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FY18 Full Year Results Investor & Analyst Briefing Transcript.

Infigen Energy

Operator: Ladies and gentlemen, thank you for standing by and welcome to Infigen Energy FY18 Full Year Results conference call. At this time all participants are in a listen only mode. There will be a presentation followed by a question and answer session, at which time if you wish to ask a question, you will need to press Star 1 on your telephone. I must advise you that this conference is being recorded today, the 27 August 2018. I would now hand the conference over to your speaker today, Ross Rolfe, thank you please go ahead.

Ross Rolfe (CEO / Managing Director, Infigen): Thank you very much, good morning everyone, I'm here with Sylvia Wiggins the Finance Director and Infigen, Paul Simshauser the EGM Corporate Development and Sarah McNally our Head of Investor Relations. Can I begin by thank you all for joining us, following the presentation I'll open the line for questions, but first I'll turn to the slide pack we've released to the market this morning.

Turning to Slide 3 first, the safety of our people is of course our highest priority. We're fully committed to ensuring that we provide a safe workplace and manage our assets based on the best safety protection practices in our industry. We continue to vigilantly pursue our goal of zero harm. We were therefore particularly pleased to celebrate 10 years free of lost time injuries at Lake Bonnie and Alinta Wind Farms this year. To achieve this goal, we apply a hierarchy of controls, which are designed to eliminate hazardous practices or engineer solutions to isolate or reduce the risk of our people being harmed.

Only where these measures cannot be effectively implemented, so we rely on work practices and protective clothing or equipment, to protect our people from risk to their safety. Pleasingly our lost time injury frequency rate has improved on the prior year. The Company reported 1 lost time injury for the year, at our Woodlawn Wind Farm with a contract worker sustaining an injury while performing a turbine service. The worker has since returned to normal duties.

Now turning to Slide 4, which sets out the FY18 performance highlights of our business. I'm pleased to report that higher production and the successful implementation of our Multi Channel Route to Market sales strategy has resulted in first, underlying EBITDA of $149.1 million, up 7% on the Previous Corresponding Period (PCP). Second, net profit after tax of $45.7 million, up 41% on PCP, and third, net operating cash flow of $100.4 million.

In FY18, our Multi Channel Route to Market sales initiative has enabled us to balance price and tenure in our contracting strategy to deliver more reliable revenue outcomes. In FY18, 66% of revenue was from contracted sales, a significant increase on FY17, where 43% of revenue was derived from contracted sales. This has resulted in Infigen receiving improved electricity in New South Wales and retained the receipt price in South Australia, despite the decline in wholesale prices in that regional market.

The refinancing we undertook during FY18 has resulted in lower corporate debt and a more flexible corporate facility. This restructured facility releases cash back in to the business, enabling the Board to consider investment in growth, and the reintroduction of distributions.

Moving to Slide 5, we can see the key factors that influence these results. Production generated increased by 4% to 1,549 gigawatt hours, while production sold increased by 6% to 1,480 gigawatt hours. The increase in production reflects higher wind resources at our Lake Bonney Wind Farms in South Australia and our Woodlawn Wind Farm in New South Wales. As I mentioned earlier, our Multi Route Channel to Market sales strategy resulted in favourable prices being received compared to the prior period. It's also worth noting that we achieved good price outcomes in New South Wales and South Australia relative to the market.

While operating and development costs increased, our corporate costs were down on the prior year, because of the stabilisation of the corporate and business structure. I'll go in to further detail on our costs on Slide 13 of today's presentation. Turning to Slide 6, during FY18, Infigen further executed the business strategy, which we outlined to the market in 2016. Over the next couple of slides, I'll recap on our strategic progress.

First, you will recall that we signalled in 2016 that we intended to explore the option of refinancing our legacy debt facility. This facility was in cash sweep, was subject to a distribution stopper and limited our ability to operate our

asset as a portfolio. We were therefore pleased to announce in April 2018, that we had refinanced our existing debt and replaced it with a new corporate facility. This process has resulted in the level of corporate debt decreasing by $138 million and ensures free cash flow from operations is available to support growth. This new facility also allows the board to consider the reintroduction of distributions.

Secondly, we foreshadowed the need to diversify our sales strategy, by pursuing the opportunity to sell both energy and Large-scale Generation Certificates (LGCs), to a broader customer base than just to retailers under long term run of plant Power Purchase Agreements (PPAs). We are pleased therefore that in FY18, we increased our contract position in South Australia and in New South Wales. As a result, in FY18, 45% of sales revenue arose from Commercial and Industrial (C&I) contracts, up from 23% in FY17.

Looking forward to FY19, we enter the year with 73% of the electricity sales book for expected production, already contracted through C&I contracts and PPAs. 89% of LGC production for FY19 is under contracts. The Multi Channel Route to Market strategy is now delivering on our goal of improved revenue stability.

Turning to Slide 7, consistent with our strategy to supply firm energy to our C&I customer group, earlier this month we announced our investment in physical firming capacity in South Australia. This involves installing a 25 MW battery energy storage system at our Lake Bonney Wind Farm. The battery will enable to firm at least an additional 18 MW of power for commercial and industrial customers. The battery will also enable us to supply ancillary services to the market, as well as capture value from price arbitrage.

So too have we advanced our investment in additional capacity. Our new 113 MW wind farm at Bodangora in New South Wales is on track to be delivered on budget, with first energy exporter to the national energy market occurring on 6 August this year. New South Wales is an attractive market for Infigen, and when Bodangora is fully commissioned, it will increase Infigen's installed capacity by 20% and expected annual production by 24%.

On Slide 8, we discussed the implementation of our strategy to stabilise operational costs and incentivise our O&M provider to manage our assets – with a view to maximising the value of production. To this end, on the 1 January 2018, Infigen entered into an O&M services agreement with Vestas across six operating assets. These agreements provide Infigen with long term cost predictability and operational reliability.

I'm also pleased to announce that Infigen is positioned to enter the Victorian energy market with the signing of a 5-year electricity-only run of plant power purchase agreement with Kiata Wind Farm for 31 MW. This PPA will enable future C&I contracting in Victoria. A further step in progressing our market presence in Victoria is the potential development of the 55 MW Cherry Tree Wind Farm. This project is well advanced in the development cycle. A decision on this project and its timing, will take account of our view of future market conditions and the likely market outlook.

All in all, FY18 has been a year of significant progress on the execution of our business strategy; with a fit-for-purpose debt structure, a commitment to new investment in firming capacity, generation growth, and diversification of our customer base.

Turning to Slide 9. Unfortunately, energy policy remains in a fluid state, while Infigen, like all other market participants, has engaged actively and constructively in the policy design process. At present we seem no closer to achieving a national policy framework designed to facilitate the process of transformation into a future energy market that delivers on the goals of affordability, reliability and emissions reduction.

In this uncertain policy environment our business strategy is anchored in market fundamentals driven by economics and engineering. On Slides 9 and 10, we've set out the key factors that we believe will necessarily influence market behaviour and the nature and pace of investment in that market going forward. Against this backdrop of policy uncertainty, the energy market continues to be volatile, but the fundamentals of supply and demand remain the key determinants of price.

On Slide 11, we outline the factors we take into account when considering future energy and LGC prices. It should be remembered that obligated parties must surrender LGCs until the end of 2030. Infigen has LGC sales contracts

that progressively expire over the period until 2030. Official estimates are that 37 million LGCs are required to be submitted each year.

If LGC supply is greater than demand, then price will naturally fall. But for that to occur, substantial new renewable energy must enter the market.

Once the Renewable Energy Target (RET) has been met, the key driver for new investment, renewable or thermal, will be the timing of the future retirement of existing thermal plant – assuming that demand remains relatively static.

The factors we consider for future electricity price trends include fuel costs for thermal generators, the cost of maintaining the ageing coal generation fleet, liquidity of the forward contract market, and the introduction of the five-minute settlement rule.

We also consider the factors that influence the pace and volume of renewables that are likely to enter the market over the next decade. All these factors impact whether existing generation can operate economically and the form of new generation most suitable to replace existing capacity.

Beyond the short term the price of wholesale electricity should rationally equal the replacement cost of capacity using the most efficient technologies.

Slide 12 highlights that substantial deleveraging of the existing operating portfolio ensured overall gearing did not significantly increase – despite the addition of Bodangora project debt. I will discuss the key metrics in more detail as we proceed through the presentation.

Slide 13 contains a summary of the key elements that determine our EBITDA outcome. Our underlying EBITDA of $149.1 million is up compared to $139.3 million in the PCP. This result reflects the following movements. First, revenue increase by $13.4 million, which I will break down in the following slide.

Second, operating costs increased by $3 million on the PCP to $43.2 million due to:

one-off costs of $1.6 million relating to the transition of Capital and Woodlawn Wind Farms to the Vestas O&M service agreement.

An increase in FCAS costs due to the underlying increase in NEM charges and

Additional investment in asset management and energy market internal capabilities to support the growth of our customer service offering.

Third, corporate costs decreased by $2.5 million to $13.2 million compared to the PCP. This reflects the elimination of transition and restructuring costs that were incurred in FY17.

Fourth, development costs increased by $3.1 million to $4.5 million reflecting our strategic focus to pursue growth in firming capacity and generation. You can see from the movement in our cost structure the focus for Infigen is on growth through increased production and firming, and in developing the internal capability to enable us to deliver our business strategy.

Turning to slide 14, net revenue increased by $13.4 million to $210.1 million, a 7% increase on PCP. As you can see on the slide, the main driver for this was the increase in production, which contributed an additional $11.4 million over the FY17 outcome. I will discuss this further on slide 18.

Electricity price received also contributed to the improved revenue with an increase of $5 million on the PCP. This is due to the increase in New South Wales prices received and the stabilisation of South Australia pricing because of the initial C&I contracted sales in both regions.

Contracted sales rose to 66% in FY18, compared to 43% in FY17. Notably in FY18 74% of the second half's revenue was from contracted sales, compared to 60% in the first half. This reflects the execution of further C&I contracts in the second half of FY18.

I'll discuss in more detail Infigen's evolving mix of contracted and uncontracted revenues later in this presentation.

In terms of LGC sales, revenue decreased by $1.9 million on the PCP, reflecting the lower average price received. For FY18 Infigen received no compensated revenue, compared to $1 million in the PCP.

Turning to slide 15. As I have mentioned earlier our Multi Channel Route to Market strategy has had a significant impact on FY18 results and underpins our revenue expectation for FY19.

This strategy seeks to balance price, tenor and risk for electricity revenue. The increase in C&I and wholesale contract revenue and the decrease in spot market sales is a result of this strategy.

As we enter FY19 we have already contracted 72% of the year's expected generation, as well as 89% of our expected LGC production providing a solid level of revenue certainty for the year.

Turning to NPAT on slide 16. NPAT increased by $13.4 million to $45.7 million, a 41% increase on PCP. The various components, which contributed to this increase are set out on this slide.

Net finance costs increased by $27.9 million on PCP to $78.8 million. The increase was primarily due to interest rate swap termination fees of $43.3 million associated with the refinancing.

This was partially offset by lower interest expenses reflecting the lower average debt balance throughout the year. This was due to the refinancing and higher interest income from the higher average cash balance.

Income tax went from a tax expense of $14.8 million in FY17 to a tax benefit position of $26.1 million in FY18. This movement in FY18 is a result of a deferred tax asset of $35.7 million brought to account reflecting the probable expectation of future use of previously unrecognised tax losses.

Moving to operating cash flow on slide 17. We are reporting net operating cash flow of $100.4 million, and free cash flow of $97.8 million for FY18. Overall change on PCP is minimal, but you will note a couple of line items with material movements year-on-year.

First, a $10.1 million increase in FY18 LGC inventory is primarily due to an increase in contracted and forward sales with delivery dates after 30 June 2018.

Secondly, the net finance costs decreased by $19.5 million on PCP to $29.4 million. This reflects the impact of the refinancing with a lower corporate debt balance resulting in lower interest expenses, and the termination of interest rate derivative contracts. With a continued strong operating cash flow and subsequent free cash flow, Infigen can support its business strategy.

On slide 18, as you can see, generated production increased to 1,549 gigawatt hours, a 4% increase compared to the PCP. This was due to improved wind conditions at Lake Bonney in South Australia and Woodlawn in New South Wales, as well as a return to normal conditions at Capital Wind Farm.

Offsetting this, Alinta production was down on the PCP due to lower wind performance. Turbine and site availability remained at historical levels during FY18.

Our new 113.2 MW Bodangora Wind Farm started exporting electricity to the National Electricity Market in early August 2018 as part of the commissioning process. You can see on the bottom half of the slide how Bodangora's production coming online transitions the Infigen portfolio from generating the majority of its energy in South Australia to New South Wales.

Turning to capital management on slide 19. An integral aspect of Infigen's strategy is the creation of a balance sheet that supports the execution of Infigen's business plan. As a result of the FY18 refinancing, we paid out the Global Facility and Woodlawn debt of $656.1 million.

These facilities were replaced with a new corporate debt facility with a drawdown of $525 million as at 30 June 2018. This represents $138 million decrease in corporate debt. As at 30 June 2018 Bodangora project finance facility is drawn down to $158.6 million.

Our cash balance decreased primarily due to the deleveraging. This results in a net debt position of $531.2 million as at 30 June 2018. Importantly, our balance sheet now has the capacity to better support growth and the Board can consider reintroducing distributions for security holders.

Slide 20 contains an update on the execution of our business strategy. The three inter-related growth opportunities, which underpin the growing value in our business, are:

increasing the ability to manage risks involving contracting firm supply,

growth in generation capacity, and

continuing to enhance our ability to serve customers and expand our customer base.

Both physical and financial firming solutions enable us to manage the risks associated with intermittent production. Investing in firming capacity will allow Infigen to contract an additional C&I customer load.

Physical firming investment options to enhance the reliability of product sold from our existing generation fleet include the battery energy storage system we are investing in in South Australia.

Infigen believes that there are price signals for investment in generation capacity in certain regional markets. We have identified New South Wales and Victoria as the focus for developing additional generation capacity when the market conditions are sufficiently conducive.

In order to access new capacity Infigen has indicated that we would consider investing on balance sheet or through a Capital Lite funding model. Our investment in additional generation capacity therefore includes entering into a five-year PPA to acquire the energy produced by the 31 MW Kiata Wind Farm in Victoria.

Through this Capital Lite funding model, we will be well-placed to supply customers within the Victorian market. We have also advanced the potential development of Cherry Tree Wind Farm in Victoria. This project, should it proceed, will supplement our sources of clean energy supply in that state.

In New South Wales we are continuing to evaluate the Flyers Creek Wind Farm with a view to considering final investment decision in the second half of FY19. Any decision to invest directly or indirectly will take careful account of the energy market outlook.

The Board will cautiously and rigorously examine the risks and rewards that would be involved in entering into such commitments and determine whether or not the Company's interests are best served by such investment.

In response to the increased demand for energy from C&I customers Infigen is investing in enhancing its customer service capability. With enhanced capabilities Infigen would be able to serve the C&I customers with multi-sites and manage the variability of load profile.

Such capabilities would also increase the number and type of C&I customers with which Infigen is able to contract.

On slides 21 and 22 we consider Infigen's outlook for FY19. First, we anticipate a 14% uplift in production in FY19 due to Bodangora coming online. Once fully commissioned Bodangora will increase production by 24% compared to FY18. This increase in production from Bodangora is expected to be slightly offset by anticipated lower wind resources because of forecast El Niño weather pattern.

On price, we recognise the market continues to be volatile, but the fundamentals remain strong. Potential effects of policy and/or regulatory change are being monitored. It’s not expected that any of these potential changes will affect Infigen’s financial performance in FY19

As I mentioned earlier in this presentation, execution of the Multi Channel Route to Market strategy in FY18 has positioned Infigen for increased revenue stability in FY19. Our forward look for FY19 is currently 32% contracted under PPAs, and 40% contracted to C&I/wholesale customers. The balance of 28% is currently exposed to the spot market.

89% of our LGC production for FY19 is contracted at fixed prices.

Slide 22 discusses our outlook on costs. With the Vestas O&M service agreement in place, operating costs are expected to be stable going forward, with the fixed operating assets covered by this service agreement.

Bodangora Wind Farm is to be operated and maintained under a 20-year agreement, with the original equipment manufacturer, General Electric. We anticipate corporate costs will remain in line with FY18.

As I've outlined in today’s call, Infigen is focused on execution of its business growth strategy, and as a result, we expect development costs for FY19 to be in line with FY18.

FY19, we'll see further progress on the execution of the business strategy, with the focus for the year on first commercialising Bodangora Wind Farm, with EnergyAustralia PPA being activated in the first half of FY19.

Second, entering the Victorian market with the Kiata PPA, and potentially Cherry Tree Wind Farm.

Third, constructing our Lake Bonney battery energy storage system, with commissioning expected for the second half of FY19.

Fourth, assessing additional physical firming solutions in South Australia and New South Wales.

Fifth, advancing Flyers Creek Wind Farm to a point where a final investment decision can be taken in the second half of FY19.

Sixth, continuing discussions with Brookfield about potential ways for Infigen and Brookfield to work together.

I believe Infigen's performance in FY18, together with the implementation of our Multi Channel Route to Market strategy, and our focus on strategic growth puts us in a strong position to protect existing and create new value for our security holders by taking advantage of the opportunities, and managing the risks presented by the market as it continues in its transformation.

Thank you for your time, I'm happy now to take questions.

Operator: Ladies and gentlemen, we will now begin the question and answer session. If you wish to ask a question, please press star one on your telephone, and wait for your name to be announced. If you wish to cancel your request, please press the pound or hash key. Your first question comes from the line of Mark Busuttil, from JPMorgan. Please ask your question.

Mark Busuttil (JPMorgan, Analyst): Hi everybody. Just a few things from me. Firstly, we think about the C&I business that you've moved into, can you give us an idea of roughly what your annualised sales would be right now with the new C&I type business?

Sylvia Wiggins (Executive Director, Finance & Commercial, Infigen): Mark, it's Sylvia. It's about 40% into the C&I contracting market right now as we move into FY19. It's spread between both New South Wales and South Australia. Western Australia's completely fully contracted under run of plant PPA, so exclude that from our numbers, and it's really 40%. New South Wales is very highly contracted for us at present, between Capital Wind Farm and our Woodlawn assets, so we're very much looking forward to the Bodangora asset coming online, to increase our capacity to service the market in New South Wales.

In South Australia we've probably got a little over 200 MW of capacity that is currently uncontracted down there, and we'll be looking to do something with that, with the South Australian Battery when that comes online in the second half of FY19.

Mark Busuttil: If I just change tact a little bit, just going through the accounts this morning, I'm just noticing that your inventory of LGCs has increased pretty materially from the backend of last year. How should I understand that? So, there's 581,000-odd LGCs you have in inventory, why are you building such a big REC bank? Considering prices are declining, what are you intending on doing with that REC bank?

Sylvia Wiggins: We've really sold a lot of them forward actually, Mark. The obligated parties have to surrender in February, following the calendar year just expired. So, on 30 June you can usually see that our inventory will be building up because what we've done is we've entered into a lot of forward contracts which will settle in January, early February, in calendar '19. So, what we've got to do is actually hold those LGCs against those forward contracts which we've already entered into. So, when we look across FY19, as Ross said, we really have got 89% of our LGCs already sold at fixed price. So, the reason they're building up in our balance sheet is because they're already subject to contracts that will settle in January, so you'll see big cash inflow late January, early February, appearing in the results.

Mark Busuttil: Then just one last thing. Just the remaining capex on Bodangora?

Sylvia Wiggins: It's about $38 million as at 30 June 2018. We've got project finance in place for that, I think we've previously advised the market in terms of the actual size, I just don't have it at present with me. We've got contingency in place for that.

The contingency was roughly around $12 million in the overall budget and there will probably 50% of that contingency returned back into the project. As Ross said, it has come in certainly under our expected budget outcomes there.

Mark Busuttil: Excellent. Thank you very much. That's all from me.

Operator: Your next question comes from the line of Annika Li from Morgan Stanley. Please ask your question.

Annika Li (Morgan Stanley, Analyst): Morning guys. Just one question from me. Could you comment on how prices in the LGC contract strategy compare to the current forward curve?

Sylvia Wiggins: Yes, I'll take that one, Annika. Hi. In terms of the FY19 numbers, we've been able to capture probably where cal'19 has been sitting in terms of our forward contract sales. Beyond that, we're probably doing a little bit better than where the current market is because these contracts were entered into prior to some of the decline that we've seen travel through the cal'20 and cal'21 type of numbers.

I think we're ahead in terms of our contracted sales against the decline that we saw in the LGC forward market, again because those contracts were entered into, in the case of Alinta many, many years ago, in relation to our Sydney desalination plant in 2010 type of pricing that we've got travelling through the books. It's a pretty good position I think in terms of the contracted position that we've got on the LGC prices and of course, I'm sure we all noted that certainly the cal'20 price that's had a big bump last week in relation to some of those sales, but they're still thin if you're looking at some of those forward sales there.

Annika Li: Great, thank you.

Operator: Your next question comes from the line of Avinash Srinivasan from Macquarie. Please ask your question.

Avinash Srinivasan (Macquarie, Analyst): Hi, guys. Just a question on your C&I contract. I was wondering if you could provide a bit more detail about who some of your customers are, how many you have in terms of the length of some of those C&I contracts you have?

Ross Rolfe: We don't talk about specifics. I think we've already talked about one specific being Adelaide Brighton, but as I mentioned in part of the presentation, we have added additional customers to that contract list, which is reflected in I guess the level of contracting in the second half of FY18.

In terms of tenor, the tenor varies really between three to five years, some going out to seven years over the course of the contract. That's I suppose in a nutshell.

Avinash Srinivasan: Okay. Thanks, for that.

Ross Rolfe: On slide 15 I think we've set that out in reasonable detail for you there, Avinash, over a five-year period.

Avinash Srinivasan: Sure. In terms of the new Victorian Kiata wind farm, can you give us a bit of clarity around when that kicks off, the five-year agreement?

Ross Rolfe: 1 September that kicks off, Avinash.

Avinash Srinivasan: Okay. In terms of the discussion with the Board around the distribution, is there any sort of timing around when you think those sort of discussions will heat up?

Ross Rolfe: The discussions are already kicked off, I suppose. Obviously, we're not announcing a distribution at the moment, otherwise we would have done so. It's something we can now contemplate given firstly the new debt facility, which obviously doesn't have a distribution stopper within it, and also because the business is continuing to generate a large amount of free cash flow. Beyond that, I don't have anything specific on timing. Clearly, they'll need to weigh up strategic growth and returns to shareholders and strike the right balance.

Avinash Srinivasan: Okay. Then you mentioned in terms of discussions with Brookfield now coming onboard. Can you give us a bit more clarity around how the discussions have been so far, how they've helped and how you think they'll be a strategic partner going forward?

Ross Rolfe: The discussions have been cordial and constructive. Probably we don't want to really say much more than that. They're continuing and clearly if there are developments that we need to inform the market about then of course we will.

Avinash Srinivasan: Okay. Then just one final question on the tax. What's the outlook for when you expect to pay cash tax?

Sylvia Wiggins: Avinash, I think it's going to be some time yet. We've still got another $118 million of tax losses previously claimed with the Australian Tax Office that we haven't yet brought a deferred tax asset onto the balance sheet. That's a lot of profit; I think Infigen has certainly turned the corner in terms of its profitability and that's been obviously reinforced as a result of the success with the changed business strategy but there's still some time before cash tax is going to be paid given that.

Avinash Srinivasan: Sure. Thanks a lot, guys.

Operator: Your next question comes from the line of James Bullen from Canaccord. Please ask your question.

James Bullen (Canaccord, Analyst): Good morning Ross and Sylvia. Just a quick question around the South Australian battery. Could you give us some colour around the forecast economics for that project?

Paul Simshauser (Executive General Manager, Corporate Development, Infigen): James, it's Paul Simshauser speaking. I guess with battery economics it won't surprise you to learn that it can't be reliant on purely arbitrage alone. Obviously, you're paying for a skillset that goes well beyond that as well. The outlook on batteries in their most purposeful use is a combination of firming but also to buying services into the frequency control ancillary service markets, including both the frequency regulation market and the frequency control contingency markets or contingency reserve.

In terms of how to think about a battery that you've basically got three, maybe four revenue streams that you need to think about. There's what you would earn in the regulation market, it's what you'd earn in the contingency reserve markets, what you would naturally earn out of price arbitrage for lack of a better term, so simply charging when prices are low or even negative and then pay to charge, and then of course discharging in higher price periods.

Then finally, as a provision of effectively a physical or a synthetic cap contract. It's the combination of those that makes the economics stack up. I'd hasten to add though, James, that batteries are still not at that point, where they could stand on their own two feet without the contribution or the assistance of government, and as you'd be aware, in the case of our SA battery, we had some assistance from both the South Australian Government and from the Commonwealth agency ARENA, the combination of which was able to get the economics to stack up.

James Bullen: Great. I guess I'll ask it in a slightly different way then. Do you use the same economic hurdles for this battery as you would for a traditional wind farm?

Paul Simshauser: Yes.

James Bullen: Great. So, you're not taking a hit on returns there. That's really helpful.

It also seems like Forsayth is no longer mentioned within your presentation here today. How should we be thinking about your development pipeline these days? It seems to be taking a bit more of a step back from some of the other initiatives that you're chasing.

Ross Rolfe: The development pipeline is still important to us, James. I guess as I mentioned, we really have thought about the development pipeline in the context of the relative energy that each of those projects can produce in the regional markets, I suppose. Hence, our focus is really on New South Wales and Victoria going forward; less so Queensland, which is firstly a relatively well-supplied market in terms of energy. Queensland has also had I guess a lot of renewable investment driven by the Queensland Government policy around renewables.

That's led to substantial investments, particularly in solar, in the north. That's in turn resulted in changing calibration of loss factors and some detriment to each of those projects. Forsayth is a project that's physically located in north Queensland and I guess we're watching closely how the market conditions evolve and probably prioritise the southern projects in Victoria and New South Wales over and above Forsayth. That doesn't mean we don't see value in Forsayth at some point in time; it's really a question of which projects we're giving current priority to.

James Bullen: Great, that's helpful.

Ross Rolfe: We think going forward much more about the energy value than necessarily LGC production.

James Bullen: Great. Are you seeing any upwards pressure on development pricing? Obviously, there is a lot of development taking place and then there's one contractor that's obviously come a bit unstuck. Is there upwards pressure on pricing at all?

Ross Rolfe: I think there are some forces emerging in the world of new project development for renewables. You'll see on I think it's slide 10 or 11, we've set out a number of factors that are influencing the rate and pace of new renewable projects coming into the system. A lot of those really are influenced around the implications of new projects for the stability of the grid. Most of the network operators are increasingly looking at system strength factors and also correspondingly the implications for future loss factors. Those issues I think are moderating some of the pace of investment that's occurring in renewables going forward.

Also, there's been a lot of upward pressure on pricing driven by in particular balance of plant where there's been a lot of activity, as you're aware, in new projects and the civil contract market providing balance of plant services has responded accordingly.

James Bullen: Thanks, Ross. That's helpful. Cheers.

Operator: Once again, if you wish to ask a question, please press star-1 on your telephone and wait for your name to be announced.

There are no further questions at this time. Please continue.

Ross Rolfe: Well, thank you so much everyone for your time this morning. We really appreciate your interest and I look forward to catching up with a lot of you over the course of the next week or two. Thank you.