on gas and LNG import, that's in the middle room.

Then in this closest room we've got Scott Thomas, and Scott's going to talk to us about in particular the move into Western Australia. A number of questions on that so Scott will really look forward to answering those questions in that session.

Okay, a little bit of logistics because this is going to be like that last person that gets on the plane holding up the entire flight from taking off, so I'm going to have to do a little bit of logistics and trust here. So what we'll do is I'll give you about a seven minute little bit of a comfort stop now but we need to start on the dot at quarter past three. So if I could have you in your various rooms at quarter past three. There will be a 15 minute bell and then we really do need to move sessions there, so if the far session then comes down to the front, the front to the middle, and so on, we'll run through the sessions. The other point of admin is in the far room - so I think I put orange in the far room first, so your first up lucky - in the far room is afternoon tea, some coffee, and bits and pieces, so as you go into the far room to go to that particular session take the opportunity to grab a coffee and some refreshments at that time. I believe that is all the admin that I need to get through, so if I could have - actually what we'll do is we'll start a bell at quarter past as well. I like the thought of that power trip. So you've got a little bit of a comfort stop now. When you hear that bell band we need to be into the rooms, thank you.

Elisabeth Brinton: Hi everyone. I see some people coming in. We'll go ahead and get started. My name is Elisabeth Brinton and I am the new executive general manager for new energy, so you get a double dose of new. I'm going to start out by sharing a little bit about my background. First of all I'm delighted to be here, my first investor day with AGL. Then I'm also going to talk about where we're going, how we're taking new energy to the next level, share with you some specific examples, and then close with sharing with you about our latest investment announcement in the Energy Impact Partners fund.

First of all a little bit about myself. I come from an interest background that combines both high technology venture start-ups and growth including IPOs and sales of the companies I've been part of,

as well as large corporate publicly traded energy companies, and being executive team members of those. So it's really a combination. So this particular position is really the sweet spot for my career and it's a huge honour to be here.

So specifically most recently I come from Pacific Gas and Electric from the unregulated holding company where I reported to Tony Earley, our executive chairman and CEO at the holding company. In the United States the structure of energy companies are a little bit different, so we had the unregulated holding company and then we had two regulated energy utilities underneath that holding company. In my role I led all of our strategy, our investments, our new technology, very similar role to what I have here at AGL.

So part of in that role we led our direction into the internet of things as we called it. We coined that phrase in North America. But really it's our IOT strategy, the grid of things we called it, and also looking at electric vehicle strategy, new technologies around the distributed energy space, all again with a very close focus on customer centricity. In addition our large transmission and grid strategies for those competitive businesses. So it was really a whole portfolio approach there.

Earlier I was the executive vice president of operations for C3 Energy, which has now become C3 IOT. There I led engineering, software, product development and operations for Tom Siebel who formerly had Siebel Systems and sold that company to Oracle. Prior to that I was chief customer officer for SMUD, a large integrated energy company, one of the largest in North America.

What's specifically interesting there and relevant here was - we talked about customer centricity - is that the United States has different business models for utilities and so although California's not completely deregulated like Australia, the SMUD business model is very similar in the sense that it was profit based, it was customer driven, there was no safety net of a guaranteed regulated rate of return on infrastructure so we had to be nimble, we had to attract and earn our customer value, and we had a rating agency - we had to speak to the analysts and we had to perform.

So part of when I was there, we grew customer sat to the highest in North America. We actually improved our rating agency rating by the rating agencies led by Moody's, and one of the things that was really pivotal on that was our digital transformation strategy which I led when I was in the chief customer officer role there. It really demonstrated that you can have competitive products if you put them in the marketplace that add value. It really makes a financial difference for the company.

Prior to that I was part of the founding executive team of LoudCloud, Andreesen's software company. We pioneered the cloud. What's really interesting and relevant here - I'm going to talk about our virtual power plant, and actually that's really coming, or following in energy where high tech was a number of years ago. Really the reason for why we went there - why we created the cloud - does anyone remember? Well I'll give you a hint, it's the fact that storage of energy, of data, became so expensive physically, so we had to start what was called server virtualisation. We actually had to figure out how to problem solve as more and more data became ubiquitous in business. We had to figure out how to do that, how to actually scale that, and so hence the cloud came from that. So very similarly right now in energy, big computing is catching up with the speed of electrons which move at the speed of light so we can actually start applying digital technology to an overlay of physical technology where we are today.

Earlier than that I was also CEO and founder of my own technology start-up. I'm a chemist by background and we pioneered taking a number of different technologies from the lab into commercialisation in the consumer products area. Another major disruption in the food space that I led was what's now familiar and ubiquitous is packaged salad. You may wonder well how is that related to energy? It's really about disruption. What we were solving as a problem for industry were the growers commodity of lettuce was really driving down. So how do you actually solve that? Meanwhile customers really wanted a healthier diet, so being a chemist what we did is we pioneered

a new packaging technology, a semi-permeable breathable membrane that actually allows - because food product once it's cut still respire, so you don't want rotten apples or rotten lettuce in your bag but you want the convenience as a consumer. You also want the health eating, you want the access, and then for the growers for the agriculture industry it solved a major problem, how to actually add value to what was a declining commodity.

So briefly the thread - the golden thread that moves through my career and which is part of why I'm so honoured to be here with you is a combination of applying disruption to solving real relevant customer needs and industry needs at a time of inflection. Why did I come into energy? Because energy is ubiquitous, and I believe that if we solve for the energy we have the opportunity to bring the world along with us. Right now there's a tremendous timing of convergence that really makes that not a pipedream but actually practical reality. We can do it.

Super-computing, as I mentioned, has caught up, the cost has come down, and so we can actually now apply computing to physical infrastructure in the energy space that literally you just could not even do ten years ago or so. So actually our time is here and also as a chemist, as a scientist, it's very exciting with batteries and other chemistry are actually changing the way we can generate power at a distributor level. So all these different convergences are coming along to create a new opportunity for us. So that's a bit about me and I look forward to meeting all of you as the day goes on and we move into happy hour. I'll continue going because I know I'm standing between us and the beer, right? Without further ado, diving into new energy.

So where are we going? I want to be transparent and candid. Many of you were here a couple of years ago when AGL was launching new energy as a new business. One of the things that we've learned - which is a very important best practice for a lot of companies - is first of all what not to do. What not to do is really have a venture spray and pray approach. As you heard from Alistair with his scenario planning, we're really focused on a very disciplined approach to figuring out growth. We don't have a crystal ball. We wish we did. I certainly don't have a magic wand. But what we do now is with a disciplined, thoughtful approach looking at the future, we can actually respond by moving the whole company forward.

So what AGL did under Andy's leadership is recognise that rather than have an offshoot somewhere along the side that was exciting and sexy, yes, we actually need to bring the whole company along with us, because the industry is changing, therefore we as a company need to go with it. That should bring a lot of certainty and security for those of you in the investor audience, because what do we want to do? We want a transition that's smooth, that's smoothly, but also forward looking, so that we're prepared and ready to be wherever the inevitable market actually goes. We're going to be there with you. We're going to be solid, we're going to be successful and as Andy mentioned earlier AGL through its long 100 plus year history has already proven that it can do that successfully .

Part of what we've done is we have recognised that for example the investment in active stream, the smart metering business, that made sense. But to really grow that business we need to move it into group operations because it's an operating business now. We need to keep the new in new energy. So what we're doing is we're restructuring and really building on the successes of the last two years. How I'm crating it in the few weeks that I've been here, about two months now, is an innovation accelerator. So what we're doing is we're leveraging the investment that AGL's made previously, we're accelerating that into new products, solutions, and technologies that can advance and grow the core of AGL's business.

Active Stream is a really good example of that and I'll talk about that a little bit more later. But what we're doing is then as we develop something that is worthy of scale it proves in the marketplace that customers want it, the business case makes sense, then we're going to transition into the appropriate home business. In the case of Active Stream metering that's been transitioned to my colleague Doug.

In the case of solar, we've transitioned that to my colleague Stephen Mikkelsen in our new energy markets business because we see again that that has merit. It's a business that can go someplace, so that's what we're doing with new energy. We're going to keep the new in new energy, and what does that mean from a financial perspective? It means think about new revenue. I don't have all the numbers for you today, but we'll be modelling those and coming back to them in further discussions in the future.

But we're really focused on revenue diversification, so if we think about the existing retail business, we have the energy plans. So how can we build upon the core of those energy plans with our customers by adding accretive value through new types of technologies, and solutions, and products that customers actually value?

In some of the other conversations we've been talking about trust. Trust is really important and what's interesting, and I've learned this from the United States and we see this actually happening in some of our pilots that we have going on today, is that when you engage with customers with a new type of value added technology that they want, let's say battery for example, all of a sudden they want to engage with you in a new way, and for these bigger ticket items it's really fascinating because they actually want that stability of a long seasoned energy leader.

So one of the first things I did when I arrived is I listened to customer calls. I actually got on the phone and I sat and I listened for a while to real customers engaging with our real customer service representatives and our sales people and listening to what they were saying. This should provide great reassurance from the investor community is they said for example when they were thinking about solar, they were thinking about a battery, and these are larger purchase items.

These are verbatim from customers. I'm not making them up. They said I'm choosing AGL because I know you're going to be around. I can count on you. I can trust you. Because you think about it, for example if you go to a Tesla store today - I actually went there this weekend - the brand new Powerwall 2 retails for \$8000. If you have a typical 7kw solar system which is basically a standard three bedroom home, you require two Powerwall's in order to provide the backup power if you want to just simply provide backup power to your solar system. So for a 7kw system that's two Powerwall's, that's \$16,000, plus your install fee that starts at around \$1300 per unit, so that's - you're getting up to just under \$20,000. That's a significant purchase.

So what these customers are telling us is they don't mind if Stan in his van installs it, but they want the trust of a proven energy leader to be there for them that they know is going to be there for the long haul. It's interesting, again, listening to these customer calls. Some of those customers were not AGL customers today on their retail plan, so it provides this wonderful opportunity for us to bring them home, plus to add new revenue. So when you think about new energy where we're going, new energy, new revenue, diversification, and adding value.

The other thing that we're also seeing with the digital transformation as a partnership is we can also increase loyalty and trust which also then reduces churn. Because again it's establishing a new type of relationship with what - I'll use a buzzword and I don't really like buzzwords, but this one I think is really helpful, it's instructive from an educational perspective, and that's the term prosumer; consumers who actually then are proactively looking for new choices. They want a new type of relationship and they're willing to engage with that with us.

So what we're doing again is we're looking at how we can - as Andy talked about earlier and as Brett talked about - apply agile capital in a strategic way that really aligns to our business definition. We're about seeing two new types of very important assets: one, customers as assets; and the second, data as assets. If you think about from an asset class, we're actually leveraging what we know and being able to apply that in a modern way to help the company transition in a very smooth and stable way into growth.

This gets a little bit into the how. I talked about already that we're going to be transitioning. Once we prove that a technology or a product actually will scale the business case makes sense we can leverage the financial investment of capital that we've made to grow the core business, then we will transition it into the home.

So part of the new energy role is not only product development and strategic investment, but it's also thinking about new channels. One of the things that's interesting if you use Uber as an example, what did Uber do, it really disrupted a channel. So we're also looking at where we can find partnerships and alliances and where we can disrupt existing channels for advantage for AGL and ultimately its shareholders.

By the way, as I mentioned earlier, I'm going to be giving some examples so we'll have some concretes here in a minute. I just want to put over the framework.

As you heard Alistair say, we're talking about in the scenarios we're seeing that the value is actually moving close to the consumer. So what's exciting, if you think about what AGL is as an energy retailer, we have a very strong right to play in this new marketplace because we have a relationship with the customer. So no matter what the customer perception may be today, we have a right to play there as energy along the traditional value chain which used to be very vertical along a nice line. Now it's becoming more of an ecosystem, but globally, not just in Australia, but there's major global megatrends that back this up for this market. So it's already been proven in North American and also in Europe, the value migration is happening and we have that right to play there as a retailer because we have the relationship.

So even if some customers may be grumpy, we may not have the highest customer sat historically, the fact of the matter is we're there. We have a relationship and so with that we can leverage through the digital transformation, improvements, and trust, the improvements to that relationship, and actually take advantage. So what we're doing here is we're actually inventing the personal retailer.

So the new energy's role as we're applying a technology. If you remember back to the story of my background it's that convergence of high technology, science, commercialisation, and energy, big corporate, into really bringing change forward.

So people - no-one is doing this. The thing that's really exciting about Australia and part of why I came here is that Australia deregulated first. So one of the things that AGL has proven, it's proven its success to be able to be competitive and hold its own in an unregulated competitive retail market. That actually from a global perspective is a really big deal, because if you look at a lot of the traditional utilities around the world, they were caught flatfooted, they lost a lot of market value, a lot of market cap, and they're floundering. But AGL has already demonstrated nimbleness and agility and its ability to retain its customers in a competitive environment, so we can leverage that.

The other thing when we think about orchestration, you go back to Richard and Doug's presentation earlier today. Again, we can leverage another strength that we have as an operator of power plants understanding the energy markets. Because if you think about when I talk about the virtual power plant shortly, what is that, a virtual power plant? Going back to my story about high tech and really the market trends of where technology goes, just as we've started the cloud with server virtualisation it's a platform play, and platforms actually drive growth.

So one of the things that's really powerful is in addition to leveraging the retail experience in a competitive marketplace, we're also going to be leveraging the proven experience with energy markets, the proven experience operation power plants, because what is a virtual power plant? It's pulling together lots of devices that have to behave as a power plant; in other words they have to be dispatchable, they have to provide economic or reliability dispatch, they have to work. So what is enabling that today is not just the PV and the solar, that it's smaller and distributed, but it's actually

software. So again it's the convergence of these technologies coming together in an economic way that gives us actually a new customer, new customer opportunities, new transactions, that simply didn't exist five to ten or even two years ago.

Then finally, deploying low carbon solutions at scale. Renewables are really coming into their own. Solar PV is no longer new hence we lovingly have transitioned it to Stephen's business. We love it, we love solar, but it's a proven technology now, so now what we're doing is we're thinking about how can we leverage these new lower carbon resources that are smaller and distributed or even larger scale for added value so there's multiple bottom lines.

So for example if you think about electric vehicles, and I'll talk about that a little bit later in one of my examples, not only do you have an electric vehicle and you can have that relationship with the customer in terms of EV charging - and by the way one single EV with level one charging - in other words if you plug it in - that's about one household's worth of load, so it's very valuable as base load.

So it's interesting if you think about EVs coming on and CSIRO, the government agency here in Australia, estimates that in our time horizon aligned with our scenario of the green power shift scenario, over 800,000 EVs will come-----

[INTERRUPTION]

800,000 EVs. That was really cool. So anyway, it's coming. It's coming, and so what's exciting is it's thinking about not only mobility in a different way, so for example how do you have an energy plan that doesn't matter where you go. That can be enabled by technology, things like smart cards and things like that, so we can imagine different types of use cases. But also what is a battery? A battery - a car is a battery. It's a mobile battery. So you can think about vehicle to grid solutions and other types of orchestration as we're providing new lower carbon solutions for our customers.

So really the use cases are needless as begin to think about these things. What's (177:00) as you see on this slide, it's very disciplined, and it's really driven by an understanding of the data turning insights about our customers - just under 4 million customers, 3.7 million customers - that's a huge amount of insight that we can then monetise to have not only a better experience for our customers through personalisation but also from a business and competitive perspective leveraging into new types of products and solutions in a thoughtful way.

Now we're going to get into some examples of how we have actually deployed the capital in the past, how we're moving that into real tangible products that are actually helping to drive growth. The first one is we made an initial investment in solar analytics back in 2014. You see this on the slide. That is coming to life today now as something we're very excited about, our Solar Command product. So what this particular product does - and the thing that's key about it, it's not just an app, but it's actually giving you insight into how your technology's used. So you can really learn from it, you can engage with it, and what's interesting about from a sales and growth perspective is that our retail business, we're just not locked into providing Solar Command to just our current customers. This can be of value to any PV customer anywhere in Australia.

Bloomberg New Energy Finance, their 2016 data, estimates that Australia by 2025 30% of all single family households will have solar PV. That's a significant market and that's BNEF data as of 2016. So if you think about that, not only is our potential market share with our existing solar customers, but it's the whole universe of solar customers that it's going to add value to. So what we did is we took this initial investment, which was actually kind of small in the grand scheme of things, but actually we're putting that to work, and so if you think about value, it's actually twofold, one is the strategic value, how we can apply it to new products and solutions, and then also the financial value down the end.

But any types of this early investment, it's a longer term timeframe as was mentioned earlier. So what we're doing is we're putting our capital to work twice actually because with the strategic part of it is

very important, so our team in new energy is productising that. We're taking that investment, we're turning it into something that is real and tangible and that we're going to actually be able to grow. So this is something we're very exciting about and at the end of - through the course of this fiscal year we'll be transitioning the first version of the Solar Command product into our retail business to actually scale it up as a product. Meanwhile we're keeping the core product development within new energy because we're going to be adding then the battery capability to it and all sorts of other value add which will be coming. So this will be a line to our customers, a line as part of our digital transformation initiative as well. So this is a really exciting, specific example of how we're putting the technology, leveraging our investment to grow.

The next one is a virtual power plant, the VPP and this something Andy touched on earlier as well. This is something that's really exciting on a couple of different levels. One is because it is not only proving the orchestration business case where we're looking at different business models and there's two that are really important. There's a new type of customer for AGL and that is the actual network itself. And we believe there's a role for the natural monopoly with the physical grid in the ground, that's important, and we also believe though, that we can have a really important place to play and this is where Australia policy makers have really taken a leadership role by deregulating the grid edge because there's a way with new technology, we can do it cheaper, we can do it faster and at the same time, we can actually add real benefit in partnership with the networks. Not in an opposition with them but within partnership with them. And so [Arena] is part and part of this work with the VPP. As a matter of fact I was just in Adelaide on Friday meeting with representatives, the network were both there, both distribution and transmission as well as [Arena] and they're very, very excited about this and so what we're doing is, we're actually saving cost rather than building a new big bulk substations or building new transmission lines, we're actually helping to solve a real problem in South Australia. And so we're able to help demonstrate that value and so what that does for us, it unlocks new potential of new revenue in the area of ancillary services to the grid, it gives us a new type of commercial customer, the network itself and we're working in partnership with the network and so they are good patterns and on board and so this is exciting as I think as a model for Australia going forward. And what it does too, with orchestration again, it creates a platform business model, because eventually as you see in other industries, not only does, in our case the commodity, the electron or the [therm], it's a commodity that's a price battle but actually, hardware also becomes a commodity in other industries if you follow that with tech and smart phones and other things are good examples of that. So what we want to do is, we want to play in the value added space, so we're able to sell the commodity, continue like our energy plans but have other value added things on top of that, that can be accretive to the overall growth of the company. And so the VPP here demonstrates that capability and we're starting again wisely, we're going to walk before we run, we're proving that out with our partners. But I can tell you just coming from that stakeholder meeting on Friday, this is very well received, it's very needed and in terms of the customers themselves, because we're bringing them along with us, they actually - the consumer themselves has to buy the battery and what we're finding is that they really want it, they really want the use case, they want to have not only backup power for their own household individually but they also think it's really - they actually think it's cool, the opportunity to actually help the good of the whole, to be able to participate in the reliability and the stability of the grid and earn value for that and so it's again a new opportunity to test a new revenue model, a new business model and so what's exciting for AGL is that it's two points of value, not only the consumer transaction but then also new revenue opportunity with the networks itself.

And then electric vehicles. As I mentioned, this is something that is really exciting on lots of different levels. So this is an example of the very first plan that was announced in Australia, our very first concierge plan. Both the VPP and this electric car plan have gotten global notice. Not only are they first here in Australia but they're actually first globally which is very exciting and what that does for you as Australian investors that actually should provide you essentially a directional point of validation that as the whole world looks at how we [solve energy], we here in Australia (184:00) AGL are actually in the right direction. We are moving where the market is going. And so that's something too that's really

powerful to see that consumers want this, they're interested and also the market is going in this direction. Electrification if we think about climate change, we think about regardless of what you think about human inputs or what have you, the fact of the matter is, we all value clean air, we all value certain things that are going to head us in this right direction as a society. And so if you think about that and California is an interesting example that I can speak to coming from there, is that even though there was great divide politically around, "well, do we believe in climate change or not?", the fact of the matter was, everybody could agree with clean air, everybody could agree with air quality. So if you take it from that practical basis, no one wants their kid to have asthma, everyone wants to be on this - everyone wants to have beautiful blue sky, electrification is part of that solution. And so this is where, as auto makers themselves are moving in this direction with new different types of vehicles and lower higher energy - excuse me, higher fuel efficiency cars across the world, this is really again, moving the market in this direction. So again I want to leverage or say something that's important, we are leveraging an initial investment in Ninja Blocks to actually enable this on the platform. And so again, Ninja Blocks is another software company that made - that to Andy's point earlier, we made a small investment in initially, so we started small but then we're turning it into a product that really makes sense and we use the Ninja Blocks technology, we applied it to our active stream metering business and then we're also using it going forward as actually a product development platform, so going forward we can accelerate the development of new products which brings up another important part of our grow strategy is actually IP strategy.

So when we think about new energy and we think about these different technologies, you may be surprised to hear me say that part of our goal is actually to be technology agnostic. Because again, I don't have a crystal ball. So what I want to make sure that we're doing is I want to make sure that we're building no regrets building blocks that we can actually build new technologies on and so that's where software becomes really important, we're not only aligned with the front end of the digital transformation from a customer experience perspective but we're also aligned with Simon Moorfield's work on the back end in terms of [Deep IT] and making sure that we have leveragable intellectual property that will support the growth of AGL long term. So for example, we can apply it to our customers and our business here in Australia but that leveragable IP could be licensable by someone else, somewhere else. We may not want to be there in that market or we may want to be in that market but we have something of value that we can actually turn into something of monetary value long term. So that's what we're looking at in terms of new energy. Practical, thoughtful steps to take an initial investment, be strategic about it and then apply it in a very practical, material way to drive the business forward. So it's thoughtful, it's about step by step yet agile and rapid growth so we're working on taking the guessing out of the new so that the new is actually really based on thoughtfulness, align it with the market place, align it with the customers and as also we learn from other industries, the customers are always right, they give you the direction and if customers start to pull, they start to want what you want, that's how you really drive growth and that's also a lot of fun.

So those are three tangible examples of what we've done and now I'll share with you, we're very excited about the energy impact investment, and let me pause by explaining why we refer to it in terms of the impact partners because it's not just a fund, anyone can invest in a fund but this is unique because it's actually a partnership of LPs that have the opportunity to directly determine where the fund and how the fund is going to invest. It also is part of a value proposition that looks at not only financial return but strategic combined with the opportunity that based on the utilisation of the portfolio [companies] technology. So there is an underlying combination of not only normal IRR but also warrant structure so that we're aligned, we're making investment choices based on technologies that we know we need in the energy space and that we need them now. So there are things that - so for example a company like Auto Grid or a company like Sense, these companies actually have technology that is usable today and is something that - so we actually have a double benefit as investors, not only opportunity from a traditional perspective for the fund, but also as we use the technology and [there's] warrants as part of the deal structure with any of the portfolio companies, we get the chance to actually ride their growth so it's also - that's really important because this is not only

an investment in technology but it's an investment in business models, looking at how again that technology could be applied, so we see this as a really great practical partner and that's why the word "partnership" is so important in the EIP.

So again there's three portfolio companies to date, the fund is still early, it's about a year and change in operation now today, it's a global fund, the three companies are SenseLabs, Opus One and Auto Grid. All of these companies are - they have a really solid group of board members, they have a solid group of investors. For example Opus One, the largest Canadian pension fund is an investor. So these companies have really good due diligence and on a solid course. Auto Grid for example is really interesting because again it's a platform play and what's unique about Auto Grid is that it is actually - they have invested heavily in a Cloud computing and big data analytics to make sure that the platform is extremely scalable, as into the hundreds and hundreds and millions of customers, you know, [paradise] huge, huge amounts of data. So they have a very, very robust platform. What's interesting about SenseLabs is that actually the founders are coming at this - they're not from the energy space at all, they're coming at this entirely from the consumer space, they were in the voice recognition space and technology so they're deep technologists but they're coming at it completely from a consumer space which is very interesting and appealing to us. And so this gives us access to again accelerate what we're looking at. We would never outsource our core or due diligence, so that's something we hold very tight and that's part of the partnership, the new energy that I have with Brett and his team, but the key there is that we have the partnership with the other energy companies, the large LPs to learn also globally, what's happening, so we stay close to not just the technology but also the trends for the energy companies themselves as the big energy companies business models evolve. So it's a real true partnership that really combines not only technology but business models.

So in conclusion, we're very excited about the direction of new energy and really it's grounded on really strong lessons learned, it's grounded on the successes of what AGL has done over the last 2 years and it, most importantly, is truly aligned and integrated with the company as a whole so that we're one AGL and that we're pivoting together towards where we see the value and where we know we have a right to play at a leverage, our experience not only as a retailer, but also as an operator of large power producing assets and as a successful player in the energy markets, all of these things come together to give us a very solid foundation and a right to play where we feel that we can not only play but also win. So I look forward to answering questions and meeting you later and now I'd like to welcome Andy and my executive team colleagues up for Q and A.

(192:17)

Ms Brinton: Bigger stage.

Audience: Hello, testing. Okay. G'day everybody, Rob from Morgan Stanley and a special welcome to Ms Brinton, welcome to AGL, welcome to Australia. I guess my first question is for you and maybe some other team members might like to answer as well. So, there were some original financial and operational targets for new energy, I think it was - correct me if I'm wrong, (193:12) break even by FY18 and a million smart home connections by 2020 so I'm just wondering where those sit now if you've managed to handball those.

Ms Brinton: So what we're doing is we're moving as I mention the businesses into the rightful home. So one of the things that's important I'll mention about [Actistream] for example, and Doug can talk about it a little bit more as well, is that part of what we see too is that [Actistream] can't grow if it's just tied to serving AGL, so we have unleash it as a business in order to serve any of the other companies as well in terms of metering and so we see where the metering policy is going, it creates an opportunity for more growth in the market place but we need to unleash that business to not just serve AGL.

Mr Vesey: Doug didn't want to take the microphone. The fact of the matter is they were the wrong measures, they were constraining, we're learning as we go and the fact is that in bringing on Elisabeth, we wanted a fresher view that really was going to do what we needed which was the story you heard about the innovation accelerator. When new energy started and it actually sort of started before I joined, it was very much of this sense of rooftop solar and a few other things and getting them out there quickly, I think in looking at that one of the things that we did was put some targets for discipline on it but the fact of the matter is, I think it was leading us in the wrong direction and I think it would have made us take the wrong decision so what we've seen is sort of this - when Mark England left, Alistair took over and basically sort of made sure we were pruning the things that made no sense and getting a clean base so we did the transition of taking the scaled things where they belong in the business and giving Elisabeth this very clear view of this innovation accelerator and those measures don't make sense for it. Now that said, we continue to think about how we are going to be selling rooftops into which market and quite honestly the commercial area makes a lot more sense now than residential. [Service stream] has got its own objectives but my view was that, as we got smarter about what we wanted to do, we had done what I consider the wrong thing which was is to sort of put the traditional goals on something that has to be more flexible so yeah, we walked away from it and it's my fault, so if you like those million connected homes and payback, we're not necessarily doing that, we're having a different set of goals which is talking about orienting a sense of technology development, the acceleration, the value produced out of new IP and that's the way we're going to organise that so it's going to be a little bit different.

Audience: Yeah, thanks Andy, it's I guess a demonstration of being agile. (196:15) at that. So I guess another question for Elisabeth on the VPP and I acknowledge that's in trial stage. But I guess just wondering what the scalability of that is in Australia and how you're thinking about - at what point does it actually influence [pull] prices, that kind of thing.

Ms Brinton: Well first of all, like I mentioned earlier, using the BNF data in terms of their (196:41) 2016 where they look at 30% of households in Australia moving to solar in the next, by 2025. That's all of those solar homes are perfectly ripe for batteries and so once you have a solar and a battery, then you're perfectly ripe for the opportunity to become part of a virtual power plant. And when you think about what we're doing now with both capacity and energy, we can actually - once you start getting up into multiples of megawatts, it actually begins to matter. And so it's something that, in terms of the business as a whole, there's definitely room and I think the orchestration model that we're starting with, looking at the 1,000, gives us a sense, we're seeing from the customer interest in uptake, there's a very happy willingness, we're not having to push hard to sell, people want to participate in that because they have a personal value proposition of the backup power and the lowering their bill in general and so what's interesting is that consumers, they act in their own self-interest and so if you give them a path forward that shows that alignment with their interest for their household, that aligns up to a business proposition that aligns for the energy company and the market, you have a win-win. So as we start getting up into larger megawatts, it's going to make a difference practically from a market perspective. The other thing to consider as well is that as we have higher and higher penetration of renewables on this system, we're going to have a need for smaller quantities of dispatchable capacity to be able to solve market conditions and smaller amounts of energy to be able to control. So this also adds to flexibility for the network operator, so it really helps with the overall stabilisation of the grid in terms of voltage management, these ancillary services that actually provide better efficiency and operation for the network so it's a win-win.

Audience: A couple of questions. Andy, just firstly, you mentioned offshore, going offshore. Can you just give us a bit of clarity on what the preconditions are because I think you scared the bejesus out of investors when APA said they were going to America and I think it would scare the bejesus out of investors if you turned up in America tomorrow?

Mr Vesey: Yeah. Look, I mean the fact of the matter was we knew that there was that reaction naturally. And I think that if you looked at the spectrum, it was sort of the one that was at the bottom of the list. The fact of the matter is, and we think about it in terms of continuing to try and drive the growth, you can either have market expansion or product expansion and market and product expansion. And so in part of the discipline of thinking through it, the only thing that appeared to us to be - have merit in terms of expanding beyond the shores of Australia, which would be taking something that depended not on assets, but on IP or proprietary information and knowledge and skills and we do have quite a unique one and the question that we're challenging ourselves with is, "how do we capitalise on our ability to navigate from regulatory retail into competitive retail" but only to do that in markets that are developed, that fundamentally have a lot of other risk profiles because that whole thing will depend on the quality of institutions that surround business, so we haven't even, at this point, start to take any deep look but the fact of the matter is, the only way that we are currently thinking about international activities is by making plays with IP or our own capability set and where that really aligns naturally as an extension. So it's something that we're still evaluating. I think the other thing which we haven't talked about, is similar, is this whole technology play, the fact that in listing to what Elisabeth says, "What do you have here?" "You have the cauldron for innovation", (200:44) if high energy prices and very competitive markets so being able to find these unique combinations of offerings of technology and bringing new capability into the market. We also believe that that's potentially an export currency as well into markets that have the same sort of retail needs. And since we're far in advance of it, we can sort of use our markets here as incubators for this and then find the right opportunities. I don't know what the channels or the vehicles are but it becomes an export currency so when you think about it as opposed to investing overseas, think about the export currencies that we're developing. And they're all around IP, whether it is our own capability of skill sets or combinations of that and technology. And I think it's part of that and blowing out all the pieces that, you know, where are those links for the transition, where are we ahead in the game, where do we have an advantage and where do we have a way of thinking about doing it in that very low risk way. You asked me the question earlier which is why I said there's certain things we definitely will not do. Because as soon as you say, "oh you're an energy company, you're going offshore", people think you're building power plants, power developing, acquiring distribution, that's not it. This is really being clever, thinking about this transition and taking this definition of harnessing insights to a richer customer energy experience. I will tell you - and I don't want to, you know, maybe Stephen you can talk more to this, but when you think about the work we're doing in digital, I think that our digital transformation and the signature moments that we're going to roll out are going to be unique globally, there's value to that so knowing how to bring those out, (202:22), that becomes another kind of currency to export. So I (202:26) think, when you think about our international view, it has to be markets that look very, very much like us where one of our capability sets or IP becomes a currency for play. And that will figure out and we'll have more conversations around that as we go but as you saw on Brett's sort of spectrum, that's down where it is, that's the least developed but one that really is intriguing to us, especially how we're going to capitalise on the investments that we're making and things that we're doing in terms of technology and digital transformation. So I don't know if anybody else wants to take a shot at that. No, okay.

Audience: Can I just follow on, two more questions. Firstly is, you've been making lots of little investments, that's great and that all sounds good but cumulatively they start to add up to being a reasonable amount of money and I'm sure Brett can tell me but how much you've actually now got invested in these little start-ups and at what point do you sit there and go, "hmm, I actually need to, collectively, not one, I do need to start to get some sort of return out of that". Secondly, in new energy, as a set of analysts, should we just now forecast the businesses as going to lose money because every time it makes money it passes the asset off to one of the other parts of the businesses? Just as a practical level because you did have aspirations (203:51) going to be profitable once.

Mr Vesey: Let me start then I'll have Brett anchor it in. One is - I think again as I started, I don't think - I think it was probably very aggressive to think of new energy as a business, I would think about it more as an investment centre and it should be judged on its investment and quite honestly if you ask Elisabeth what her performance metrics are, they're all on accountability on the return on the money that's investment. Now that's what it's going to be. The challenge that we have or the challenge that we have collectively is sort of the time to value on these kind of technology investments but there has to be a plan and it is going to be monitored and we are going to talk to it but it's really going to be the return on these investments that we make. We do have a view of sort of this collective investment that will be made, we do have pretty strong boundaries around that and I'll tell you what our initial thinking is, I'm going to pass this over to Brett because he keeps the key to the lock box.

Mr Redman: Okay. So I think just to answer the first question first. I think the level of investment to date is sub 50 million, the biggest part of that would have been the US 20 million for Sunverge so you're right, most of those investments haven't made a particular return at this point in a direct financial sense but as Elisabeth was presenting earlier, Sunverge is the virtual power plant, solar analytics, the solar command so they're coming. As we start to step up towards larger investments, Energy Impact Partners that was also announced today, in rough terms we've allocated, I think it's about Australian \$65 million so US \$50 million is what's underneath that. The expectation is that will make a return, you know, that's a fund that's being created with the expectation of making a return, not simply building capability for the partners that are involved. So there you start to see us evolving into some larger bets and as we start to put larger bets on the table, it becomes less about a pure capability build where there is a business case but the business case is a bit softer and a bit harder to layout over the 10 year horizon, as the bets become larger or as the investments become larger, the business case needs to be more tangible and real. EIP Energy Impact Partners or the fund, certainly we are expecting to do better than our basic hurdle rate, over the next number of years out of that fund as it develops so we're in that tipping point. I think, maybe to tie off on Rob's question earlier as well about where are we at on that old break even target for FY18. I think we're on track. I think we'll have to think about how we put a bow around the change when we come to half year accounts announcements because I get the hassle this is going to be in rejigging spreadsheets. I think we're on the trajectory to go from that minus 50 to zero that we were originally talking about before but the new energy centre will - you're right, it will become though more of a cost centre because it's about nurturing right at the pointy end of innovation and as things start to move the scale and they start to make money, like solar command, it will move into energy markets and be more in the major profit centres of the business.

Audience: Hi Brett, one for you. Looking at the balance sheet, you talked about \$2 billion in spare capacity in the '16 and then some more asset sales to come. The growth outlook, you're saying about \$200 million a year and then some new energy stuff. How should we think about capital returns beyond this year? If you want the dividend (207:44) but that's an awful lot of capacity still there at the end of this year.

Mr Redman: Yeah so at the AGM the Chairman announced two capital management initiatives. So one was increase in the dividend payout ratios so that went from - in theory it was a target of 60% in practice we were paying out at closer to 65% so it went from, call it 65% to 75%. And that is a - I hesitate to use the word "permanent" in dividend policy because it's always at the board's discretion, things can change in the future but that's a quasi-permanent change if you like so 75% is here to stay. So there's a step change in what we're going to be paying out every year back to shareholders. The share buyback was very much a - you should view that as a one off. It fitted the needs of the day, we're not currently investigating should there be a second share buyback. Again, the company is 178 years old, I expect it to last at least another 178 years, never say never on any of this sort of stuff but right now, the buyback which was a year to play out, that's the current plan at this point.

Audience: Andy, a question to you just on - I guess overall strategy of investing quite a significant money on digital transformation and technology and from the sounds of today it's going to be an ongoing spend. The challenges I see - I guess one of the challenges to ensure that you actually earn a return on that investment is actually convincing the customer that there's actually value in what you're doing there. And you mentioned a couple of attributes in Australian market, it's high cost, it's high competition but I'd say there's also a lot of apathy or indifference towards energy, towards utility. So how do you actually overcome that apathy, convince the customer that there is actually value to all these things that you're doing, which on the surface sound great but in the end, someone actually has to value them and pay for that.

Mr Vesey: I'm going to pass this off in a minute but if you saw what the digital transformation is, you know, it pretty much washes its face on getting costs out of the business right, Stephen will tell you about 90,000 calls a week and only 10% of what you can do with us you can do without talking to somebody, so immediately there's costs that come out of the business, it's an operational improvement. I think the rest is really redefining that relationship because you're absolutely right, you know, we have this argument all the time and there's this question as to, "do consumers want to be engaged?" and I think the answer is that the level of engagement is directly proportional to the share of wallet, so it's never a positive engagement. So how do you redefine that? Well one of the ways you want to redefine it is the 30 signature moments that Stephen and his team will roll out which will be underpinned by a lot of the technology that will drive. The first time I met Elisabeth and we were talking about her views on this - this is before she joined, she said something that sort of struck me, she said that "the best thing you can give back to a customer is time". Time. When you think about the time investment in the interface, so actually it's not that you want to disengage the customer but you want a customer where you make them feel much more comfortable, you expand the bandwidth and you give them back time, that they don't have to worry about that interface. So when we say, "transforming the customer interface in this digital technology", it really means just the challenge that you have talked about. How do we make this a thing where you build advocacy? Because that's our biggest protection. Now I got into big trouble because I talked about the exposure of my industry broadly to digital disruption. Because forgetting about what we're doing, if you don't think there are people who are going to try to figure out, "okay, you have customers who are not engaged, they're spending money, you have the primary players and that with the hugely negative net promoter scores, we're at risk if we don't sort it". So I think you have this same issue where we're right for disruption, we have customers who don't really care, for some point don't know that that's how they're not engaged so that's the whole digital program, is to really start to defend what we have by having it in a more informed customer who advocates for our brand and chooses to be our customer. So it is really a radical transformation of that interface and there's \$300 million - I remember the first time making the round after the earnings call, (212:27) said, "well that's a sustaining cap X investment". I said, "no". First of all, it's going to drive a lot of costs out of the business but literally it's growth because once we have these digital channels done, we're going to drive a lot of different offerings through it that are going to be, as Stephen would say, "charming", I would say, "exciting". You know take this - take the car charging thing that we talked about before. What could that look like in that digital world? Alright, you bought your new electric vehicle and so you bring out your smart device and you set up an appointment to have it taken care of and then you'll get text messages and then the day that they're supposed to happen, you'll open up an Uber like app and see the car driving to your house. I mean, life will just become easier and the pleasure of the interface itself will build bandwidth and advocacy with your customers. I've been in this industry since 1978 and I wasn't a child prodigy either so I've been in it a long time and I used to argue that we're not in the business of creating customer satisfaction. We only create dissatisfaction. Every interface we have is because there's been a negative experience or it quickly turns into one. Think about the power of changing that, forgetting about the level of engagement or indifference, the fact that you want to engage, it's pleasant, it's easy, problems get solved and how do you build that or broaden that interface? I mean it's a wonderful opportunity. Now can we capture it, can we live up to it? I think we can and that's why we're building the team we have but it's, it's a fundamental shift in the industry and it can be done right here from

Australia which leads back to the question, if you can actually do it, (214:12) does it play? I mean we had one of the top design thinking firms in the business, [Franck], I mean spending how many months Stephen? 8, 9?

Mr Mikkelsen: Yeah, they started early in the, earlier this year.

Mr Vesey: Yeah, with our customers finding these sort of points and we asked "so who else is doing it?". This is a wonderful question in Australia, you say, "well who else is doing it, where else are they doing it?" because it can't possibly be done here first. Then they said, as far as they know, and they're one of the leading two alright. The other one is [IDEO]. They said, "nobody else in this industry is doing this work". So just think about what that means strategically. So yeah, we do, you're right, customers are unengaged, they don't want to deal with it, it's painful, they only deal with us when they absolutely have to, it's usually not a pleasant experience. What a great opportunity for that shift. That's what that \$300 million investment is, that's what this underpinning technology is and when Alistair talks about this scenario planning and comes out with the sort of customised, personalised retailer, that's the shift because that's what technology will allow us to do. Now, could we assemble the teams and competencies to make that happen? Well we're all committed to it and that's why a lot of these investments we have to make sort of look like, a little bit on the odd side and will they ever pay off? Well they should. Because we have this focus. We know where the threat to the business is, we know - remember the second imperative. One is [carbon constraint], the other one is customer advocacy. Because if we don't have customer advocacy, we never make the transition so it all comes down to that basic play and we think we're assembling the right pieces and that first \$300 million investment is sort of the enabling core of that and the only way then we can make full advantage is if we can drive a lot of this technology through in an accelerated way which is the reason why we've made the investment in this EIP, because then we get the easiest way to have this world scan of technology. What was the history behind EIP? It was this. The US utilities were concerned that they were going to be disrupted and what they wanted to do was a hedge play for them. They would invest in emerging disruptive companies and if they really were successful they'd cash in over there for what they lost over here. That's what Southern Company was thinking, I mean that, you know, that's Southern Company, that's what they were thinking. Okay, it's a hedge play for me. For us it's not a hedge play. We want to be the disruptors. We want to be the channel for that disruptive technology so our view is different and it was the easiest way for us to get the broadest view of technology so that we could continue to bring through and cycle it through this market so it all connects together but yeah, we start with a disinterested customer, one that we have very narrow bandwidth with and we have - it's our challenge. I think we have a better idea how to sort of deal with the carbon constraint issue than one of building customer advocacy but they're both critically important for us. So that's what the - that was part of this message. That we are probably best placed among the majors to make this move forward and if we get the advantage, if we get the time, and we get ahead, we will always be ahead because we will continue to be able to innovate, it's going to change the nature of the business and our digital platform allows us, in quick fashion to start rolling things out. (217:25) announce a new product in June, the vehicle charging, you can just get it now Stephen? Now. That's analogue. Digital world, that's 5 days. That's a sprint in the scrum (217:37) if it works, it doesn't, if it's not you pull it back. That's what we have to become and so it's a major transformation, it really is. So a lot of the original ways of thinking about a utility is binding and chafing on us because we have to think of a way of breaking through this. Otherwise we have the mature industry syndrome of spending more and more resources (217:58) delivering less and less return and that's not where we're going to be. Anybody want to add to that?

Mr Mikkelsen: I'll do a very short add. I think we're going to overcome apathy for three reasons. Firstly Andy talked about (218:12). The research I saw (218:12) do and to our customers was incredibly good quality and what they drew out of our customers that resulted in those 30 signature moments, we hadn't thought of and was very, very insightful. The second thing is, I acknowledge just because we build the stadium doesn't mean they will come so we have allocated a significant amount

of the capital expenditure on digital adoption to actually get customers there and the third reason I'm confident about overcoming the apathy is just what they receive from other industries from the moment, what they receive from the airline industry, from the banking industry is really raising the bar and they are starting to demand that from us now. So I think for those three reasons. I think your question is really, really valid but I think those three reasons are what will overcome the apathy.

Audience: Stephen given that comment, take me in 5 years time, do other customer businesses become your competitors? So today we're looking at the known competitors of the past but in the future is it the consumer guys that you're going to be competing with for these customers? So the guys who are selling petrol, the guys who are doing our groceries. Do they converge on your industry as well?

Mr Mikkelsen: Look, again not predicting the future but possibly, probably and in some ways, it doesn't matter given that our own industry will take us there because our competitors are smart but yes, other industries will come in as well and so that's why it's hugely important that we understand what other industries are doing, what the benchmarks are and I notice on my own personal life that the various interactions I have with what I used to consider, like essential boring products have changed dramatically so that's a must. So in some ways it doesn't matter who they are, we just need to make absolutely sure that the - we'd call them "signature moments", I think eventually that will stop because our entire business will become a signature moment. We just need to make sure that those customer experiences are way up there and that's where we're starting from and in 5 years time we'll be there.

Ms Brinton: And just to add onto that, what's exciting, building on what I shared earlier is that the convergence of technology that gives us more room as a company. If you think about the connected home, what that is, when you think about data. There's lots of different technologies, the lines are blurring between industries which gives us another advantage. And part of that is because, never forget, electrons are tricky, there's physics and physics matters and so even as other players come into our space, into the connected home and seek to play with energy, we actually understand the physics of it, we understand how it works and so that's not trivial. And so I think that it's actually an opportunity that we're looking seizing as we see the convergence we think about the customer home and as Andy mentioned, analogy about time, it's also about comfort and convenience. These are the things that people value in their home and also an understanding of what is going on in my home. So for example, just the situational awareness of what - if you're a parent and you're at work and you want to be able - your kind of sensors and devices that can tell you about what's going on, that adds value in a new way. It may not be directly related to energy but part of the energy data can give you a richness of understanding to help you actually manage your home better and actually understand what's going on with your family in a way that's meaningful and relevant to you for your particular situation as a family. So our belief is that this convergence actually creates opportunity for us and also leverages our core advantage which is, not only the existing relationship transactionally that we have with our customers but just frankly the expertise of energy which is actually very complex.

Audience: A question here. Andy, you've chosen to measure your customer (222:22) advocacy - sorry it's late in the afternoon - through net promoter score. Is the goal to get that to a positive? Who else is at a positive because I don't believe Telstra or the banks, someone can correct me on the banks whether they're positive. I'm trying to remember, is it part of your incentive, short term incentives, long term incentives, your scoring? And what's the investment that you're putting into net promoter score, moving the dial on it and what's the return you're expecting out of that investment?

Mr Vesey: Wow. A couple of things. One, it is not currently part of my performance objectives. There is a proposal to make it part and parcel of everybody's objectives but it is not today. We are in the process of developing what we call, as part of our overall culture and strategy work and it's just soon to be finished, aspirational goals in four areas. In the - sort of with a view to our investors, a view to our customers, a view to our people and a view to communities. So it's that balanced score

card thing with aspirational goals. I can't - we have net promoter score in there, it is positive and in service industry it's supposed to be top ten. It's aspirational. Our biggest lever to moving ourselves to a positive net promoter score is the signature moments in the digital work. That's where it is. Right now, it tends to be a little bit more difficult to get line of sight there but we believe it's going to take that kind of a radical change to get that kind of - a change in perspective and increase in bandwidth so it's not today but it will be an aspirational goal. Now the purpose of the aspirational goal is to make sure that we've put really, really big goals out there, almost on a global basis, it's really to check ourselves to make sure everything we do is directionally correct, that that's our aspirations removal on that line. How those then get translated into our individual objectives is a second question. Nobody in our industry that I know of has positive scores and I can't talk to others but there are some businesses that do. They're not, tend to be industries like ours. But it does indicate that it's positive. And if you think about - if we were going to protect ourselves from digital disruption, then it should align with a - the building of advocacy. If you saw that little film that, the whole idea of a digital first company is to build advocacy all the way along because otherwise you do just the opposite. So it's a journey that we're just starting so we don't have that at the moment although I do think the next time we get together we'll be able to talk about those aspirational goals and about the programming that's aligned to that and I know that I have some people who are working for me who really want to see net promoter score in everybody's performance report card so that may happen yet. But we're just beginning that journey but I think our biggest lever will be the digital transformation, and again Stephen, don't know if you have anything you want to add to that. I also didn't answer half your question because I don't have answers to the other half of your question.

Mr Mikkelsen: I think having a positive net promoter score is - I don't think, in energy markets, it's a non-negotiable so we will get there. Look I think we've also - and I won't underestimate the difficulty of it but we have a lot of customers who are in the middle, like they are neither strong advocates nor strong detractors and their promoter score is all about not taking those ones in the middle and taking the detractors from the advocates so our challenge is to move those middle - our biggest challenge I think is to move the middle group up into being advocates for us and I've - and absolutely we think digital is the core for that, the digital is part of it, it's part of the customer experience, it's not the whole customer experience.

Mr Vesey: Well let's take one more, I'm getting the sign from James that we're ready out there. And we can have an informal Q and A after, that's what it's about and we'll also have Tim who will talk to us about market reform and some of those other big issues but any last burning question? If not, let me wrap it up this way. These are always very important events for us because we do get a chance to talk and think out loud and sort of talk about the future. I think the core message is that now this is about transition. I think we have spent time getting the hygiene right, building the base right, to putting ourselves in a position. Now it's all about this idea of agile capital, how do you invest in a world that's changing, changing in unknown ways. I think and I hopefully think that you will agree, and even though you didn't see all the data in it, that we have what I think is a world class scenario planning thing, it's part of what we do, the next phase of that is getting strategic conversations going on in the business and as Alistair would say, putting watchers in the watch tower who are responsible, people who are responsible for talking about events, how it changes, and continually checking. All the (227:55) capital gets invested, everything we do would have to go into the asset test to make sure that it's robust and where it's not, to make sure it's much more sensitive in those watching briefs. You can tell the work in the technology accelerator which is an innovation accelerator, what we're driving to but we can't forget the core business, that's the engine of everything we're doing and hopefully Doug has given you a tremendous insight into the thoughtfulness of what we have and you know, the question about the (228:21), EBA, came up but the fact that we were able to sort the Macquarie EBA three months before it expired should give you comfort because we don't have a problem with our represented workforce. There's a specific issue in the Latrobe Valley, it's a line in the sand, I think we will prevail, we want a mutually agreed upon outcome, everybody in the process has ways to compel the other side to the table to see that, we are still in that dance but I want to make sure that you

understand, we do not have a fundamental issue with our workforce and that is shown by the deal which is the 3 year 3.5% deal that we got at Macquarie which also has productivity gains to pay for those salary - those wage increases. And you can see the sense of the markets and our commercial team and Richard Wrightson, their view of it, it informs our advocacy positions, I think we're very comfortable there and the work that you saw in bits and pieces on the growth side, but we really didn't talk about the ongoing and deep work that Stephen is doing in terms of the day to day dealing with our customers. We had this major blackout in South Australia, we got nothing but cudos in terms of the way we provided and supported, answered the phones and were able to say, if we can't do it in South Australia because we lost power, we shifted our capability to Melbourne and overnight had the Philippines prepared to handle our calls. We're also doing a lot on that community interface, you know with the welfare agents. We're not doing everything perfectly but I think we're doing it very well and the programming we're doing, it gets a lot of recognition. When you're a big tier one, you have a lot of obligations that other smaller retailers don't have. I think we meet them all quite well and I think we're leading the conversation around the transition. We're at the table, we have a voice that's listened to and you'll hear that voice over drinks when Tim talks to you. So I think, a couple of things, we love to share this with you, we have big ideas, this is the time where we're going to do new and different things. We understand what you're going to hold us accountable for. We won't hide, we'll have those conversations. I think we've got a great team and hopefully that came across in the presentations that you heard and I encourage you to get to talk to them more as we go out and have some drinks but it's always a pleasure for us to do that. We appreciate that you've stayed with us during the day and with that, we'll say we're done with the official session and we're going to head back into that corridor for some refreshments and a little bit more conversation. So thank you very much.

END OF RECORDING (230:58)