



CEDA

A new retailers view on Queensland

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Outline

- Origin Energy in Queensland
- Developing the Fuel-integrated Generator Retailer
- Observations on deregulation
 - Industry/Competition
 - Customer
 - Entrepreneurial

Since listing in 2000 Origin has grown into one of the leading energy companies in Australasia...



Exploration and Production

- Over 2,436 PJe 2P reserves and annual production of 78 PJe
- Diverse acreage position across Australia and New Zealand
- A leading Australian CSG producer

One of the largest suppliers of gas to eastern Australian markets



Retail

- Over 3 million customers, Australia's 2nd largest energy retailer
- National business covering electricity, natural gas, LPG and related products and services

2nd largest energy retailer in Australia



Generation

- Interests in over 874 MW of installed capacity
- Predominantly gas fired, including co-generation & peaking units
- Output contracted to 3rd parties or Retail division

Owner of peaking and cogeneration plants



Networks

- Provision of asset management services to 3rd parties, managing over 20,000 km of gas networks and 3,500 km of water networks
- Equity investment in Envestra

Networks service provider



Contact Energy (51.4% interest)

- Integrated energy model similar to Origin
- Interests in around 2,200 MW of installed generation capacity and around 594,000 gas and electricity customers

Owner of 51% of New Zealand's largest listed energy company

... with a history of growth through both acquisition and internally developed projects



Origin's financial objectives and business strategy were established to respond to changes in the energy industry...

- Financial Objective
 - Steady and predictable cashflows
 - EPS growth of 10-15% pa on average
- Business Strategy
 - Positioned as a fuel integrated generator retailer in the competitive segments of the Australian energy industry
 - Integrated across these segments to:
 - Better manage risk through natural hedges
 - Enhance the range of growth opportunities
 - Pursue other opportunities that leverage skills and knowledge

... and while these objectives and strategies are continually reviewed, they remain relevant today



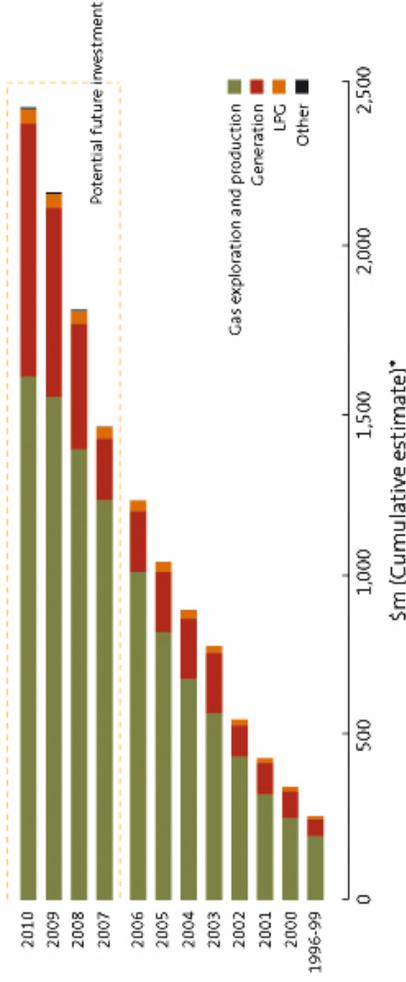
Origin has a long history in Queensland ...

THE 1960s

- Supply of LPG since the 1960's
- 1971 - acquisition of the Brisbane Gas Company (serving Brisbane since 1860's)
- 1983 acquired OCA
- 2007 acquired Sun Retail



Origin Energy investment in Queensland



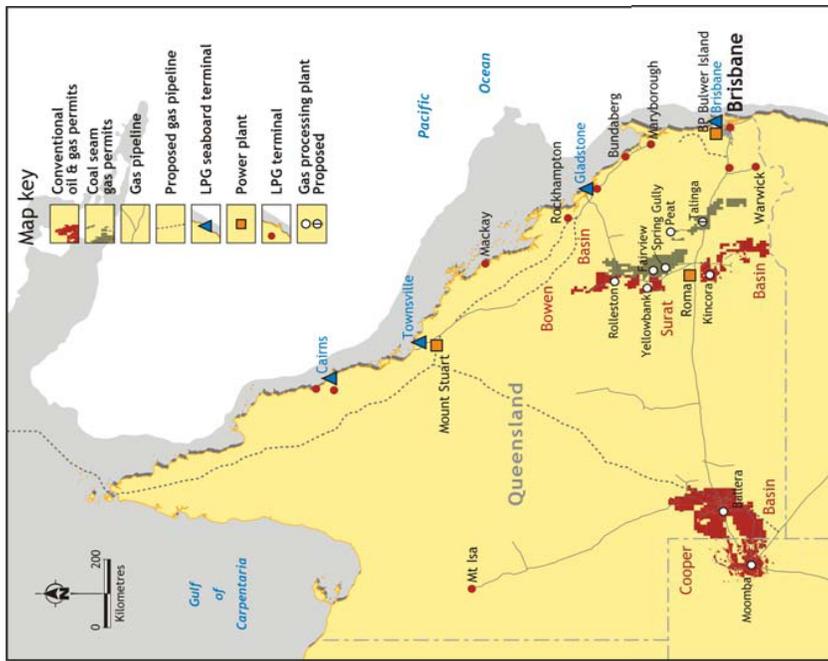
...with investment of more than \$1 bn in the past 10 years...the Sun Retail acquisition takes Origin's total investment in Queensland to >\$2 bn

* Includes some estimated and potential investments. Excludes potential Retail investments.

... with a further ~\$2 bn of potential investment opportunities in the next 5 years



Origin Energy in Queensland - post Sun Retail acquisition



- **~800 Queenslanders employed**
- **Gas & oil exploration/production**
 - Interests in Surat, Bowen and Cooper Basins
 - 560 PJ of gas under long-term contract
 - \$800m invested since 2000
 - Leading CSG producer
 - E&P head office in Brisbane
- **Retail**
 - > 1.1m electricity, natural gas & LPG customers
 - Head office for LPG business in Brisbane
- **Generation**
 - Roma & Mt Stuart Power Stations
 - 50% interest in BP Bulwer Island Cogen Plant
 - Generation capacity 394MW
 - Spring Gully 1,000MW power station
 - Braemar power station opportunity
- **Networks under management**
 - 2,600 km

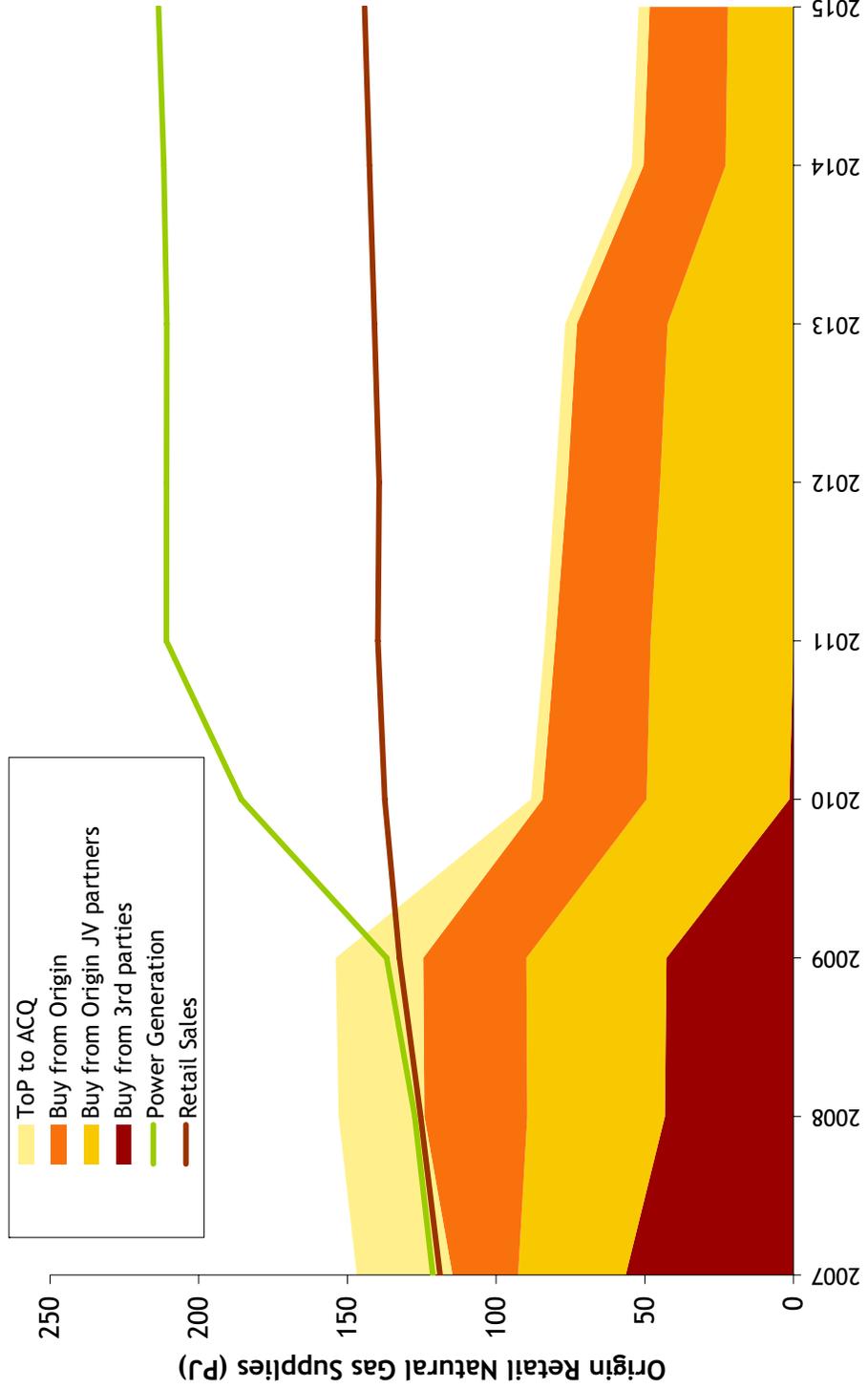


The acquisition of Sun Retail ...

- **Complements Origin's integrated position by...**
 - **Securing a leading position in consolidating Aust/NZ energy markets**
 - **Confirming Origins competitive retail, wholesale and production cost position through:**
 - **scale,**
 - **diversity and**
 - **integration**

...and accesses additional growth opportunities whilst deepening the integration across Origin's business

Integration creates value - e.g. Origin has managed its gas contracts to create flexibility ...



... so that investment options are created for gas development and electricity generation



Integration Case Study: Spring Gully Clean Coal here now



Officially opened
November 2005

\$200m development; on
time and on budget

Spring Gully/Fairview
incorporate coal reserves
of 18bn tonnes
representing >100 years'
supply at current QLD
production rates

This coal contains, on Origin's assessment, 4,000 PJ of CSG
which is 90% Methane.

This is enough to supply a 1,000 Mw Gas Power
station for over 60 years

Base Load, Gas-fired Power Station Development

- Approved sites at
 - Spring Gully and
 - Braemar (Darling Downs)
- Air-cooled technology creates nett water production rather than water consumption
- Tenders under evaluation
- Announced accelerating the development (Feb 2007)
- Origin Board Decision expected 1H 2007

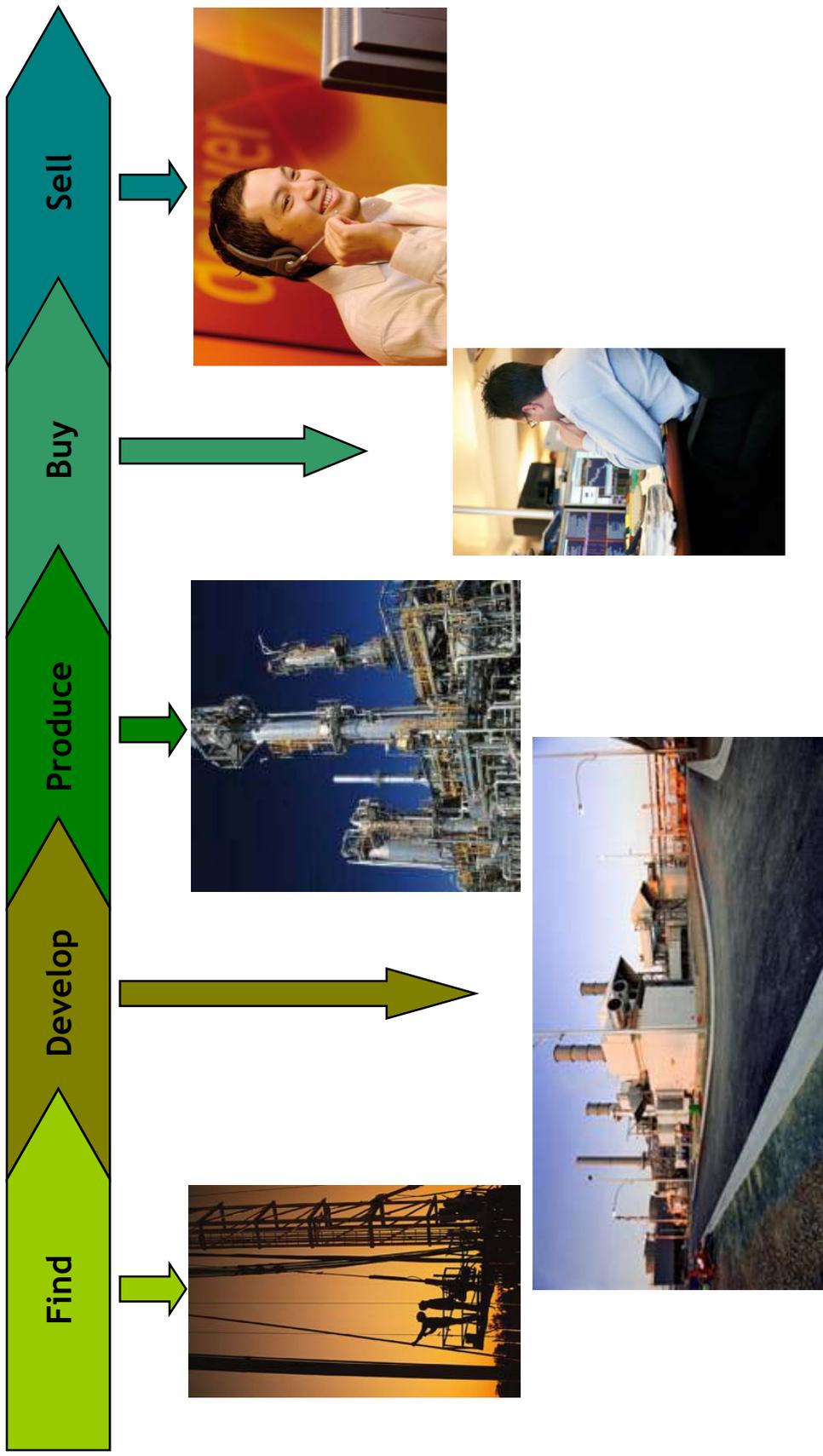
Enhancing Qld power security with a low CO₂ signature and minimising water consumption



Power station a step closer

Development is progressing rapidly for a new gas-fired power station at Spring Gully, Darling Downs, Queensland. The station is expected to be completed in 2008 and will generate 1,200 megawatts of power. The project is being developed by Origin Energy and is expected to be one of the largest gas-fired power stations in Queensland.

Origin is positioned as a fuel-integrated generator retailer in the competitive (not regulated) segments of the energy industry...



... and by implementing this strategy effectively better manages risk and enhances the range of growth options

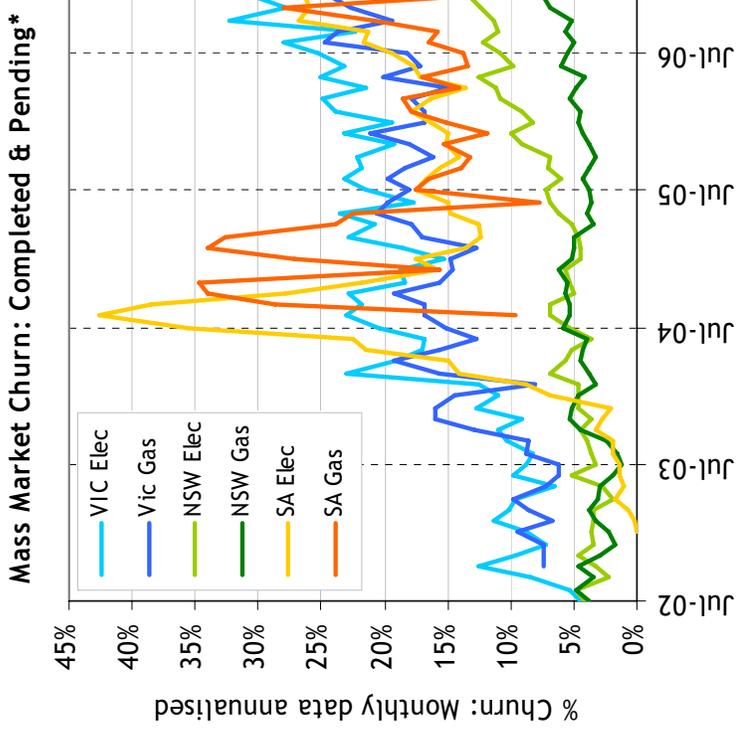


Deregulation...some observations:

- Strong retail competition has led to productive outcomes for governments and consumers
- Stimulates industry investment
- Allows government funds to be invested in other infrastructure
- Stimulates competition to protect consumers' interests over the long term, as price regulation is progressively reduced
- Underpinned by sound customer hardship legislation and company policies

Deregulation...some observations:

- Competition has spurred innovation and greater customer choice e.g:
 - Dual-fuel
 - Discounts
 - Loyalty and affinity programs
 - Green Power
 - **Carbon Reduction Scheme**



Interstate experience has been positive with churn levels reflective of robust competition and retail innovation



Innovation in action... Carbon Reduction Scheme - Making a difference NOW!

- Climate change is real and businesses/the community are looking for solutions
- Energy industry must show initiative
- CRS Promotes activities that reduce greenhouse gas emissions
- Values greenhouse gas emission reductions
- Enables the development of a wide range of carbon offset products for various applications
- Ensures for every tonne of carbon offset sold, a tonne of carbon emissions is actually reduced
- 5 key principles
 - Credibility
 - Transparency
 - Affordability
 - Flexibility
 - Effectiveness

Cost effective, transparent and externally verified

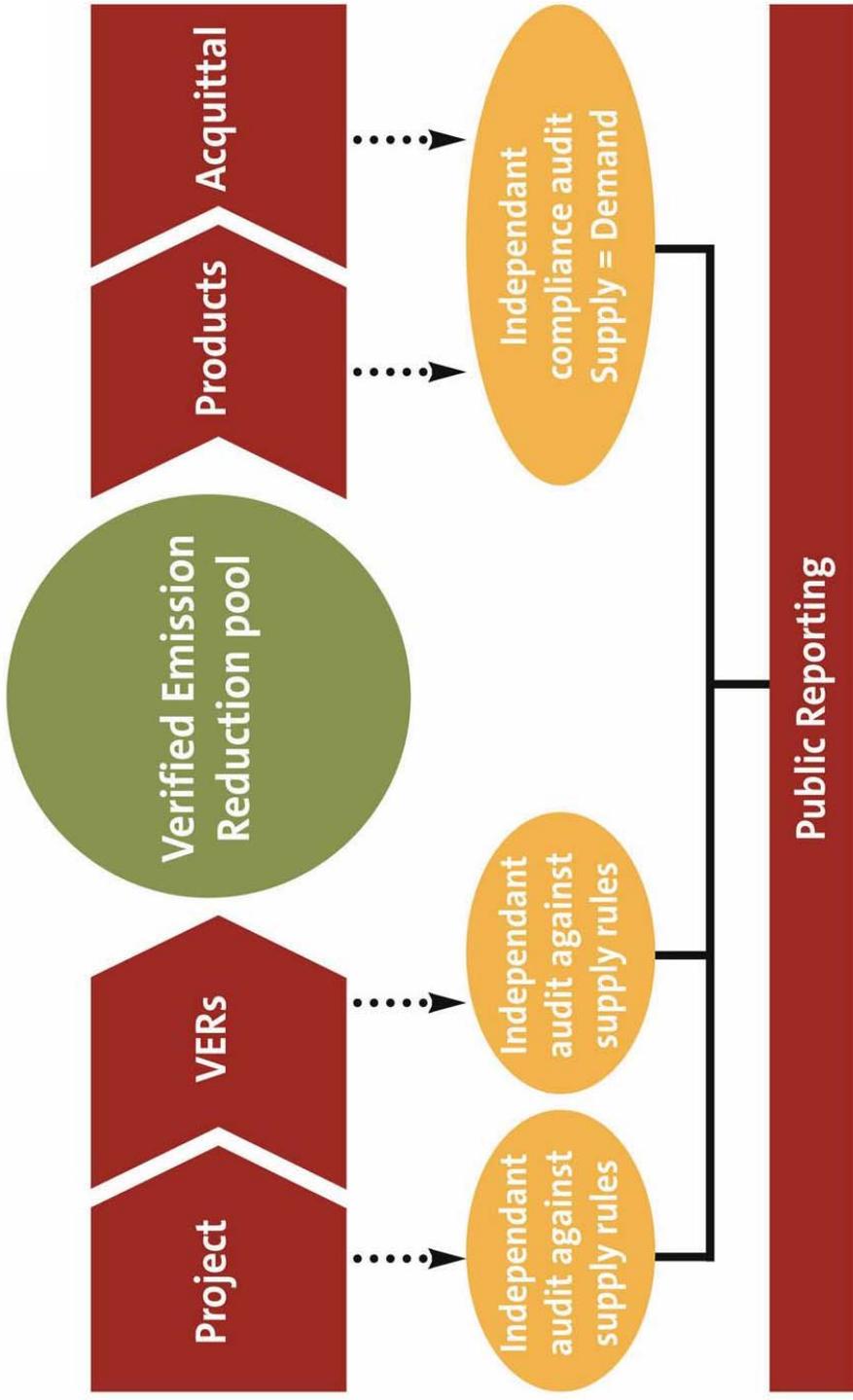
(St James Ethics Centre, Australian Conservation Foundation, Energetics, Ernst & Young)

Providing businesses with a mechanism to confidently reduce their carbon footprint

Foundation partners:



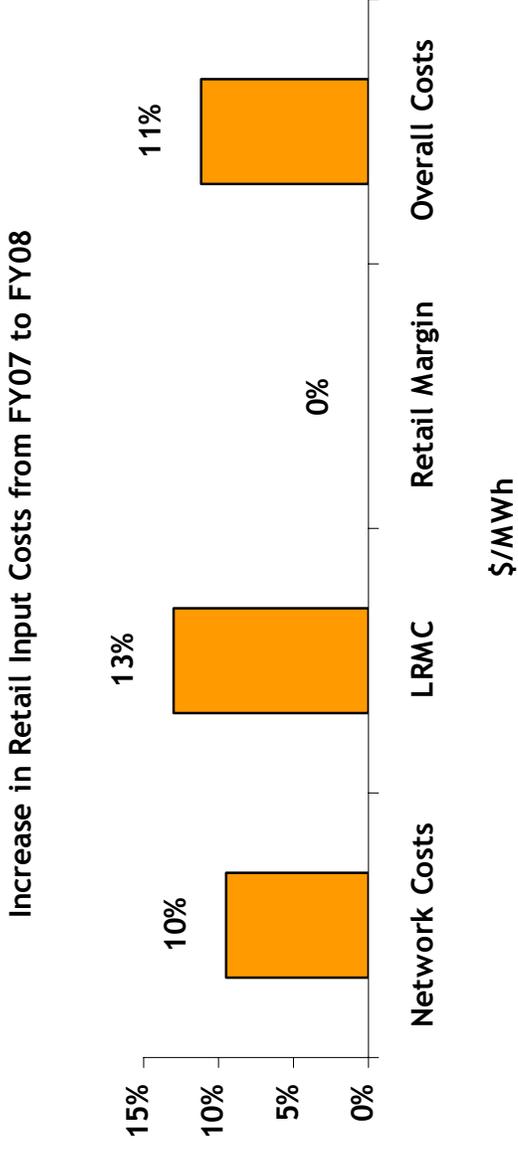
Carbon Reduction Scheme



Electricity Retail Tariffs 2007/08

- Methodology requires tariff rates to be adjusted based on input cost movement
- Draft Determination due from the QCA on 8 May
 - final determination due 13 June
- Network Charges increase ~10% in FY08
 - ongoing major capital programs and FRC cost passthroughs.
- Long Run Marginal Cost of Energy is showing large increases (~13%)
 - labour, commodity (steel, water), environmental and construction

Preliminary Calculation of Tariff Index



Retail tariff indexation methodology delivers a retail tariff increase in excess of 11% - driven by input cost increases



Summary

- **Strategy**
 - Origin is positioned as a fuel-integrated generator retailer in the competitive segments of the energy market
- **Within Queensland**
 - This strategy is logically evolving through:
 - CSG development,
 - the recent Sun Retail acquisition and
 - proposed generation expansion whilst leveraging the existing retail position
- **Deregulation**
 - Experience has demonstrated deregulation provides broad benefits to multiple stakeholders and
 - allowed significant innovation in the energy sector whilst expanding consumer choice and value propositions

The logo for Origin Energy is displayed on a red background. The word "origin" is written in a large, white, sans-serif font. The letter "o" is stylized with several overlapping, thin, yellow-orange lines that create a sense of motion or energy. To the right of "origin", the word "energy" is written in a smaller, yellow-orange, sans-serif font.

origin
energy

Thank you