



The changing face of gas transmission services

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Eastern Australia's Energy Markets Outlook 2014, Sydney

18 September 2014



About APA Group

APA is Australia's largest gas infrastructure business

APA is an integrated operating business with direct management and operational control over its assets and investments

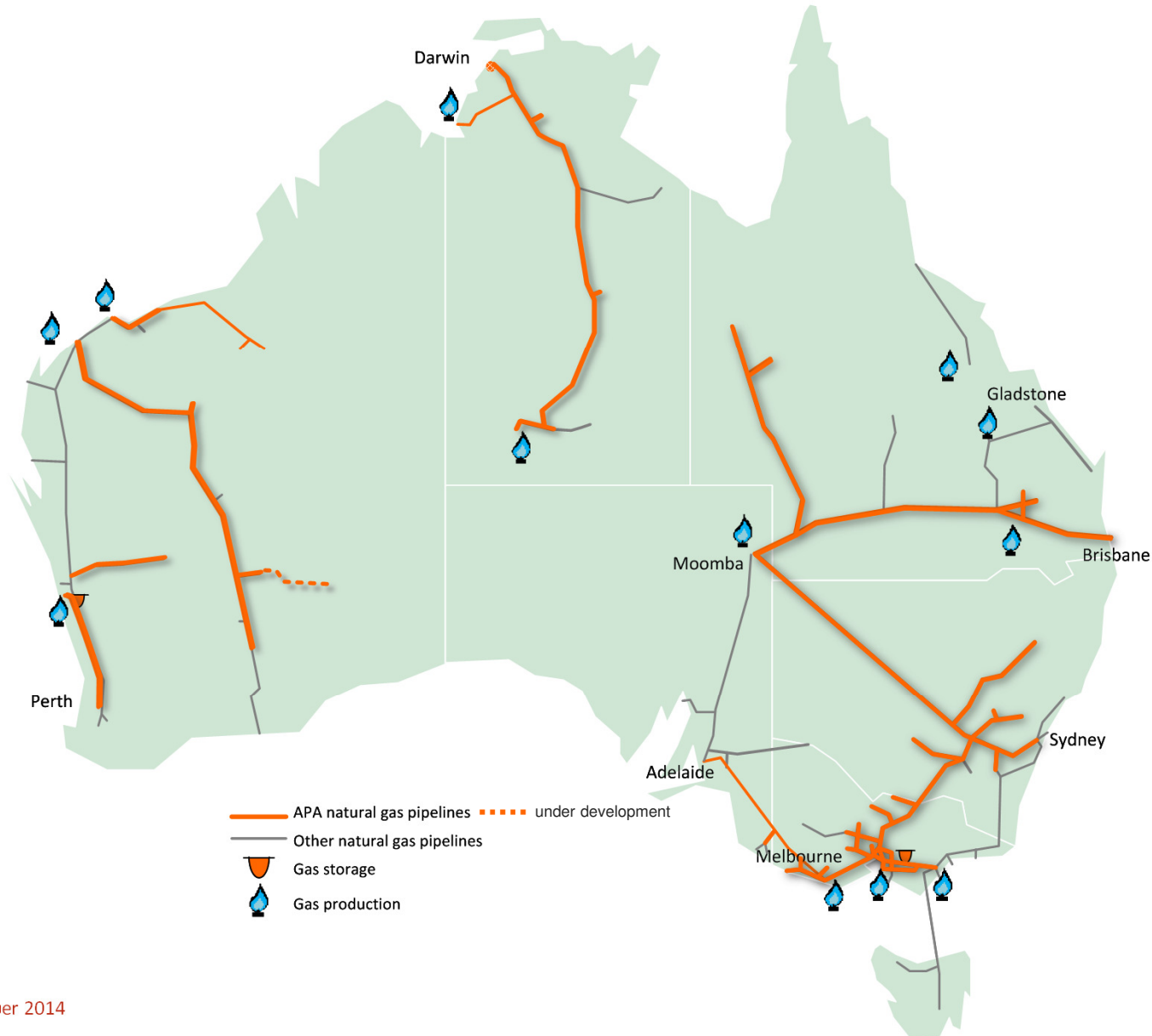
Core business areas

- **Gas transmission pipelines and storage**
 - Owning and operating two thirds of Australia's onshore pipelines
 - Interconnected pipeline networks
 - Transporting approximately half the gas used domestically
- **Gas distribution networks**
 - Operating approximately a third of the nation's gas distribution networks
- **Other related energy infrastructure**
 - APA has developed and acquired complementary energy infrastructure, including gas and wind electricity generation, gas processing and electricity transmission

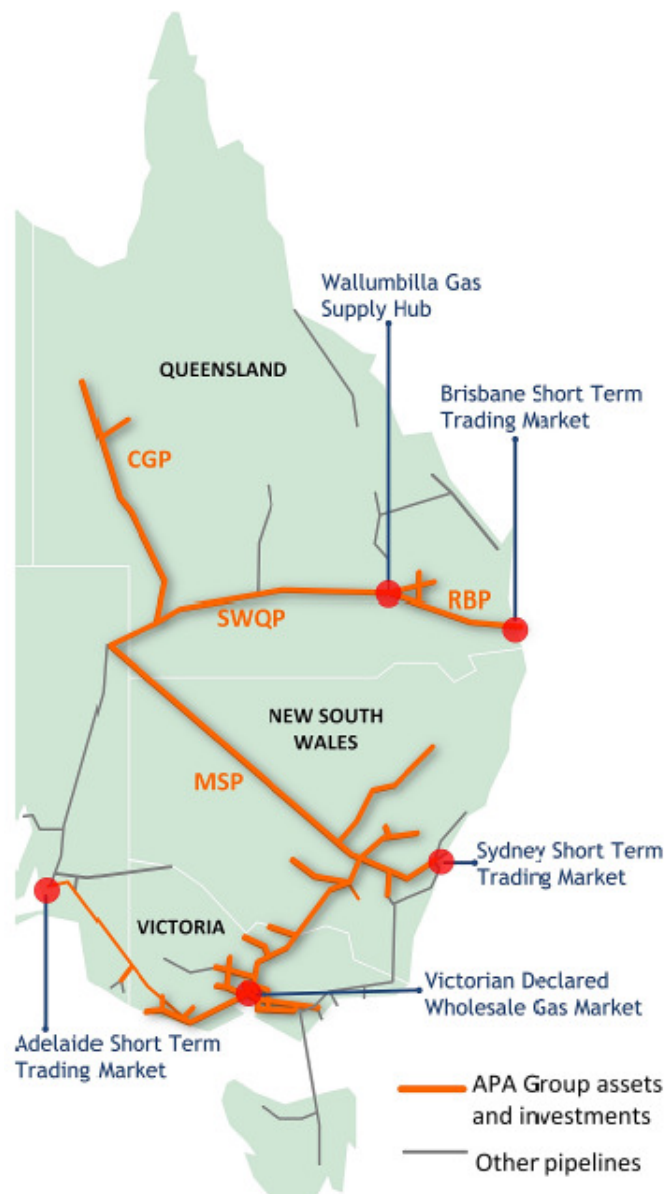
APA (September 2014)

Market capitalisation	A\$6.4 billion S&P/ASX 50 MSCI All World Index; FTSE All World Index
Assets owned/operated	Over \$12 billion Gas transmission 14,100 km transmission pipelines Underground and LNG gas storage Gas distribution 27,100 km gas network pipelines 1.3 million gas consumers Other energy infrastructure 430 MW power generation ⁽¹⁾ 239 km HV electricity transmission Gas processing plants
Employees	More than 1,600
Operator	Operator of APA's assets and investments

APA – Australia’s largest gas pipeline owner

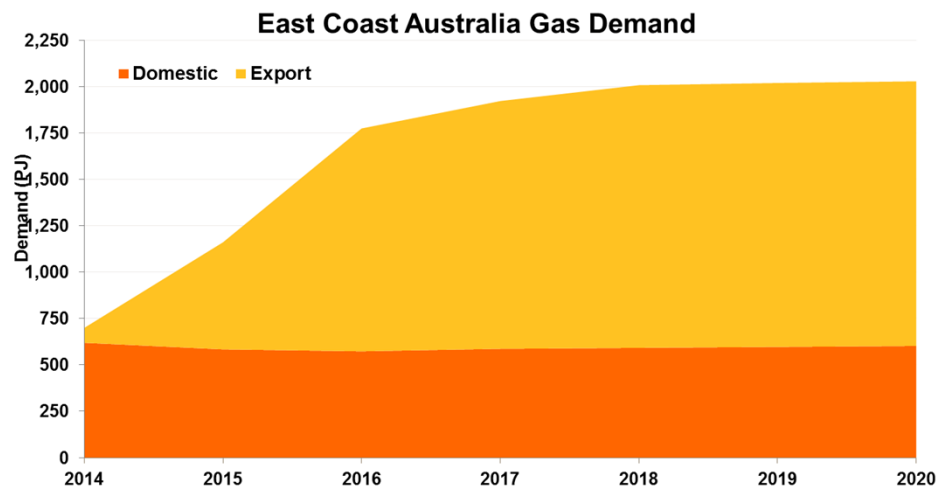


APA in eastern Australia



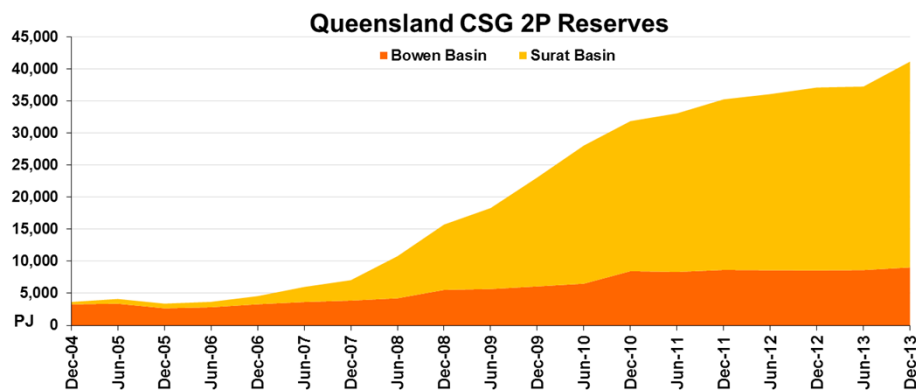
- > 7,000 km across 5 states and territories
- Configuration:
 - 5 interconnected APA Pipelines;
 - 98 Delivery Points;
 - 30 Receipt Points.
- Bi-directional flow:
 - Vic NSW interconnect - operational
 - SWQP, BWP - commissioning
 - MSP, RBP - under construction
- Configuring pipelines to operate as single network system

Eastern Australia gas market – supply challenges

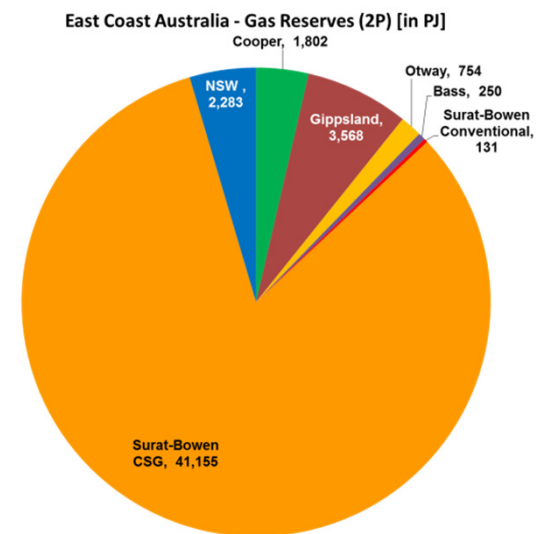


Source: AEMO Gas Statement of Opportunities Update, May 2014

- More than tripling of east coast demand due to LNG exports
- Supply sufficient for east coast demand for ~20 years
- BUT does not allow for any increase in demand, or any decline in reserves, or any demand beyond 20 years

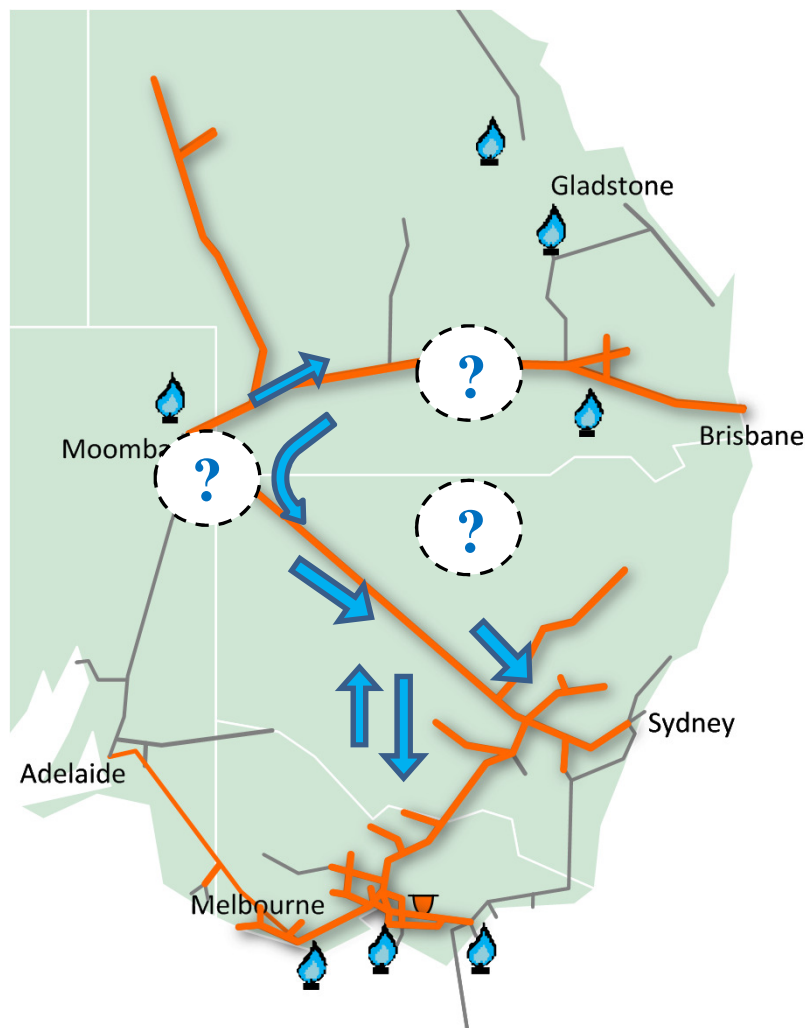


Source: Queensland Department of Natural Resources and Mines, Coal Seam Gas Reserves, update 1 July 2014



Surat-Bowen CSG reserves = 82.4% of East Coast 2P reserves

Gas market - changing dynamics



- Step change in gas demand
- Gas price linkage to global markets
- Diversified supply portfolios
- Changes in upstream contracting
- Changing outlook for gas-fired power generation
- LNG ramp-up & supply interruption
- Gas supply & demand hubs
- Shorter term arrangements
- Dynamic outlook

Changing gas market – customer requirements

- Portfolio optimisation
- Flexibility of moving gas from multiple supply sources to multiple markets
- New enhanced services e.g. load factor management
- Storage e.g. for peaking & security of supply
- Reduced complexity
- Bundled solutions, greater optionality

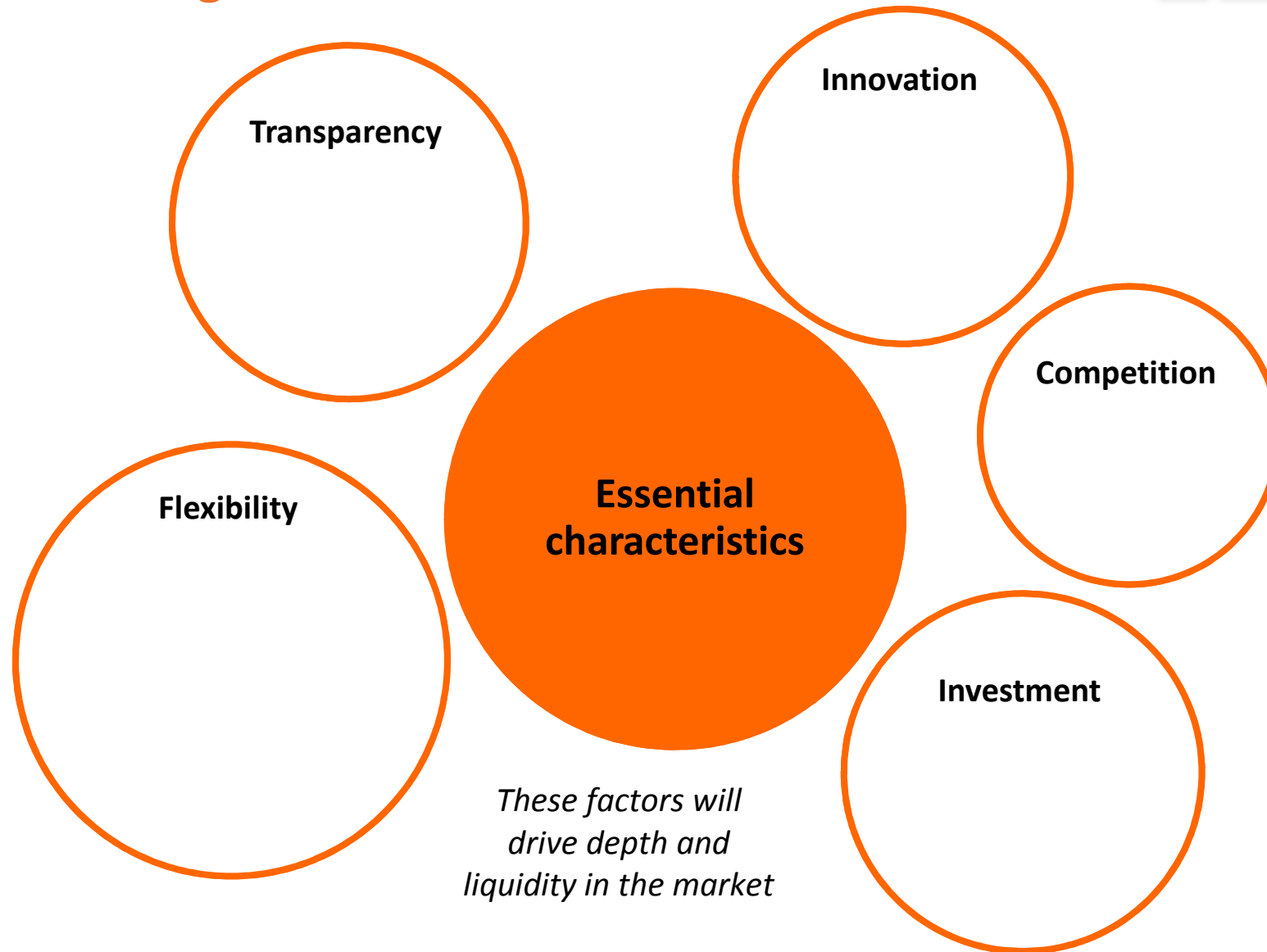
From few options ...



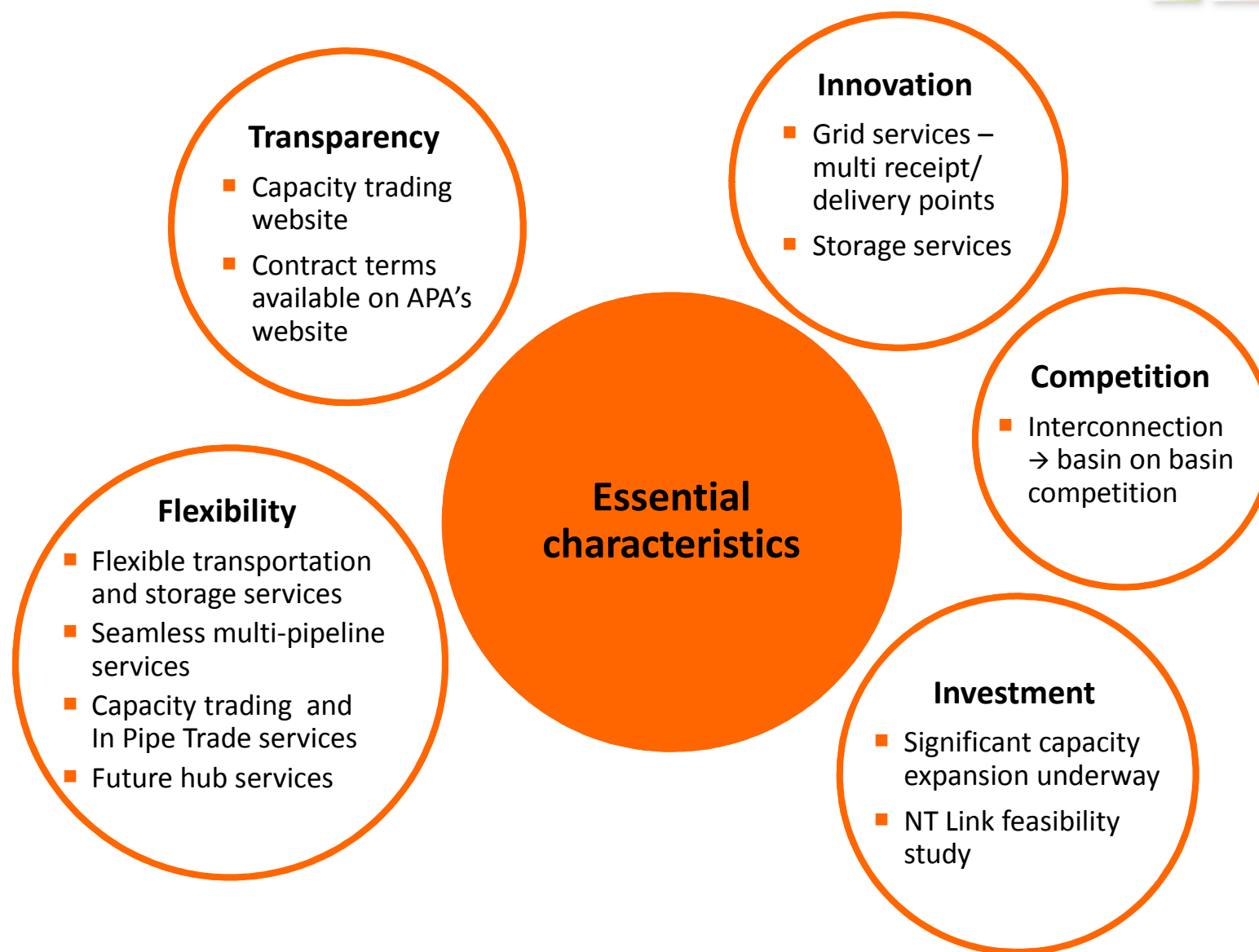
... to multiple options!



Essential gas market characteristics



Current APA activities and services



Transparency – information availability initiatives

- Currently published to Gas Market Bulletin Board
 - Pipeline capacity
 - Nominations (3-day outlook moving to 7)
 - Actual pipeline flows

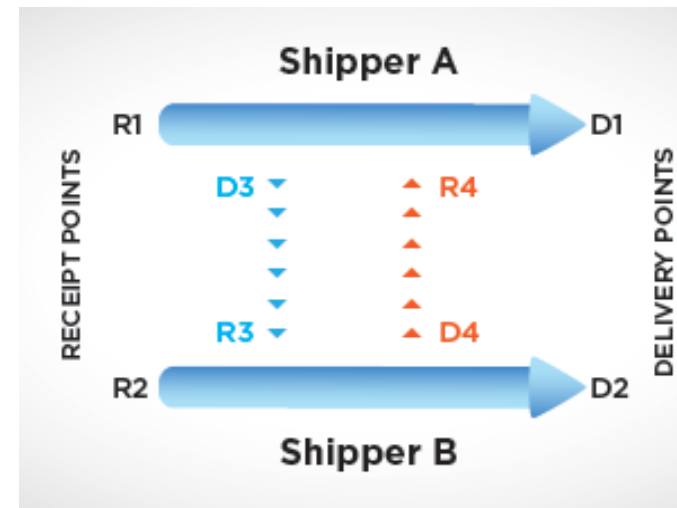
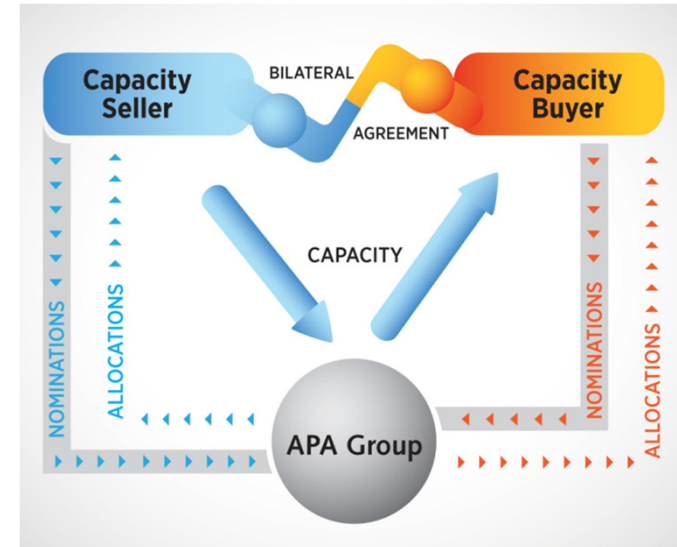
- Proposed* additional pipeline information availability:
 - Available firm (spare) capacity
 - List of shippers with contracts
 - Information on capacity trades
 - Aggregated receipt allocations
 - Early warning notices on Line-pack adequacy & any pipeline issues
 - Detailed pipeline schematics

* APA's submission on information provision and publication

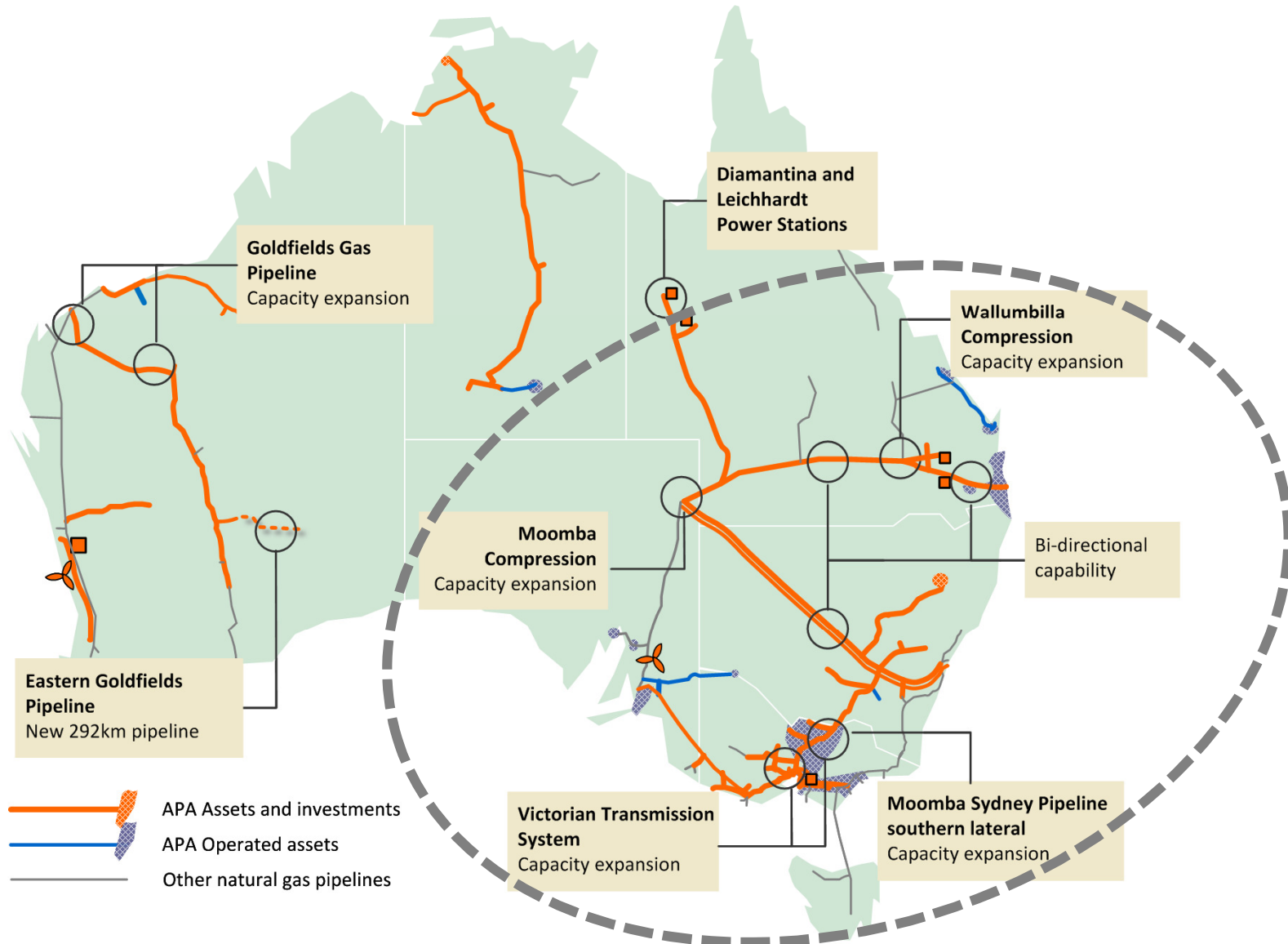
Flexibility - market based products & services

- Capacity trading service
 - Facilitates the secondary trading of firm transportation rights on APA’s systems
 - Reduced administrative burden and risk for seller
 - Increased confidentiality and options for buyer
 - Capacity Trading website: <http://capacitytrading.apa.com.au>

- In pipe trade service
 - Facilitates the transfer of gas commodity after it has been receipted into pipeline
 - Voluntary service
 - Increases options for Shippers to sell gas
 - Enhances liquidity at the Wallumbilla Gas Supply Hub

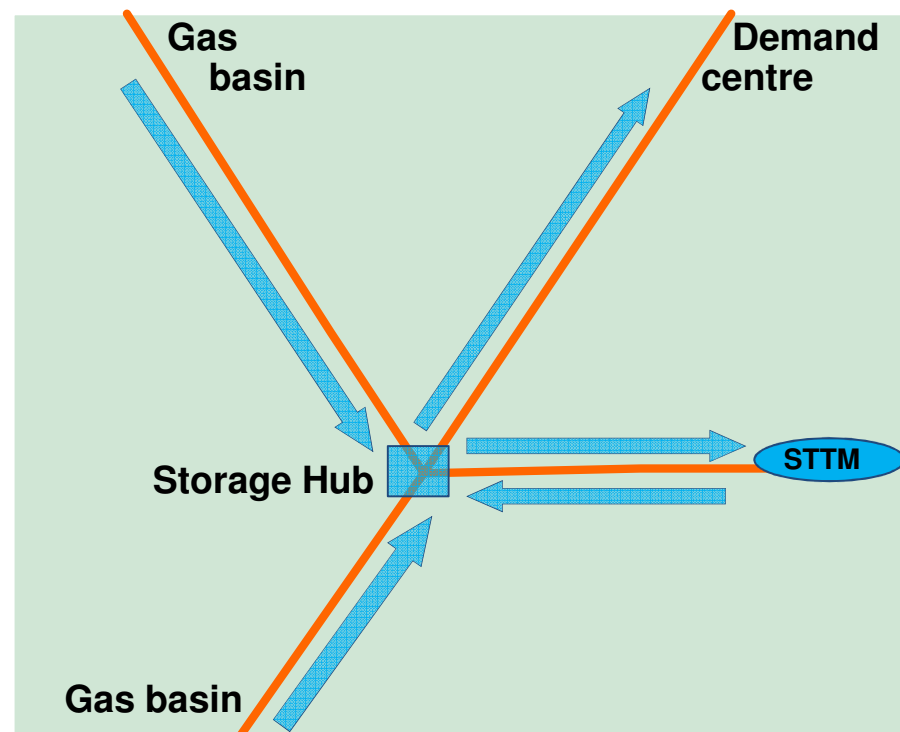


Investment - Eastern Australia growth capital projects



Innovation - responding to customer needs

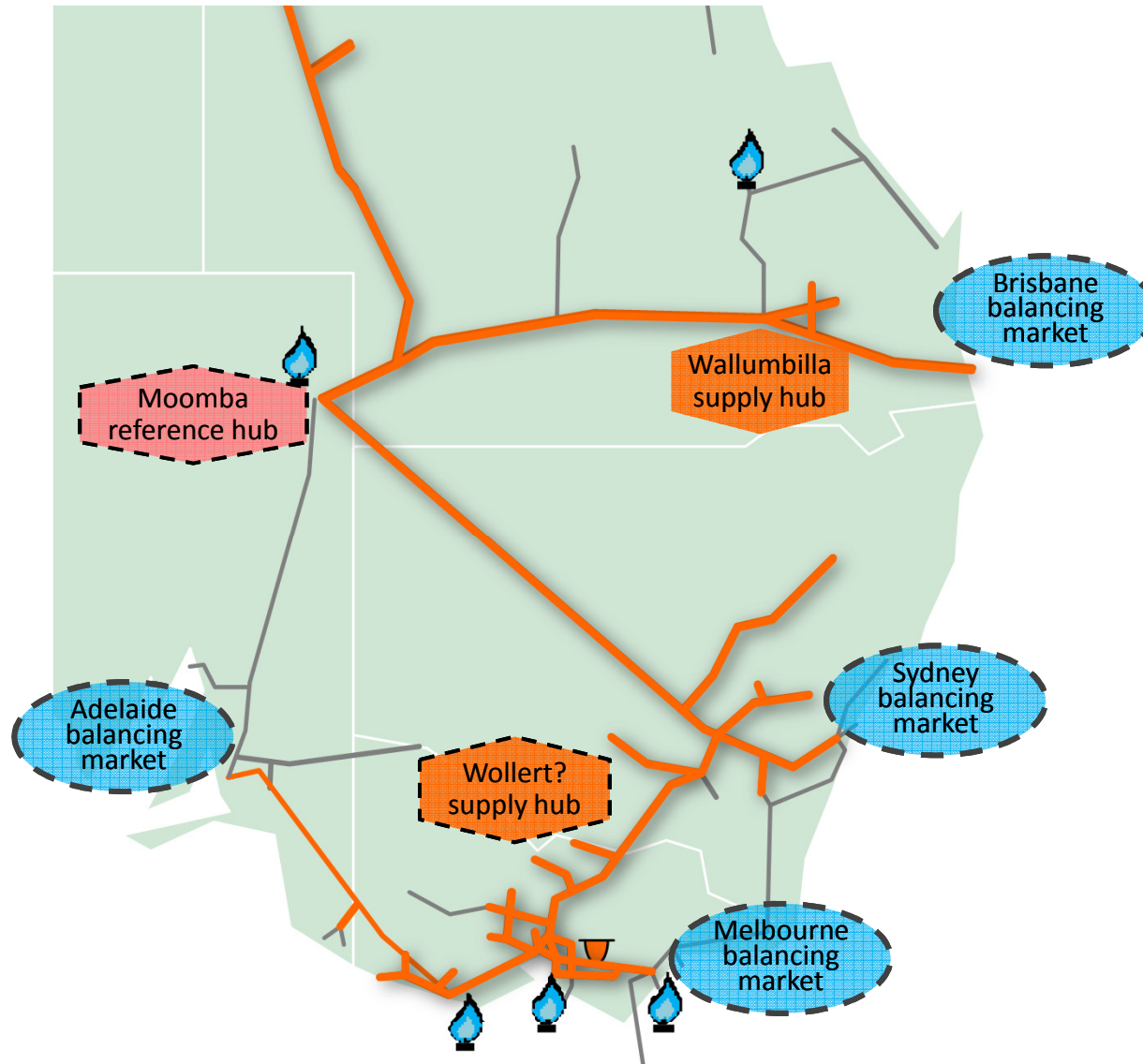
- Customer solution - integrated suite of services
 - Storage
 - Bi-directional transportation services
 - Mix of 'firm' and 'as available' services
 - Across multiple pipelines
 - Multiple receipt and delivery points
 - Delivery and receipt points at STTM Hub



Possible future market design?

- Gas commodity market
 - Voluntary gas supply hubs (GSH's)
 - New Victorian GSH, potentially also Moomba
 - Consolidate 3 nodes at Wallumbilla
 - Localised demand balancing markets
- Pipeline capacity market
 - Contract carriage model – supports firm capacity rights and **efficient investment**
 - Major expansions underpinned by long term primary contracts
 - Mix of long term and short term primary capacity contracts for available capacity
 - Secondary capacity trading providing **efficient utilisation**
 - Improved transparency around utilisation
 - Modified Victorian market (market carriage struggles to deliver investment, competition and innovation characteristics)

Possible future market design?



Conclusion

- Dynamic Australian gas market
- Significant drivers of future change & growth
- Existing infrastructure in place to deliver gas to all major markets
- Further capacity expansion in line with customer demand
- APA is responding to market changes with ...
 - innovative services and
 - greater information transparency

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