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APA Group



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ASX RELEASE

26 May 2011

The Manager

Company Announcements Office
Australian Securities Exchange
4th Floor, 20 Bridge Street
Sydney NSW 2000

Electronic Lodgement

Dear Sir or Madam

Company Announcement

I attach the following announcement for release to the market:

- APA to expand its underground gas storage facility in Western Australia

Yours sincerely

Mark Knapman
Company Secretary



ASX RELEASE

26 May 2011

APA to expand its underground gas storage facility in Western Australia

APA Group (ASX:APA), Australia's largest natural gas infrastructure business, announced today it has entered into commercial agreements that will lead to the further development and expansion of its Mondarra Gas Storage Facility (Mondarra facility) in Western Australia to meet new service requirements for its customers in the region.

The Mondarra facility is an operating gas storage facility and is located on APA's Parmelia Gas Pipeline, near Dongara, forming part of APA's gas infrastructure in the Perth Basin region. Its strategic location provides interconnection with both the Parmelia Gas Pipeline and the Dampier Bunbury Pipeline.

APA has entered into a long term foundation contract with Verve Energy, Western Australia's government owned electricity generator, for a substantial part of the increased capacity of the Mondarra facility. APA is continuing to engage with other potential customers for further services to meet growing demand for gas storage.

Over the past year APA has been engaged in reservoir analysis and in the design and early development of surface facilities for the expansion of the Mondarra facility.

This stage of expansion will involve construction of further surface facilities such as compression, pipeline interconnects, and treatment plants. The expansion is expected to result in commercial storage capacity of the Mondarra facility increasing by more than five times its current level to 15 PJ, as well as significantly increasing daily injection and withdrawal rates into and out of the facility. Over the next two years APA expects to spend up to \$140 million to deliver this storage capacity and the service obligations under the Verve foundation contract. The contract provides Verve Energy with long term certainty in respect of gas storage services, and APA with long term revenue certainty commensurate with this level and type of capital investment.

APA Managing Director, Mick McCormack said the expanded Mondarra facility enhances APA's gas infrastructure portfolio which serves a customer base of energy retailers, power generators, and industrial customers throughout the Midwest and Perth regions.

"Given the issues around gas supply in Western Australia in recent years, APA is taking the lead in developing a market driven outcome to enhance energy reliability and strengthen gas supply security for our customers. In addition, an expanded Mondarra gas storage facility will provide our customers with supply options and flexibility to better manage their gas supply and demand portfolios", he said.

APA has also welcomed the support for the expansion project from the Western Australian Government.

Mr McCormack added "The Western Australian Energy Minister and the Gas Supply and Emergency Management Committee he established recognise the major role the expanded Mondarra facility will play in shoring up the state's energy security, minimising future gas supply disruptions for the state."

Engineering and procurement work has commenced, with completion of the expanded capacity scheduled for first quarter calendar year 2013. The Mondarra facility will continue to operate its existing contracted storage services during the expansion period.

For further information please contact:

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About APA Group (APA)

APA is Australia's largest natural gas infrastructure business, owning and/or operating more than \$8 billion of gas transmission and distribution assets. Its pipelines and assets span every state and territory on mainland Australia, delivering more than 50% of the nation's gas usage. Unique amongst its peers, APA has direct management and operational control over its assets and the majority of its investments. APA also holds minority interests in energy infrastructure enterprises including Envestra, SEA Gas Pipeline, Hastings Diversified Utilities Fund and Energy Infrastructure Investments.

For more information visit APA's website, www.apa.com.au

About Mondarra Gas Storage Facility

The Mondarra facility is an operating gas storage facility and the expanded capacity will be available to any gas shipper. It is located near Dongara, 300 km north of Perth, adjacent to APA's Parmelia Gas Pipeline and 500 metres from the Dampier Bunbury Pipeline.

History

Mondarra is a depleted underground gas reservoir, having originally produced 24 PJ of gas from 1971 to 1994 for supply into Perth. Mondarra consists of an open system, porous sandstone reservoir.

This structure is considered suitable for ongoing gas storage, and Mondarra was converted into a gas storage facility in 1994, with a subsequent upgrade in 2003.

APA acquired the Mondarra facility in 2004 as part of its acquisition of CMS assets, which also included the Parmelia Gas Pipeline. APA expanded the capacity of the Mondarra facility with the drilling of an additional well and upgrading of the compression facilities in 2006.

Infrastructure interconnection

The Mondarra facility is connected to APA's Parmelia Gas Pipeline and the Dampier Bunbury Pipeline. At present the Mondarra facility can receive gas from both pipelines but only deliver gas into the Parmelia Gas Pipeline.

The expansion will include pipe-work to allow delivery into the Dampier Bunbury Pipeline. Following completion of the expansion work, shippers will be able to use either pipeline to deliver gas downstream from the Mondarra facility.

Gas supply security for Western Australia

Following two significant gas supply disruptions in Western Australia in 2008, the State Government established the Gas Supply and Emergency Management Committee to review the state's gas supply security and how any future gas supply disruptions are to be managed.

The development of a commercial gas storage facility was a key recommendation made by the Committee. Additional gas storage capacity with withdrawal rates of between 35 TJ/day and 100 TJ/day, together with pipeline interconnectivity, was identified as a cost effective gas contingency service option.

The expanded Mondarra facility will provide for well in excess of 120 TJ/day of gas supply for several weeks in the event of a crisis, providing gas for critical down stream purposes including electricity generation.

Location of Mondarra Gas Storage Facility

