

Together we create
energy solutions



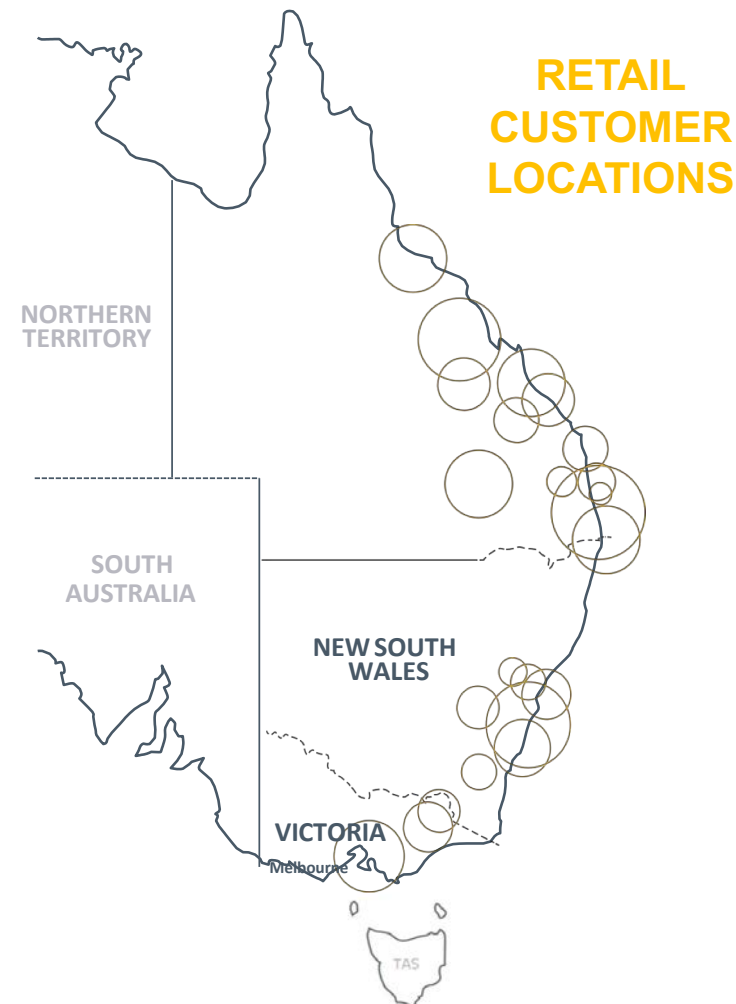
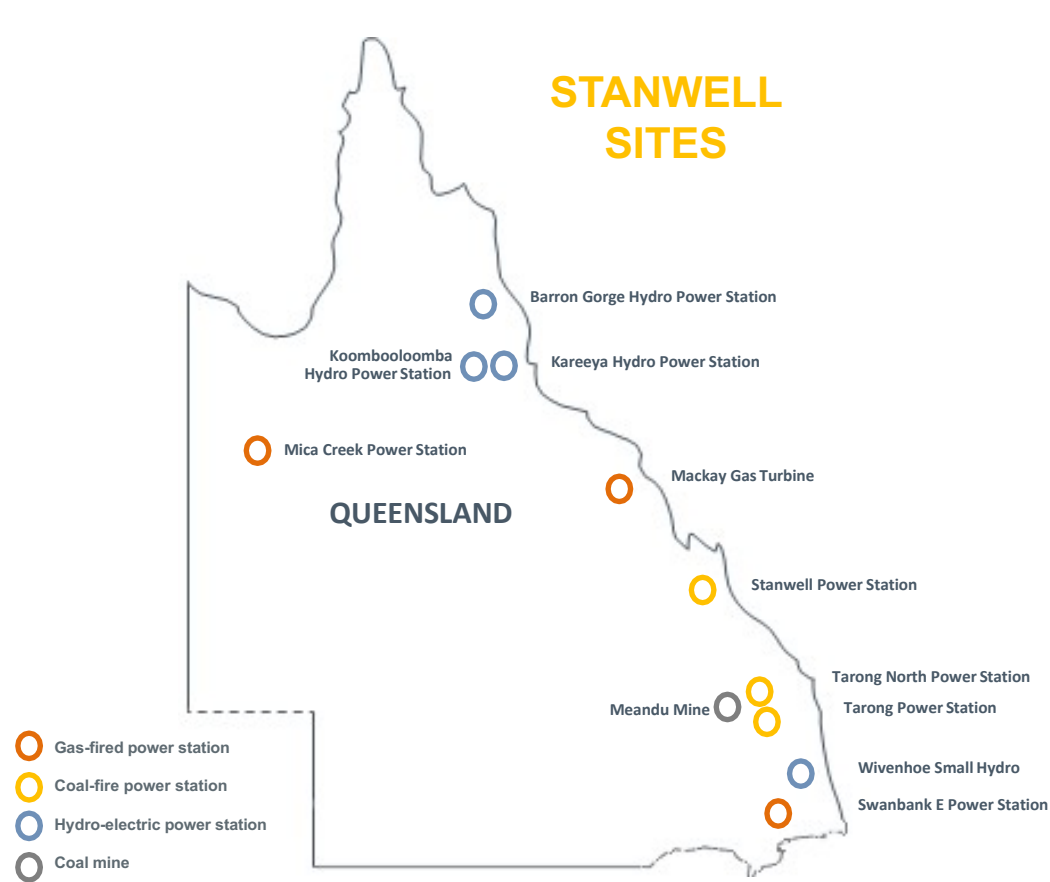
If the NEG is dead, what next?
1 November 2018



Stanwell's assets and customers

Stanwell Energy is the retail electricity division of Stanwell Corporation Limited, a diversified energy company.

Our Vision: *Together we create energy solutions*



Stanwell snapshot



685

EMPLOYEES

Regional jobs and support for local industry



10

POWER STATIONS

Diverse portfolio (age, fuel source and locations) that can flex to changes in demand



4,000_{MW}

GENERATION CAPACITY

One of Australia's largest generation fleets



96%

AVAILABILITY

Our power stations recorded world class availability in Quarter 1 2018



TWO

OF AUSTRALIA'S MOST EFFICIENT COAL FIRED POWER STATIONS

Helps in responding to changes in demand as more renewables enter the market



160_{MW}

OF GREEN ENERGY

Experienced owner and operator of renewable energy

Energy market insights

National Energy Guarantee = Reliability + Emissions



Policy



Plant



Prices

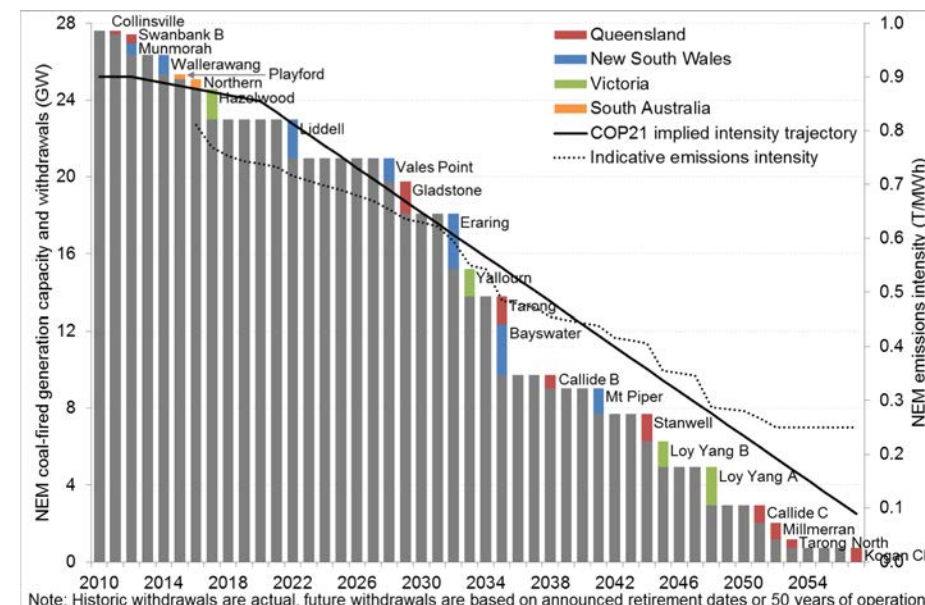


State renewable schemes help cut CO2 emissions: Kerry Schott

Oct 22 2018 at 7:26 PM
Updated Oct 22 2018 at 7:26 PM

"Australia has tried practically every emissions policy ever dreamt up and none of them has ever worked at a federal level. But what has been done is that an international agreement had been ratified and Australia has always kept its international agreements.

"So somehow or other, probably through the states doing their thing, we are going to meet that target. So that is in many ways a really important foundation for us to build on."



Matt Canavan's response to the Business Council of Australia's proposed energy policy

The Australian Financial Review

Coalition accuses business of trying to replace voters

12 October 2018

“We have a way of resolving fraught political disputes in Australia, it's called democracy, and I don't think the corporate sector is a replacement for democracy. I don't think some kind of corporatocracy or technocracy is a better outcome than democracy.”

Energy market insights

Seven prime ministers in 11 years

Prime Minister



March 1996
To
Dec. 2007



Dec. 2007
to
June 2010



June 2010
to
June 2013



June 2013
to
Sept. 2013



Sept. 2013
to
Sept. 2015



Sept. 2015
to
Aug. 2018



Sept. 2018
to
present

Carbon price? CPRS?

Carbon tax.

“Axe the tax” NEG?

NEG is “dead”

Opposition leader



Dec. 2006
to
Sept. 2007



Dec. 2007
to
Sept. 2008



Sept. 2008
to
Dec. 2009



Dec. 2009
to
Sept. 2013



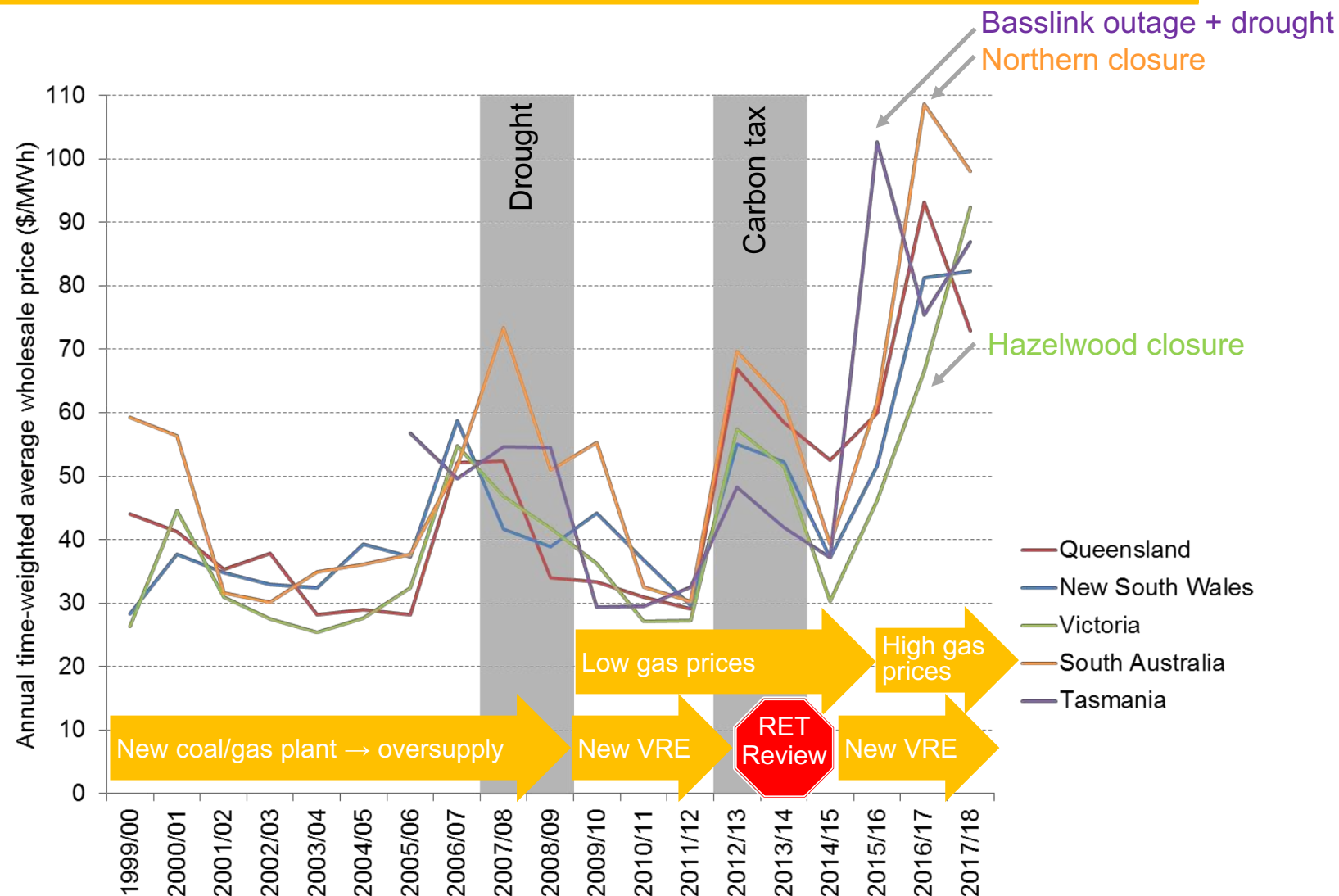
Sept. 2013
to
Oct. 2013



Oct. 2013
to
present

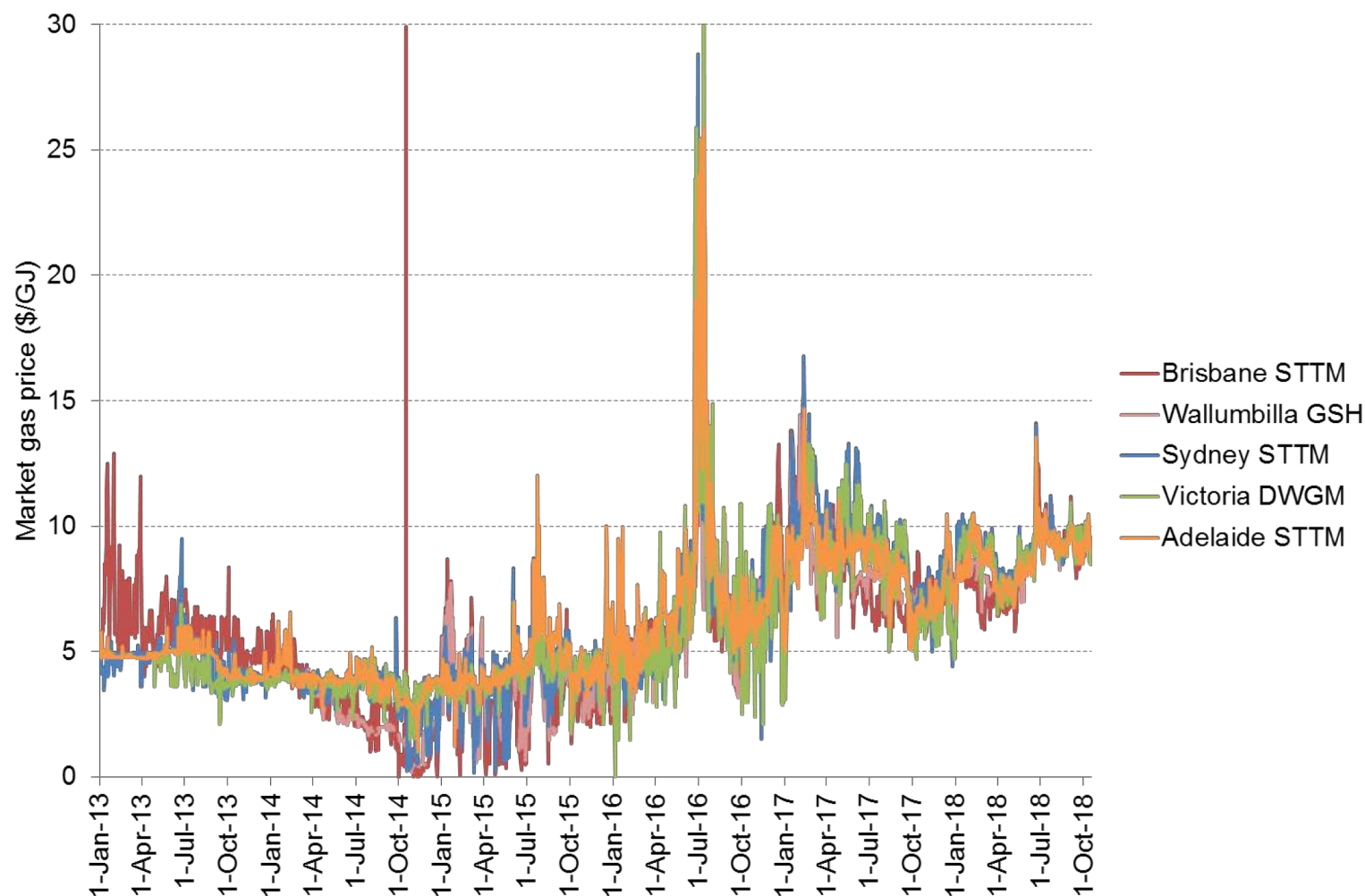
Energy market insights

Wholesale electricity market drivers have changed



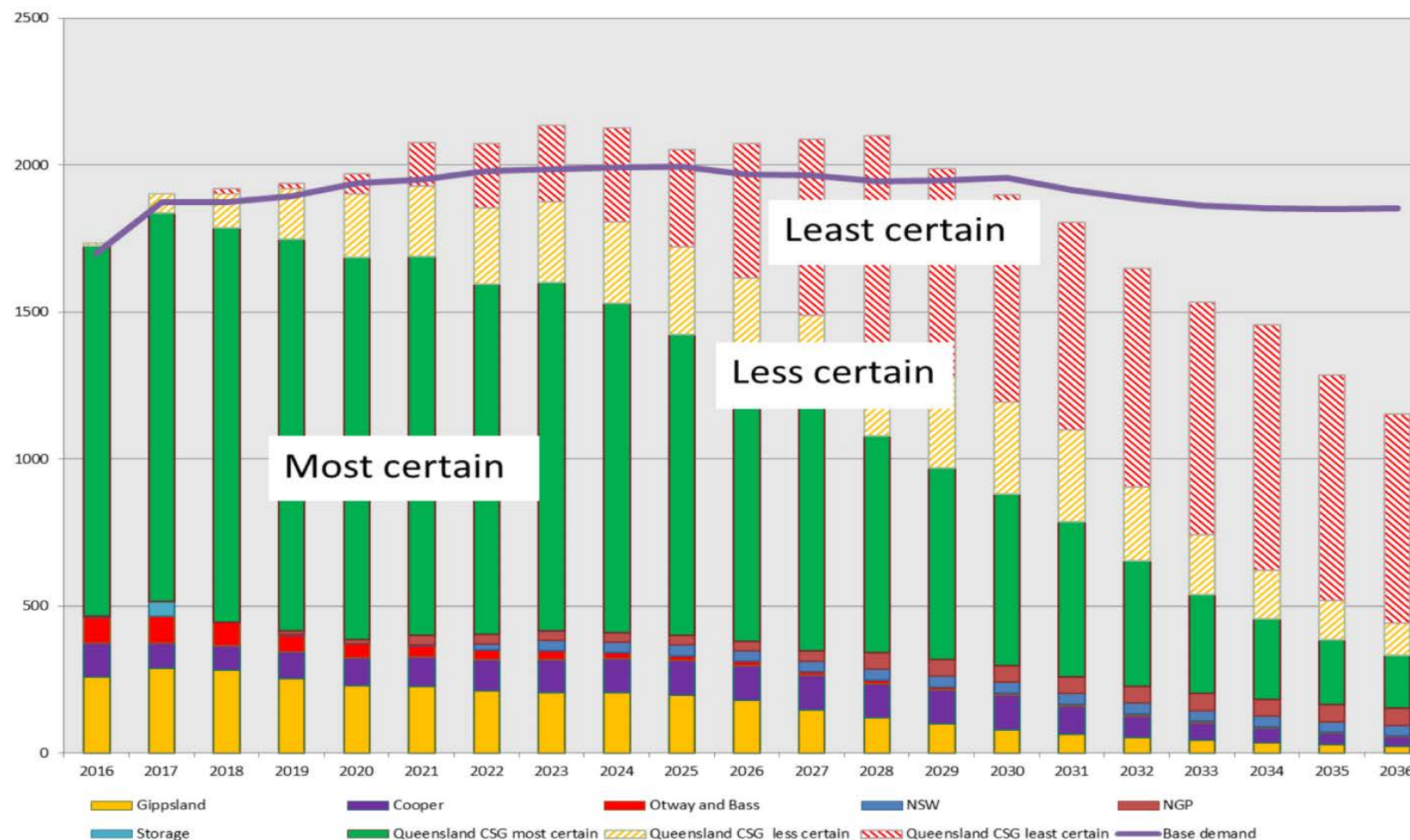
Energy market insights

Gas prices have increased from the ramp gas prices of 2014 and 2015



Energy market insights

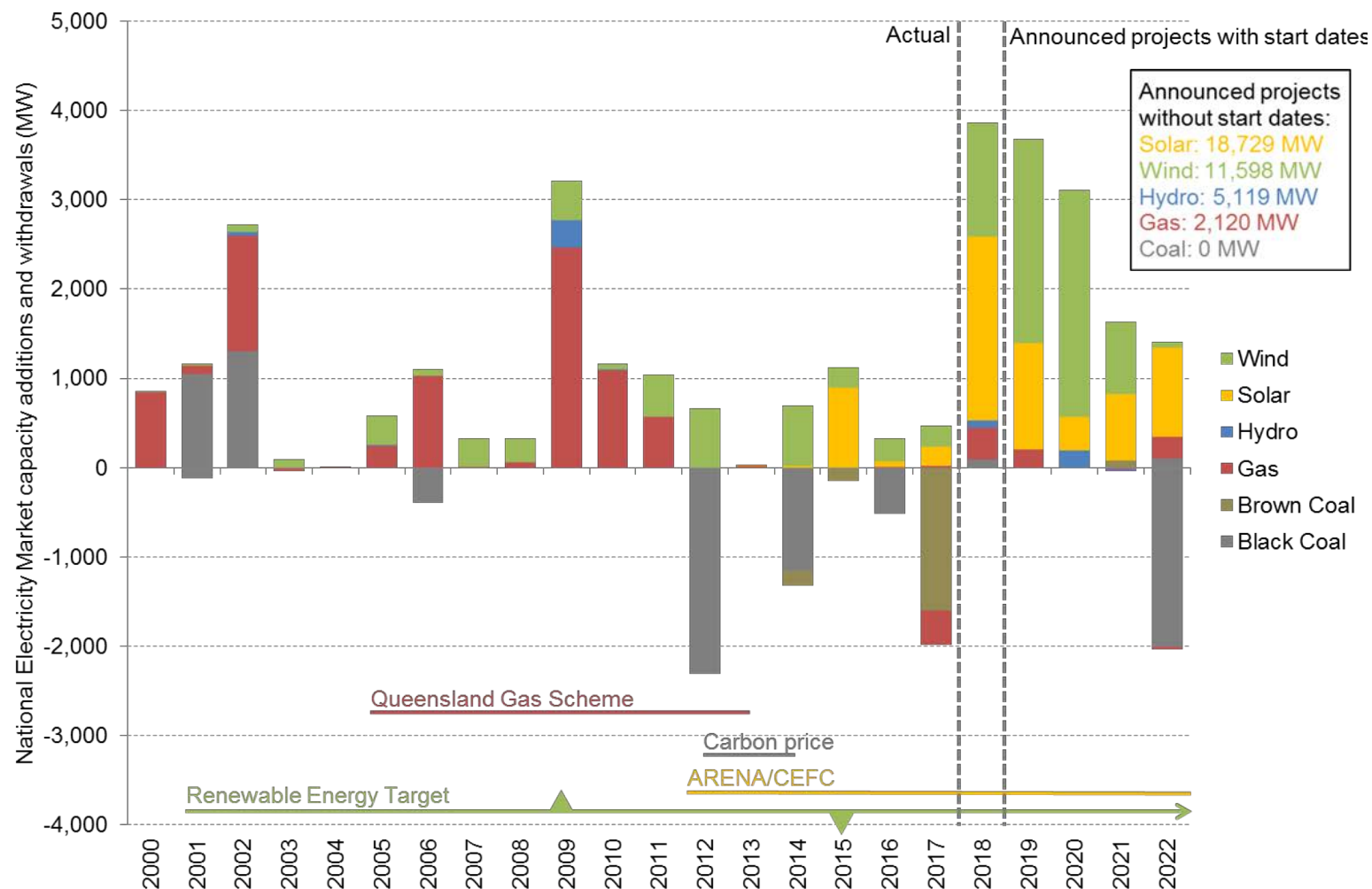
Higher cost of extraction + higher risks = higher gas prices in the future



- Future east coast gas production is dependant on more uncertain gas to meet demand.
- This will result in generation being constrained, resulting in a further tightening of supply and demand in the electricity market.

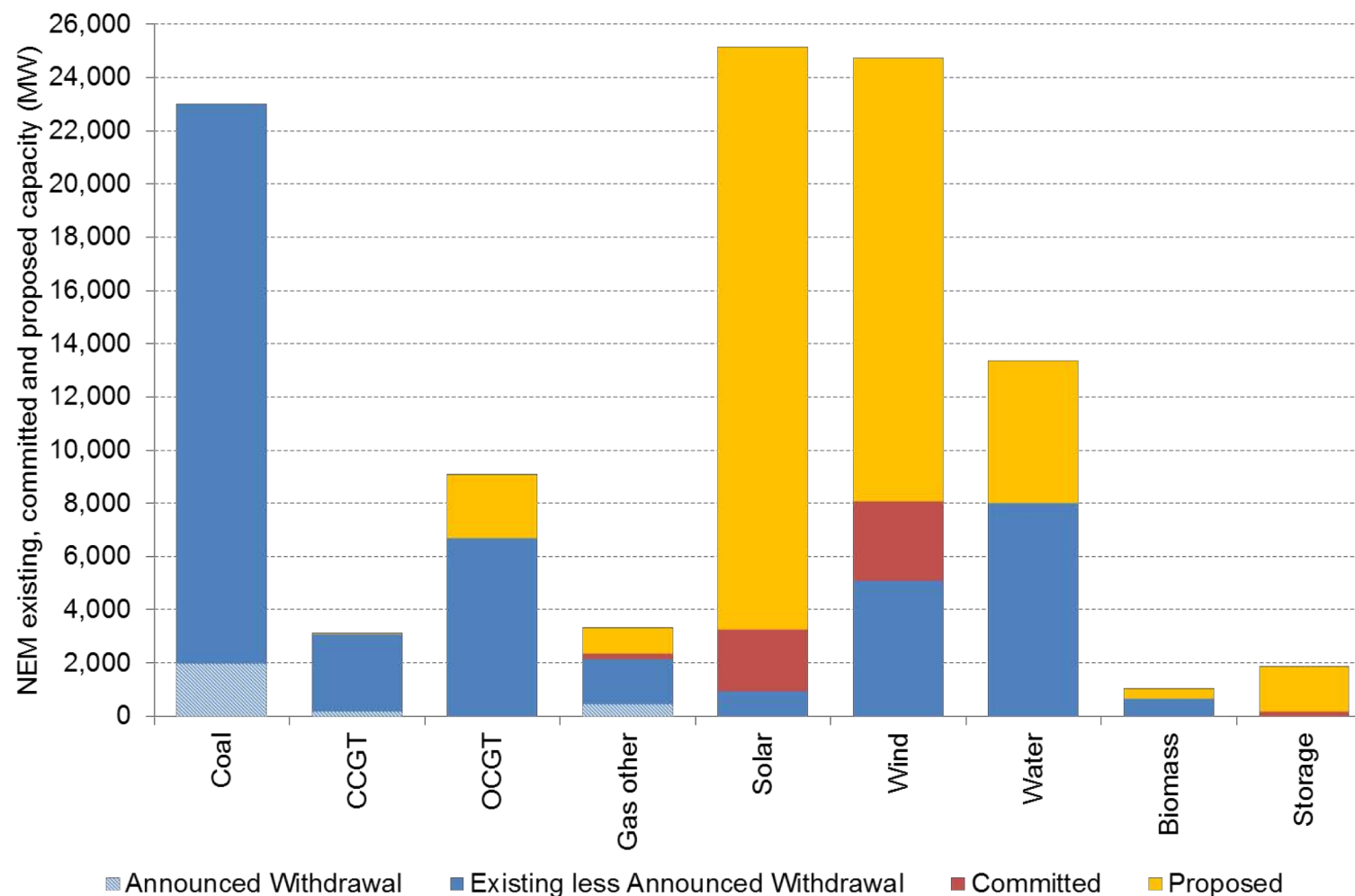
Energy market insights

New capacity additions in the NEM now almost entirely renewables

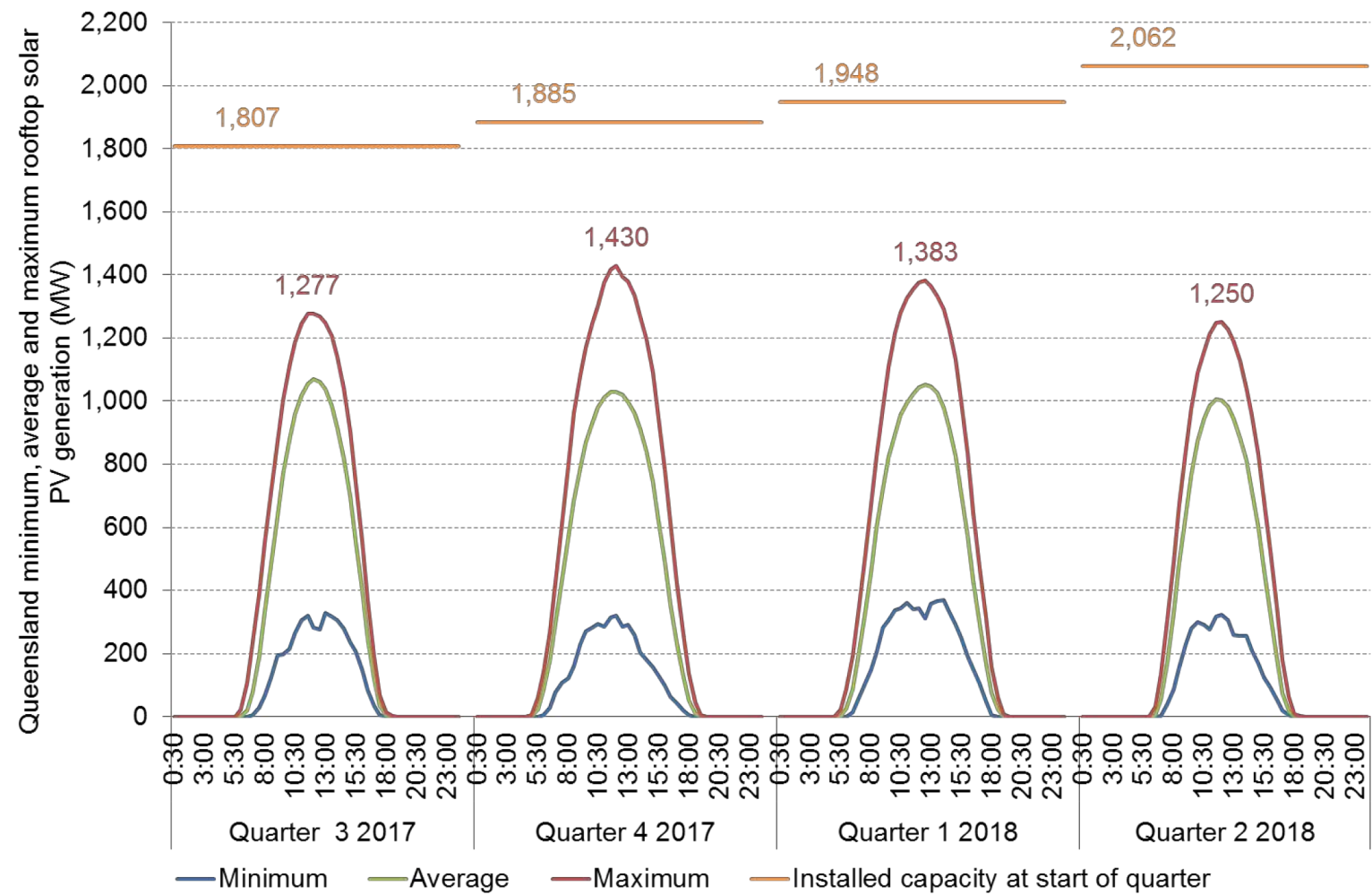


Energy market insights

Volume of potential new renewables exceed existing coal and gas capacity...

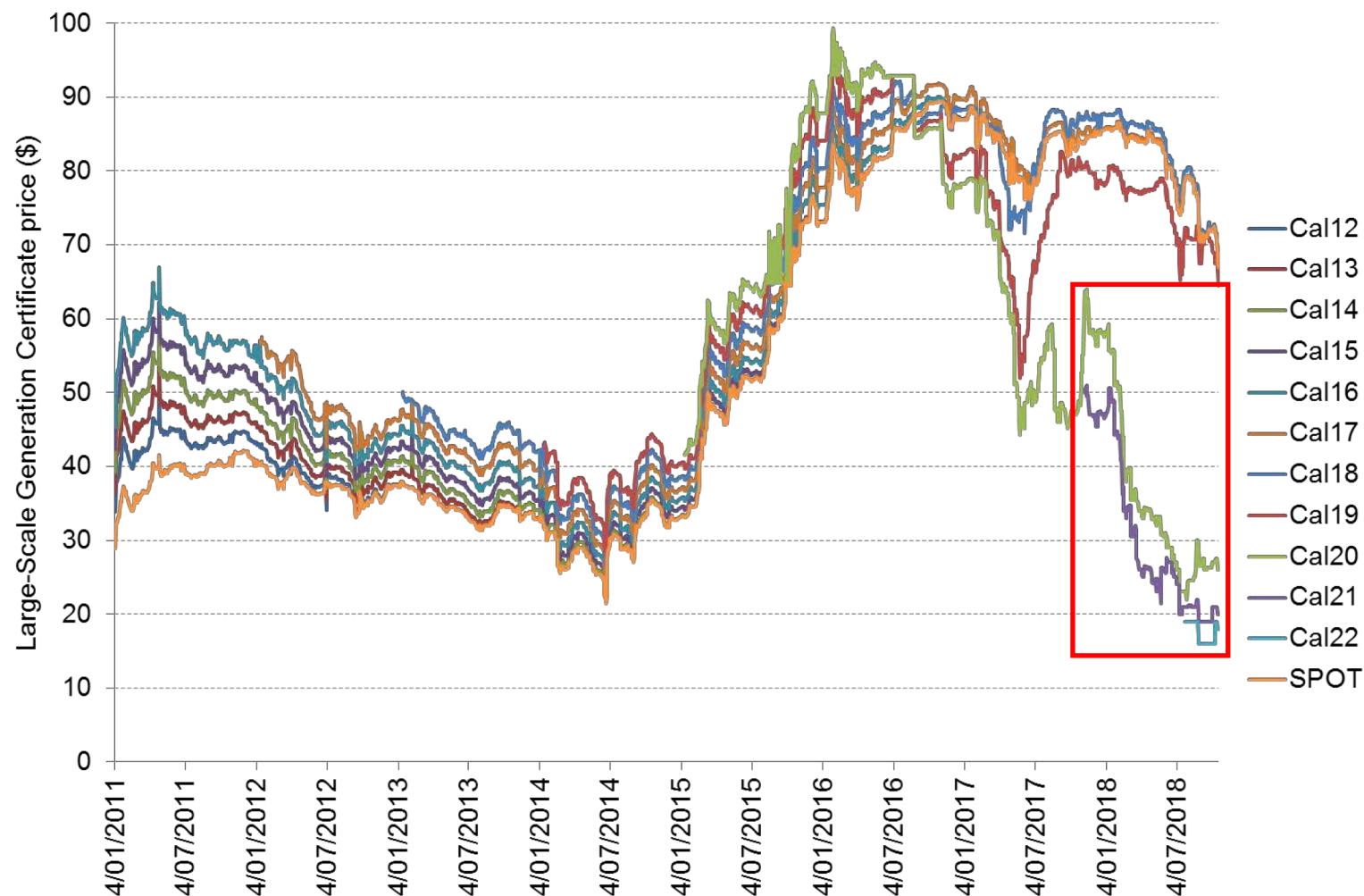


...but unfirmed renewable generation has relatively low capacity factors



Energy market insights

Future renewable energy projects not bankable on LGCs



Future outlook

Increased contract market liquidity will benefit energy users, small retailers

- A Market Liquidity Obligation (MLO) was first proposed by Energy Security Board as part of Reliability Guarantee.
- The ACCC subsequently recommended a similar obligation to apply in South Australia (and possibly to other regions in the future).
- Under an MLO, large generators “make a market” by making offers to buy and sell a specified volume of hedge contracts, with a limited spread, each day.
- Stanwell believes an MLO will deliver improved outcomes for customers by providing price transparency, liquidity and access to contracts for new entrant retailers.

Future outlook

Increased transparency of new projects will benefit new and existing projects

- The market does not currently have adequate transparency of new projects.
- New generation capacity can have a sizeable impact on AEMO's forecasts, e.g. RERT and Marginal Loss Factor.
- Many small renewable energy projects can have a large cumulative impact on the outlook for the market.
- Stanwell supportive of a rule change to increase new project transparency. Market participants can accommodate new projects under development in their business decisions.



Future outlook

Increased transparency of new projects will benefit new and existing projects

Electricity Statement of Opportunities 2017

- ...only approximately **1,331 MW** of scheduled and semi-scheduled capacity currently meets AEMO's commitment criteria and is included in the Committed and Existing generation pathway...

Electricity Statement of Opportunities 2018

- In total, ESOO modelling included over **5.6 GW** of committed generation and storage capacity, and existing generation upgrades. Most of these projects are additional to what was considered committed in the 2017 ESOO.



Future outlook

Long term deals provide certainty for energy users and retailers

- Market participants cannot wait for national energy policy to be resolved; they must focus on what they can control.
- One thing generators/retailers and energy users have in common is the long-term focus of our businesses; both parties want certainty.
- One way market participants can achieve certainty in the current policy environment is to enter longer-term energy contracts.
- To mitigate risks, an option for large energy users is to have a retailer blend a renewable energy PPA into a retail agreement.

Key messages

NEG is “dead”, the energy market issues it was designed to address are not

- Australia is entering its second decade of national energy policy uncertainty.
- Stanwell supports rule and process changes to improve competition, including a market liquidity obligation and increased new project transparency.
- Energy users and retailers can increase business certainty. Negotiating bespoke electricity contracts (including blending renewable energy PPAs).

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