

Attachment 6 – Strategy Presentation

AGN Licence Application



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Mount Barker Gas Reticulation Project

October 2016

Agenda

- AGN Vision
- Strategy
 - Phase 1 – LPG Reticulation
 - Phase 2 – Natural Gas Reticulation
- Customer Benefits
- Stakeholder Engagement
- Summary

Our vision

Our vision is to be the leading natural gas distributor in Australia...

Delivering for
customers



Public
Safety

Reliability

Customer
Service

A good
employer



Safety

Employee
Engagement

Skills
Development

Sustainably
cost efficient



Working
Within Industry
Benchmarks

Delivering
Profitable
Growth

...achieving top quartile performance on our targets

Strategy | Delivering Profitable Growth

- Consistent with our Vision of *delivering profitable growth*, we have identified the Mount Barker, Littlehampton and Nairne regions (the District) as suitable for gas reticulation
- Our strategy has two phases:
 - **Phase 1: LPG Reticulation (near term)** – LPG reticulation in the District
 - **Phase 2: Potential Natural Gas Reticulation (mid term)** – natural gas reticulation to the District and proximal demand centres via a new gas transmission pipeline and converting the LPG network to natural gas
- Phase 1 provides for growth in gas reticulation prior to investment in new gas transmission assets and supports Phase 2 by building gas load
- Phase 2 benefits all South Australian natural gas customers by spreading our largely fixed cost base over a larger number of gas customers, therefore reducing cost per customer
- Importantly Phase 1 (LPG) is a growth opportunity in its own right and is not contingent on a positive investment decision on Phase 2 (natural gas)

This strategy will be rolled out to other growth areas in Australia

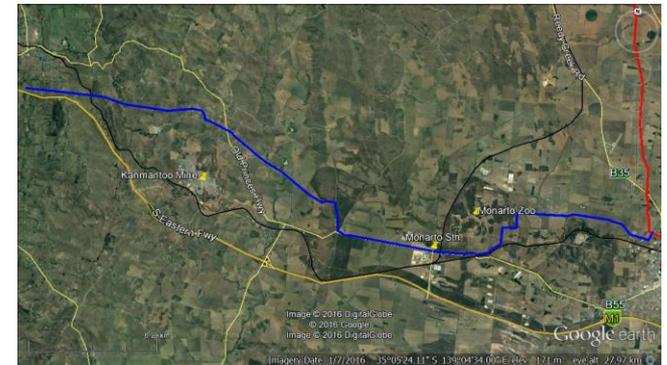
Strategy | Phase 1: LPG Reticulation

- We are proposing to reticulate LPG to the Mount Barker, Littlehampton and Nairne regions
- We have significant experience in the management of natural gas distribution and our operator, APA has significant experience in the operation and maintenance of natural gas and LPG networks
- Current work is focused on:
 - **Securing load** – to this extent we are currently in discussion with a number of companies developing residential estates in the District and have submitted a proposal to one development
 - **Obtaining a LPG distribution licence** – we are seeking a LPG distribution licence for the District from the Essential Services Commission of South Australia (the Commission) from 1 January 2017
- There is potential to convert this network to natural gas in the future and/or to expand over time to new regions



Strategy | Phase 2: Natural Gas Reticulation

- In parallel to developing a LPG network, we are progressing plans to extend the natural gas distribution network to the District
- We have considered eight natural gas pipeline options, with the preferred route being from Murray Bridge (SEAGas line), with offtakes at Monarto South and Kanmantoo
- We are about to enter the Front End Engineering and Design (FEED) phase:
 - August 2017: FEED complete
 - September 2017: Investment decision
 - End-2018: Pipeline complete
- Current work is focused on:
 - Completing FEED
 - Obtaining a pipeline licence from the Department of State Development (DSD) including applying for a preliminary survey licence and commencing field studies
 - Obtaining approval from the Commission to extend our natural gas distribution network to the District



Customer Benefits

AGN's proposed reticulation of LPG and natural gas in the District provides the following benefits to customers:

- Natural gas and LPG is a low carbon energy choice with significantly lower carbon intensity than electricity generated from coal
- The continued use of natural gas ensures a diversified and competitive energy mix (choice of energy supply and energy supplier), which can assist in putting downwards pressure on energy prices
- Diversification also increases the security of supply to customers
- Support for industrial projects which use natural gas as a key input
- The extension of AGN's natural gas distribution network would result in lower prices for all South Australians as our largely fixed cost base would be spread over a larger customer base

Gas reticulation is in the long term interests of consumers

Stakeholder Engagement

- We are committed to operating our networks in a manner that is consistent with the long-term interests of our customers, to ensure this occurs, we undertake stakeholder engagement
- During our recent engagement program, stakeholders told us that they:

"supported expanding and improving the network where there is a clear benefit to residents and businesses"

and

"are concerned about risking energy costs and control over their bill"

- Our proposed LPG reticulation and natural gas distribution extension is consistent with stakeholder feedback as it:
 - provides residents and businesses with a choice of fuel, noting that in general, increased competition puts downwards pressure on energy prices
 - provides businesses and industrial users access to a previously unavailable feedstock
 - should AGN proceed with the natural gas distribution network expansion, would result in lower prices for all South Australian's as our largely fixed cost base would be spread over a larger customer base

Stakeholder Engagement

Additionally, AGN's proposed extension of the network to Mount Barker has received broad support from the South Australian Minister for Mineral Resources and Energy

"The Government of South Australia has considered this proposal [AGN's proposal to extend its natural gas distribution network to Mount Barker] and considers that there are many benefits of extending the gas network into Mount Barker. Access to natural gas will allow Mount Barker residents to take advantage of an alternative low emission energy source for various applications including cooking, water heating and space and central heating. Natural gas can also be used for a wide range of commercial and industrial applications. Provision of natural gas in Mount Barker will offer residents and businesses greater choice and improve energy security."

Summary

- Consistent with our Vision, we are seeking to deliver profitable and efficient network growth
- The district of Mount Barker, Littlehampton and Nairne has been identified as a potential growth area for gas
- We have a two phase strategy to deliver gas to customers in the District: Phase 1 – LPG reticulation and Phase 2 – the long-term natural gas reticulation
- Phase 1 is a growth opportunity in its own right and is not dependent on Phase 2
- We are seeking:
 - From the Commission: a licence to distribute LPG and, in parallel, approval to extend our existing natural gas distribution network to the District
 - From the DSD: approval to build a pipeline from Murray Bridge (SEAGas line) to Mount Barker
- Growth in gas reticulation is in the long-term interests of consumers, including in relation to increasing competition and security of energy supply



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