
The background of the slide is a photograph of yellow and black striped safety barriers, likely at a construction or industrial site. The barriers are in the foreground, and the background is slightly blurred.

Regulatory Affairs

- South Australian and Queensland Access Arrangements underpin financial prospects
- Represent around 50% of the business
- Revenue up 55% in these States over next 5 years
- Annual increase in revenue of around \$23 million
- AER recognised impact of GFC on capital funding costs
- Submissions to AER resulted in improvements to:
 - WACC
 - Capital expenditure program
 - Operating costs
 - Future gas demand


 Envestra

1




Regulatory Affairs (continued)

- Four matters remain in contention – subject to legal appeal
- Matters of principle and substantial sums involved
- Victorian Access Arrangement submission due 30 March 2012
- Similar capital expenditure demands to South Australia
- Expect to seek tariff and revenue increases




2




Carbon Tax

- Expect to be implemented on 1 July 2012
- Envestra's annual emissions around 400,000 tonnes of CO₂e
- \$23/tonne Carbon Tax = \$8 per year for domestic consumers
- Expect to pass through to consumers under regulatory regime
- Carbon Tax may make natural gas more competitive vis-à-vis electricity




3




Carbon Tax (continued)

- Unhelpful / inaccurate comments comparing emissions from natural gas to coal
- Natural gas has a significantly better carbon footprint than coal fired generation
- Coal Seam Methane unlikely to have material impact on the superior emissions performance of natural gas
- Natural gas to play an increasing role over the next 20 years and beyond




4




Operations

- Networks performed admirably during floods in:
 - Queensland
 - Victoria
 - Southern New South Wales
- Operating costs up \$9M (8%) - \$6M relates to Country Energy
- Underlying operating cost increases held at 3%
- APA's Project LEAP delivering cost savings
- All networks operated reliably in 2010-11



5




Natural Gas Marketing

- Distributors (rather than retailers) promote natural gas
- Natural gas is a fuel of choice
- Funding allowed under regulatory regime to increase penetration and usage of natural gas
- Expanded marketing program delivering sound results
- 27,000 new consumers connected to networks in 2010-11

Make the connection

Visit: www.maketheconnection.com.au



6

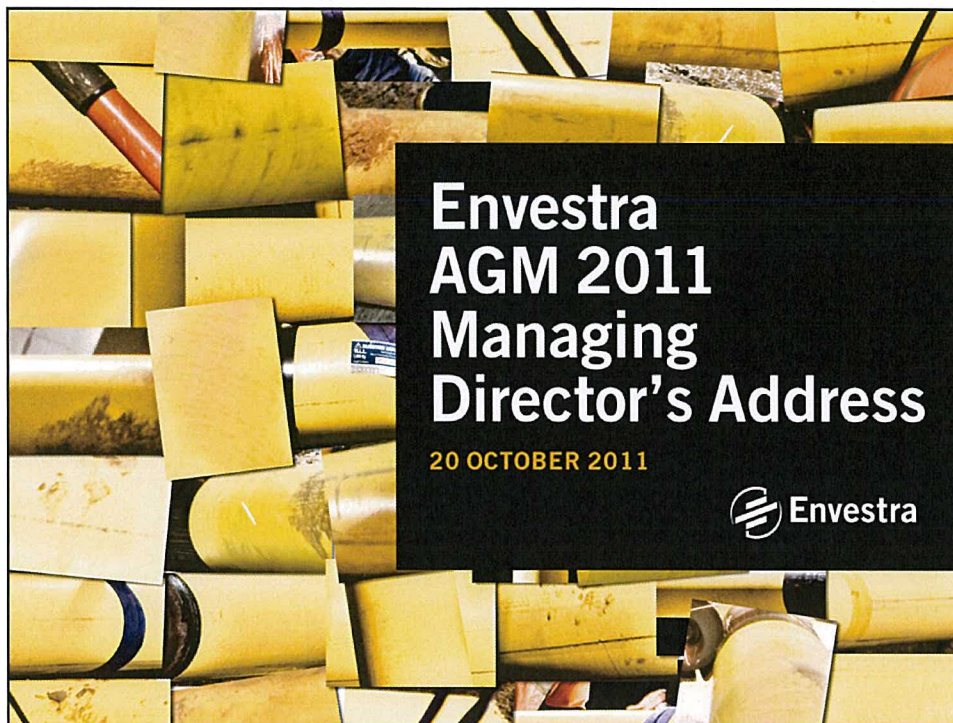


Strategic Direction

- Revenue growth dependent on network expansion, mainly in South Australia and Victoria
- Average consumption declining – but addressed via 5-yearly regulatory reviews
- Envestra to remain in “niche” segment of natural gas distribution
- Capital expenditure of \$200M in 2011-12
- Focus on regulatory regime – promoting appropriate balance between gas consumers and shareholders
- Improving credit rating




7



Envestra
AGM 2011
Managing
Director's Address

20 OCTOBER 2011

 **Envestra**