

Thursday, 28 September 2017

The Manager
Company Announcements
Australian Stock Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

Dear Sir / Madam

AER DRAFT DETERMINATION FOR TRANSGRID REGULATORY PERIOD 2018-2023

I enclose a statement issued by TransGrid in relation to the publication of the Draft Determination for its new 5-year regulatory period from 2018-2023, by the Australian Energy Regulator (AER) today.

TransGrid intends to submit a revised regulatory proposal by 1 December 2017, with a final decision from the AER expected by the end of April 2018.

The Draft Determination and associated information materials can be found on the AER website at www.aer.gov.au.

Yours faithfully,



Alexandra Finley
Company Secretary

28/09/2017

Draft Determination on TransGrid's 2018-2023 Revenue Proposal

A draft decision on future investment in the transmission network supplying NSW and the ACT has accepted the majority of TransGrid's proposals to maintain a secure and reliable energy supply, CEO Paul Italiano said today.

TransGrid manages and operates the high-voltage network connecting generators with major end users and distributors to supply power to more than three million homes and businesses.

The Australian Energy Regulator (AER) today released its Draft Determination on TransGrid's Revenue Proposal for the 2018–2023 period, including its forward capital and operating expenditure.

Mr Italiano said TransGrid appreciated the challenges involved in making a draft determination during a period of rapid change in the energy sector.

"We proposed to cut average transmission prices by 2.5% in real terms," Mr Italiano said.

"Since we lodged our proposal there have been significant changes in the national energy system and in policy development, not the least of which are major initiatives resulting from the Finkel Review.

"This includes the development of a national transmission plan, the emergence of renewable energy zones and the creation of the Energy Security Board, as well as the events of February 10."

Mr Italiano said TransGrid had proposed a modest level of investment based on a rigorous economic and technical assessment and consultation with customers and stakeholders.

"We're pleased the majority of our recommendations have been accepted by the AER, and that it has acknowledged the need to provide flexibility for a number of contingent projects."

The draft determination outlines a reduction of 8.4% in TransGrid's proposed annual revenue and a 39% cut to proposed capital expenditure, including plans to replace ageing cables supplying Inner Sydney.

TransGrid's proposal included a detailed submission and extensive technical studies on the Powering Sydney's Future project, which will replace deteriorating cables installed in the 1960s and '70s.

"We believe there is an unacceptable risk of blackouts to Sydney's CBD unless we reinforce supply," Mr Italiano said.

"However, it is apparent from the draft decision that we were unsuccessful in convincing the regulator of this need, and the AER has asked for additional information to support the project.

"We are committed to working closely with the AER to ensure this essential project proceeds in time. We simply cannot afford to wait until these ageing cables fail to take action."

TransGrid will undertake a detailed assessment of the draft decision and prepare further submissions to the AER as it works toward a final determination by April 2018.

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