

DELIVERING
ENVIRONMENT-FRIENDLY
FUEL

Envestra

SERVICING OVER
1.1 MILLION
HOMES AND BUSINESSES

INQUIRY INTO DOWNSTREAM GAS SUPPLY AND AVAILABILITY IN NSW

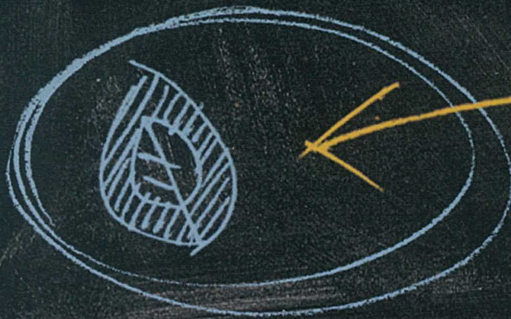
18 November 2013

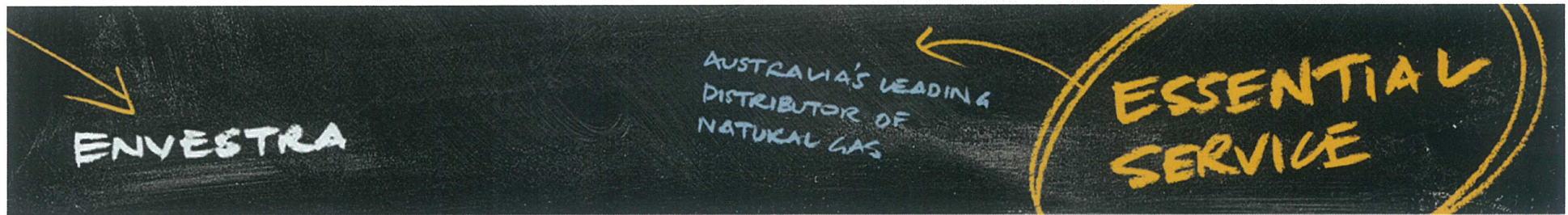
PRESENTED BY
CRAIG de Laine + Andrew
Stanford, Envestra Ltd
11:18am

**ANDREW STANIFORD
GROUP MANAGER -
COMMERCIAL**

**CRAIG DE LAINE
GROUP MANAGER -
REGULATION**

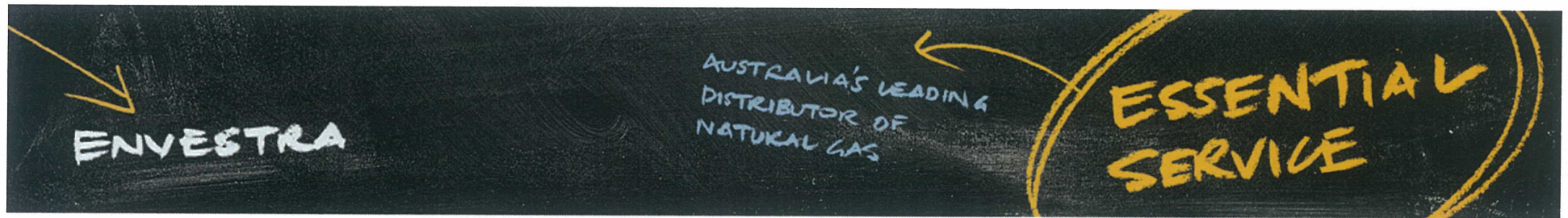
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Overview

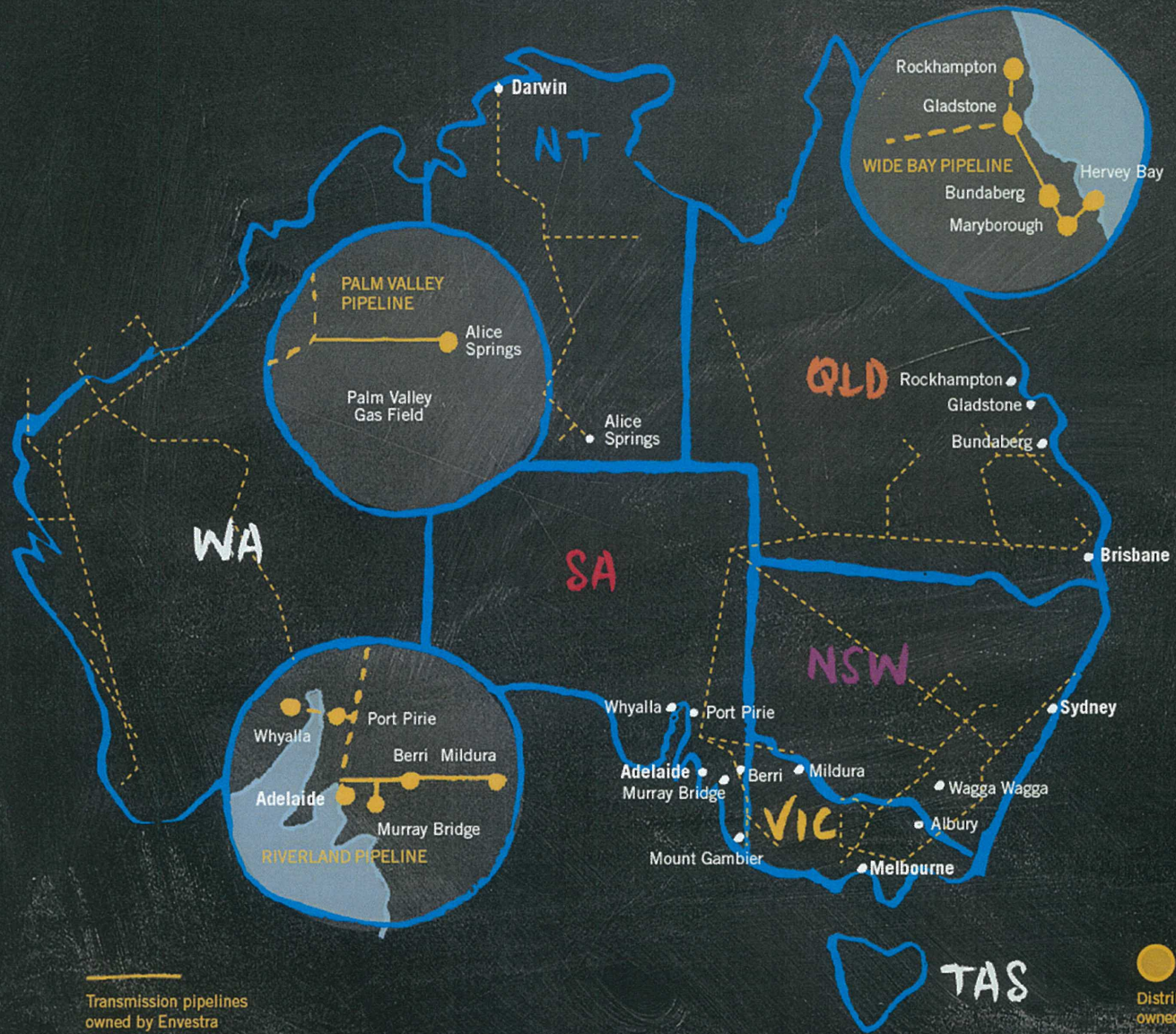
- Overview of Envestra
- Where we Operate
- Objectives of Envestra
- Regulation - Revocation of the Wagga Wagga Network
- Government Policy - Operation of Victoria's "Energy for the Regions Program"
- Government Policy - Impact of Government Policy
- Discussion



Overview of Envestra

- Australia's leading natural gas distribution business
- Publicly listed company with over 15,000 shareholders
 - APA Group (33%) and CKI (17%) are two largest shareholders
 - Enterprise value of \$3.8 billion as at 30 June 2013
- Our distribution networks serve over 1.1 million customers across south eastern and eastern Australia
- Currently own two small regulated networks in Albury and Wagga Wagga
- NSW networks account for around 5% of Envestra's total revenue

WHERE WE OPERATE



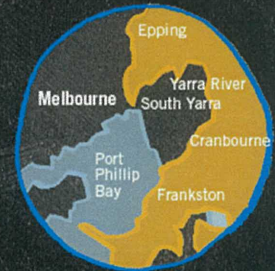
Transmission pipelines owned by Envestra

Distribution networks owned by Envestra

BRISBANE METROPOLITAN NETWORK

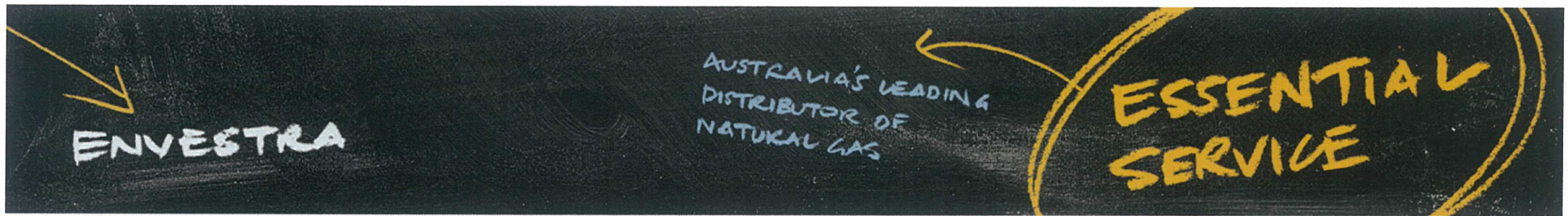


MELBOURNE METROPOLITAN NETWORK





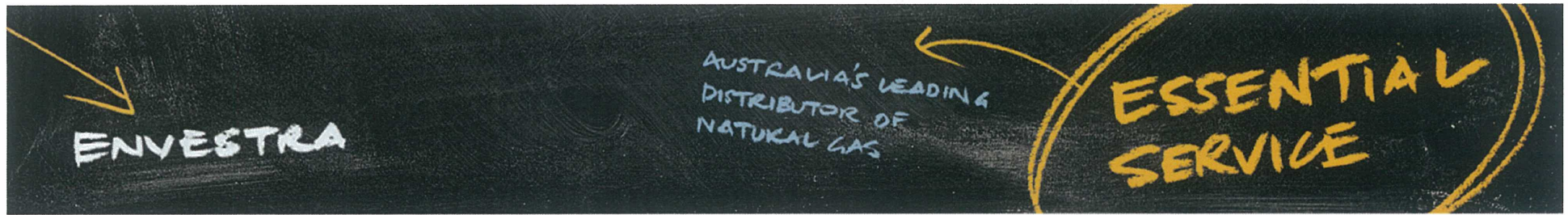
ADELAIDE METROPOLITAN NETWORK





Envestra's Objectives for its NSW business

- Fundamental Objective – Grow gas volumes distributed through the network
 - Increase connections
 - Increase the number of gas appliances used
 - Retain existing customers
- Higher volumes  lower average cost  lower energy bills
- Government policy can influence the potential to grow gas volumes
 - Regulation
 - Government programs



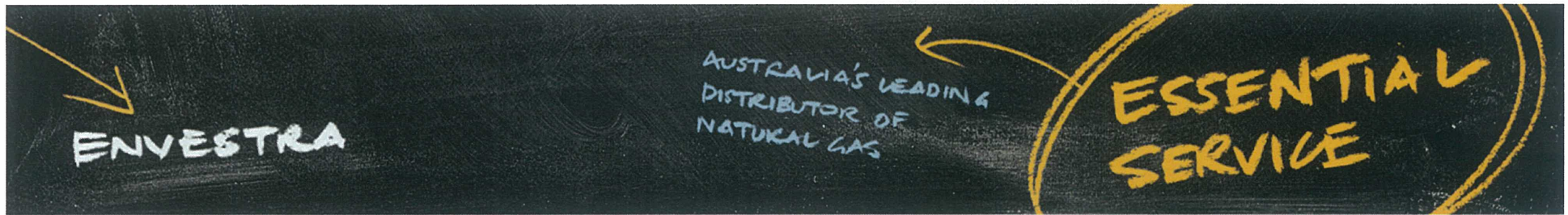
Regulation - Wagga Wagga Revocation Process

- Applied to National Competition Council to have coverage of the Wagga Wagga network revoked
- This primarily reflects that s. 15(a) of the National Gas Law not satisfied
 - Continued coverage will not lead to a material increase in retail competition (nor has it in the past)
- Market characterised by a lack of retail competition over past 10 years
- Also reflects strong competition from electricity in this region
- Benefits of revocation include:
 - Lower gas prices to consumers through the removal of “red tape”
 - Greater incentive to expand/develop infrastructure
- Currently awaiting decision from the Hon. Chris Hartcher MP



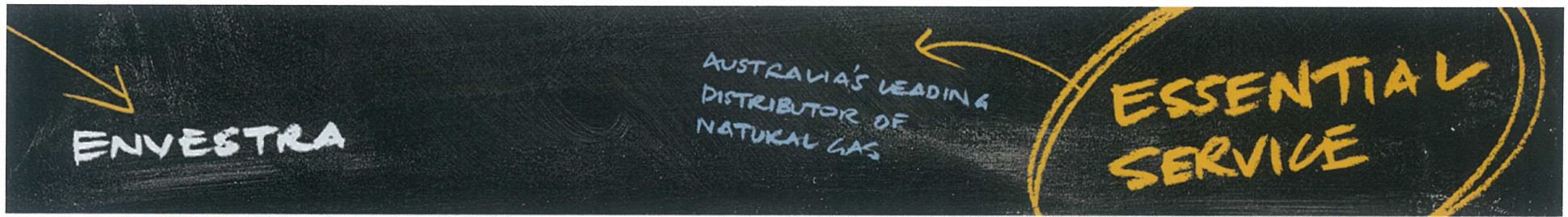
Government Policy – Victorian Energy for the Regions Program

- Victoria's *Energy for the Regions Program (EFRP)* provided \$100 million from the Victorian Government's \$1.0 billion Regional Growth Fund
- Aimed at overcoming barriers to gas network expansion, by directly contributing to gas infrastructure in regional areas
- Selected 12 priority towns. Envestra:
 - has already agreed to expand its Mildura network
 - is in advanced negotiations for 2 more towns
- The EFRP came after 2003 *Natural Gas Extension Program (NGEP)* – which saw Envestra extend its network to 8 Victorian regional towns
- Potential towns for reticulation in NSW: Deniliquin, Cobar, Tumbarumba, The Rock, Lockhart, Bega, Galong, Berrigan and Burongan



Government Policy - Initiatives to Increase Gas Consumption

- COAG RIS demonstrates benefits from phasing out greenhouse intensive water heaters
- Hot water provides a base load for gas networks that helps underpin investment in gas networks
- Propose reintroducing the phase-out of greenhouse intensive heaters where homes have access to natural gas:
 - Promotes environmentally sustainable growth;
 - Assists in reducing expenditure associated with meeting peak electricity demand; and
 - Significantly reduces the risk with expanding networks
- One example where more supportive policy can impact infrastructure provision



Discussion