# 2017 AGL Sustainability Report

Tim Nelson, Chief Economist, AGL Energy

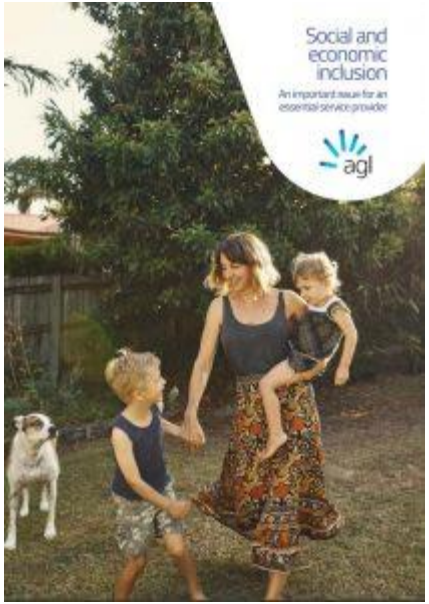
# 2017 Sustainability Report

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

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

# Social and economic inclusion report

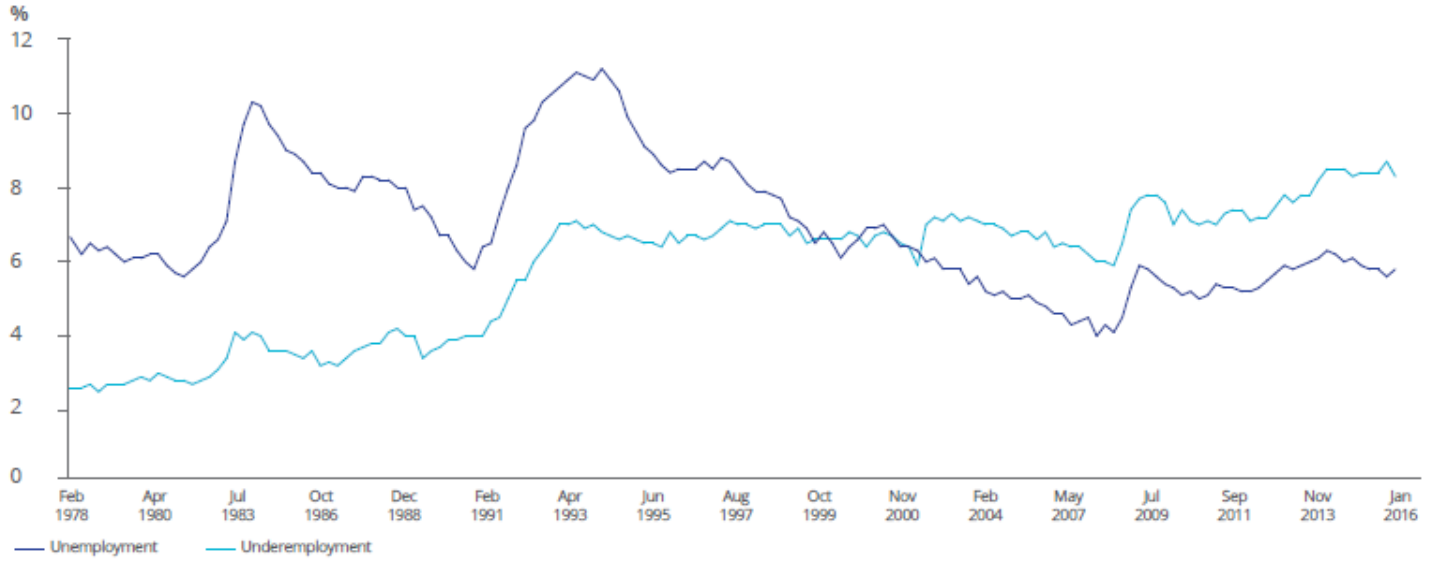
## Commitment to developing a social and economic inclusion policy




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

# Employment trends

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




Source: Australian Bureau of Statistics

# Home ownership

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


Source: Grattan Institute

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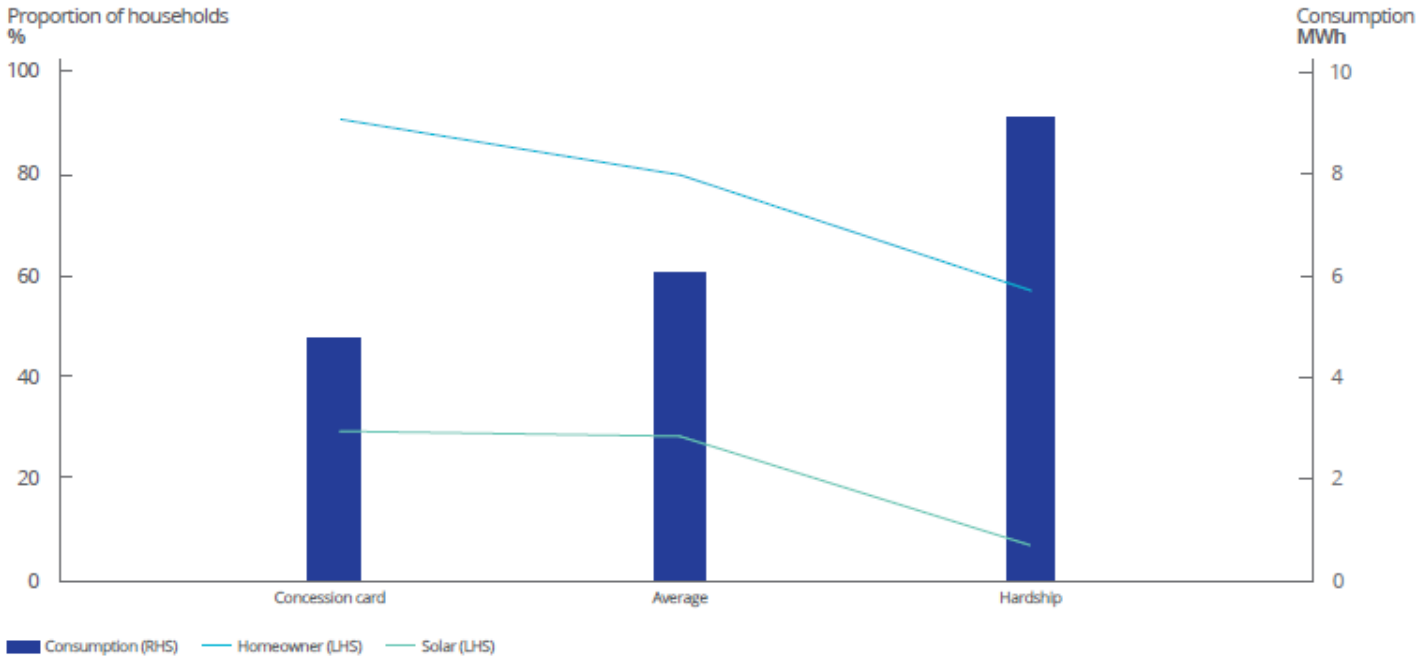
**Home ownership is a critical determinant of participation in distributed energy resources**


Source: Melbourne Institute HILDA Survey

# Inequality in energy markets

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




Source: AGL data

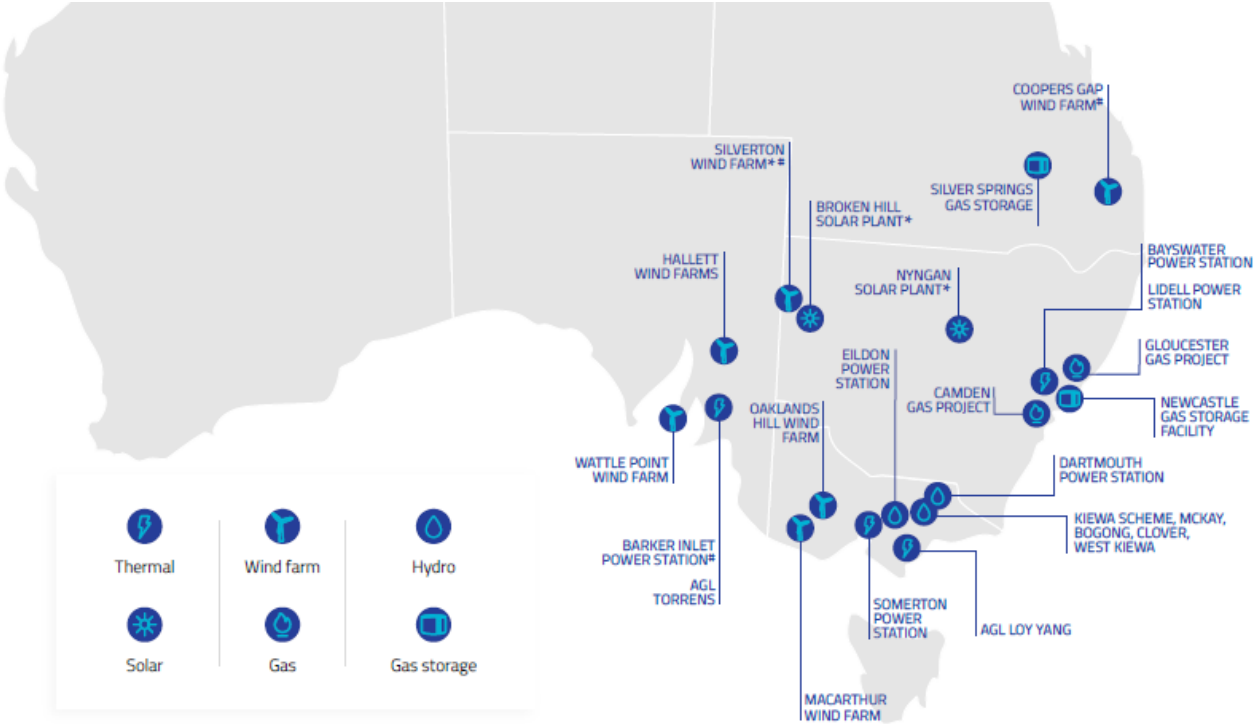
# Rehabilitation report

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


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

# Rehabilitation report

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



# Rehabilitation report

## Rehabilitation review followed a robust process

| Phase 1 | Phase 2 | Phase 3 | Phase 4 |
| --- | --- | --- | --- |
| Independent review and assessment of rehabilitation costs | Internal review by AGL Chief Engineer | Development of alternative use costing models for consideration | Executive review and assessment |

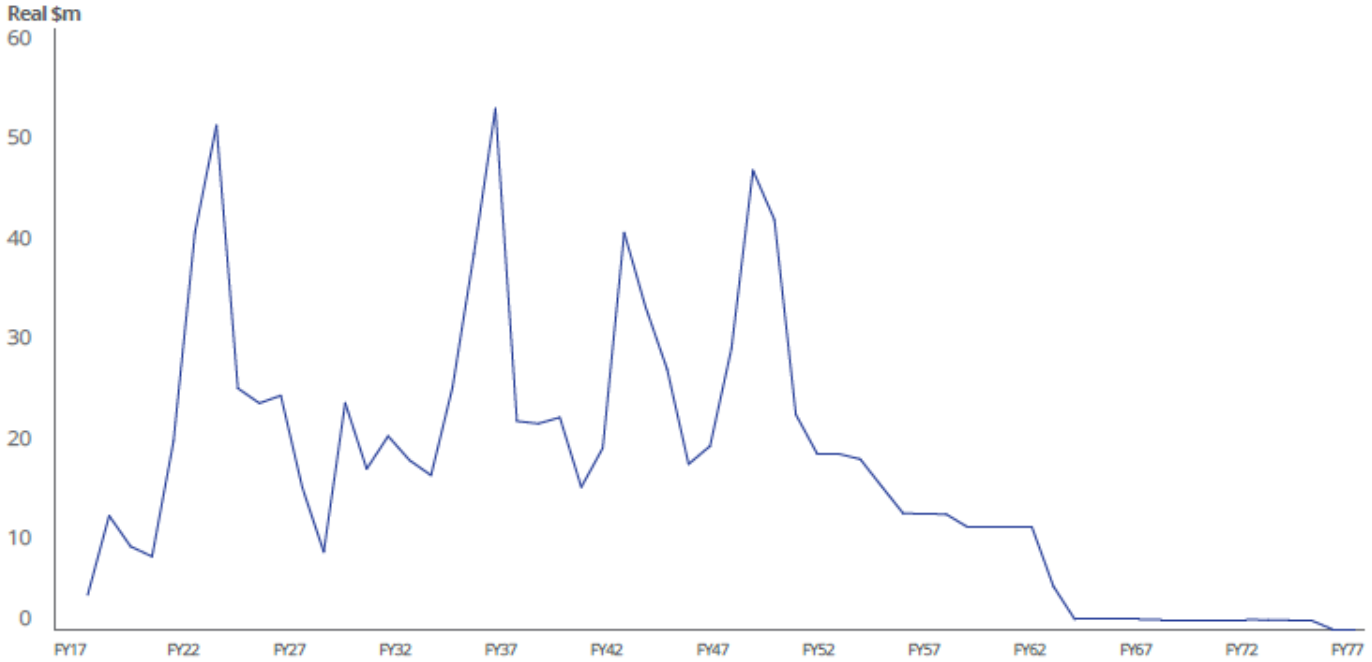
# Rehabilitation report

## Estimated rehabilitation costs by major site

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

# Rehabilitation report

## Estimated rehabilitation costs annual net cash flows



# Rehabilitation report

## The Transition Project

1. Phase 1: Technology suppliers and consortiums encouraged to provide proposals for the site

2. Phase 2:  AGL to conduct a series of information sessions

3. Phase 3: AGL to convene a review committee to assess proposals

4. Phase 4: AGL to perform detailed assessment of options

# Key public policy issues

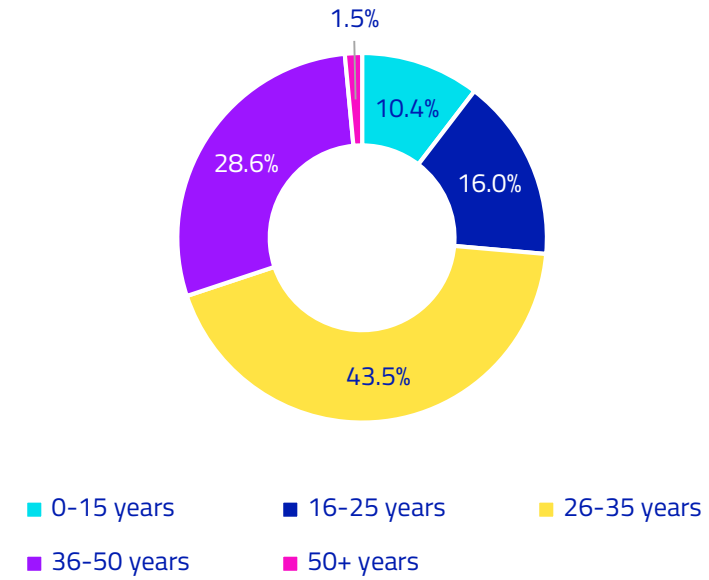
## Three key issues requiring attention

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

# Absence of durable and credible climate change policy

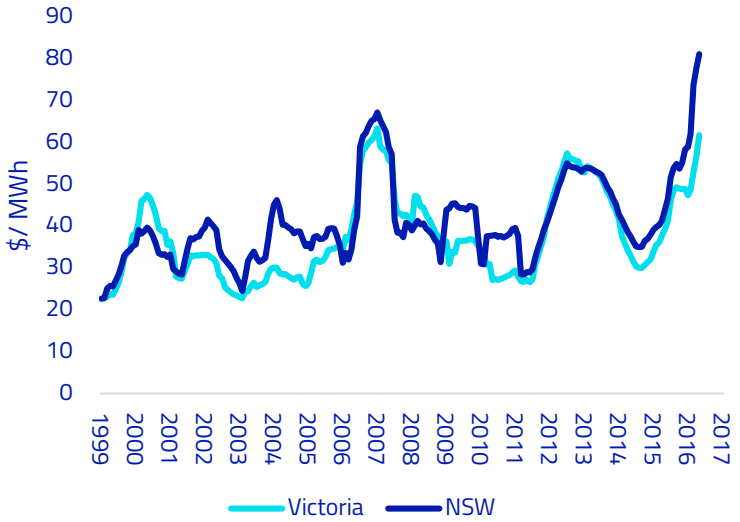
**A 'disorderly' transition to lower emissions generation has impacted prices**

## NEM thermal generation fleet by age




Source: University of Melbourne, 2014

## Rolling 12-month average electricity price since NEM formation




Source: AEMO

# Policy recommendations

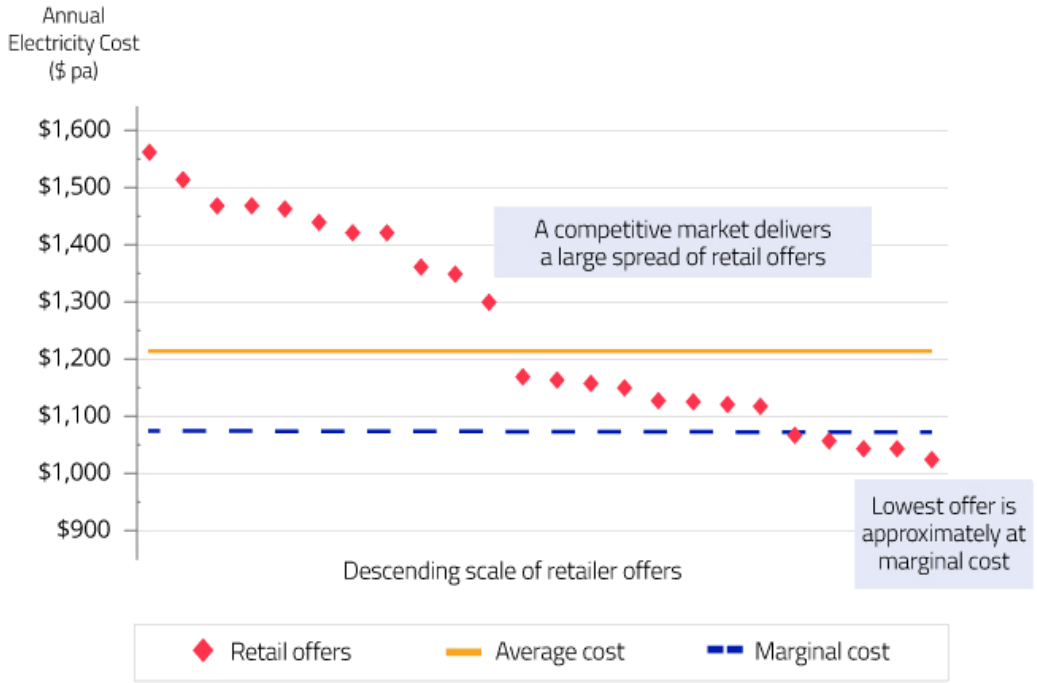
**Assuming an EIS or CET drives investment, what else is required to achieve wholesale market policy objectives?**

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

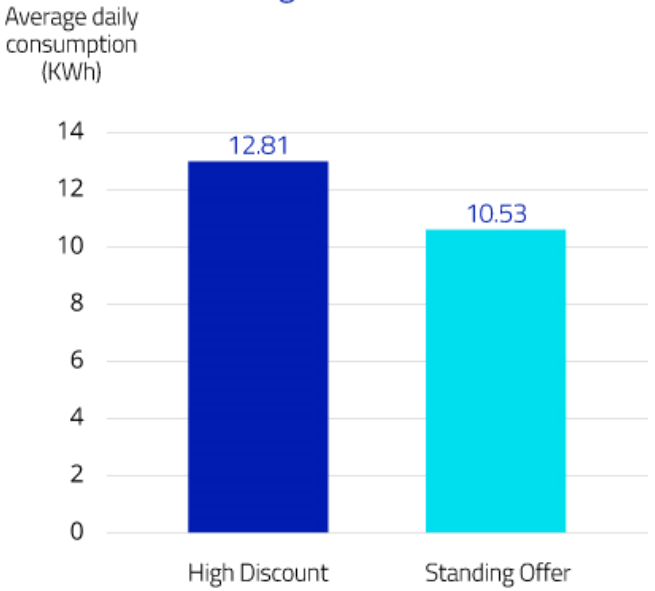
# The importance of retail competition

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

## Retail offers in the Victorian electricity market

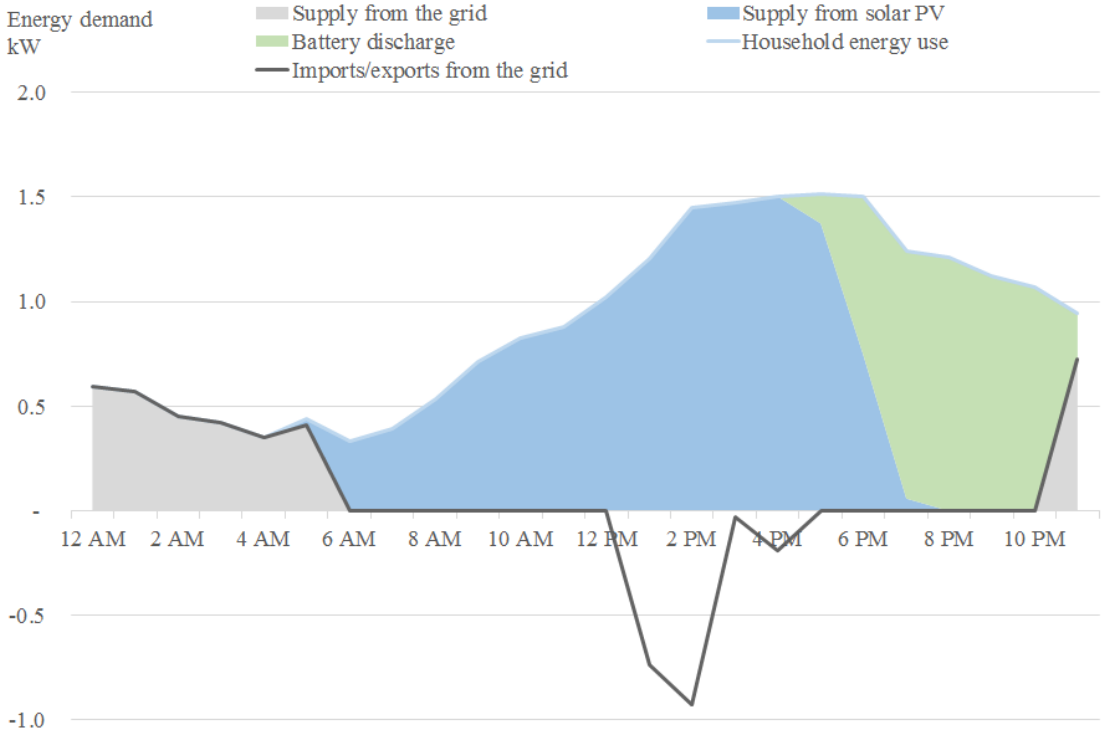



## High usage customers are accessing high discounts



# Renewables behind the meter

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



# AGL research

**Research available through the AGL blog and Research Gate**

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

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