

Delivering

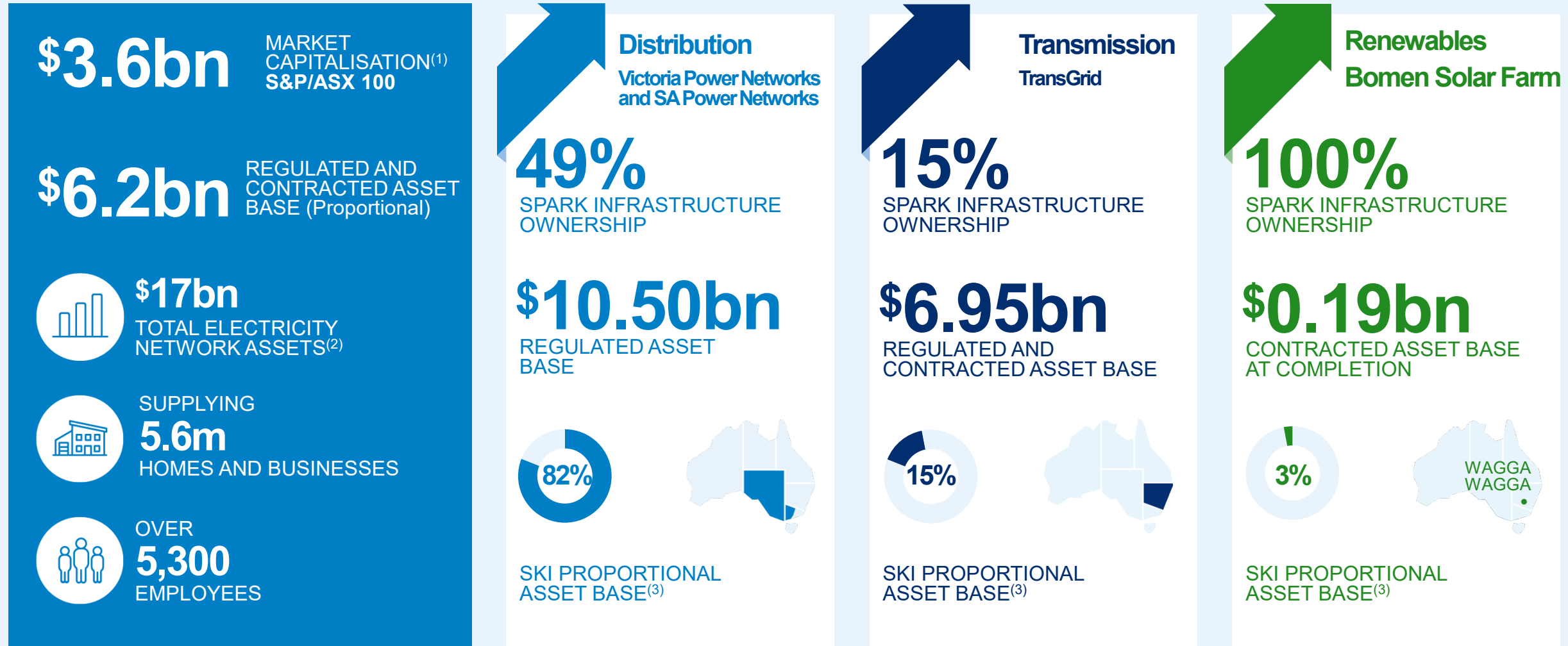
FUTURE ENERGY

RBC RENEWABLES AND ENERGY TRANSITION FORUM

RICK FRANCIS, MANAGING DIRECTOR
THURSDAY, 12 SEPTEMBER 2019

SPARK INFRASTRUCTURE – AT A GLANCE

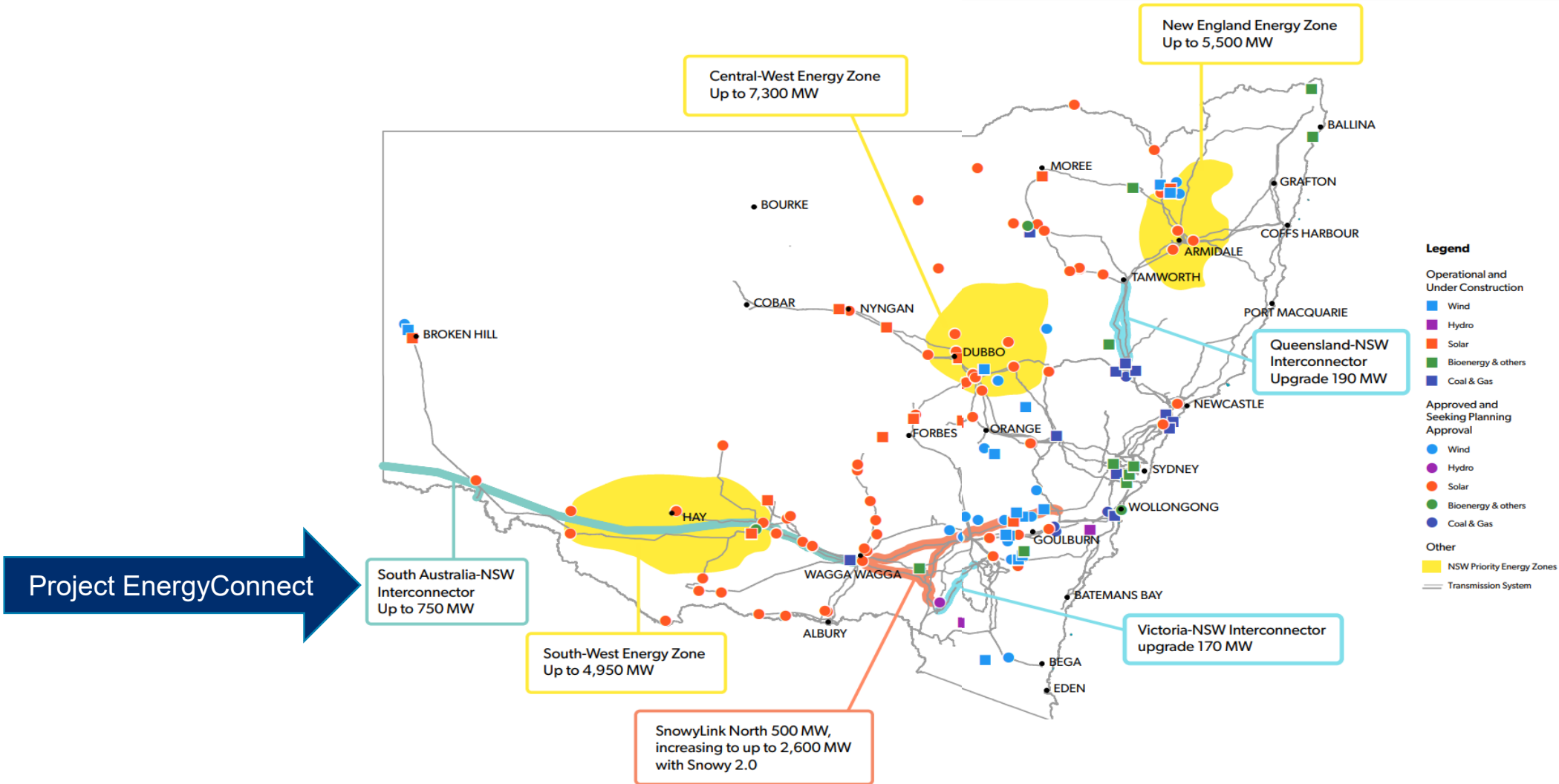
ASX-listed owner of leading essential services infrastructure



(1) As at 11 September, 2019. Balance sheet and other information as at 30 June 2019 (2) Spark Infrastructure has interests in \$17bn of total electricity network assets (3) Pro forma

TRANSMISSION

Interconnectors, renewable energy zones and the Snowy 2.0 upgrade are all going to play a key role in the energy transition



TRANSMISSION – ISP AND PROJECT ENERGYCONNECT

Project EnergyConnect is a proposed new electricity interconnector between Robertstown in South Australia and Wagga Wagga in New South Wales, with a connection into Red Cliffs Victoria

- Completed a Regulatory Investment Test for Transmission (RIT-T)
- The test is a cost benefit analysis overseen by the AER
- Decision expected in H2 2019 as to whether the project satisfies this test

The interconnectors route passes through renewable energy zones in South Australia and NSW, meaning future renewable projects in these areas will be able to connect to the grid and supply new energy into the network.

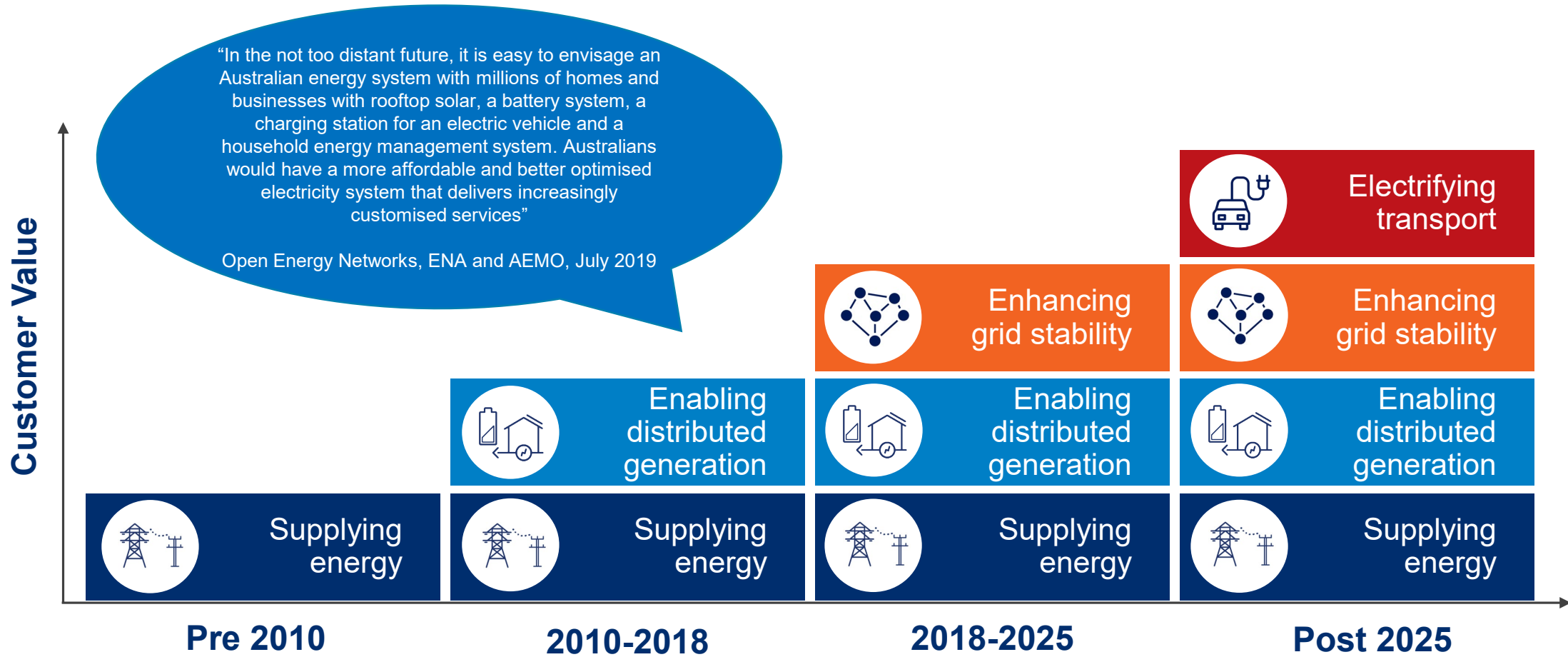


Capex source	Estimated cost	AEMO ISP Neutral ⁽¹⁾ Delivery Target	NSW Transmission Strategy ⁽¹⁾ Delivery Target
TransGrid 2018-2023 capex allowance	\$1,249m	N/A	N/A
New SA-NSW interconnector (Project EnergyConnect)	\$1,530m ⁽²⁾	2022 to 2025	2023
VIC-NSW interconnector upgrade	\$87m ⁽²⁾	2020	2022
Minor QLD-NSW interconnector upgrade	\$142m ⁽²⁾	2020	2022
Snowylink North (Humelink)	\$1,350m ⁽²⁾	2025	2024
Medium QLD-NSW interconnector upgrade	\$560m ⁽²⁾	2023	N/A
Total possible ISP spend by mid-2020s	\$3,669m	N/A	N/A
TransGrid 2018-2023 other contingent projects⁽³⁾	\$797m to \$2,091m	N/A	N/A

(1) Source: AEMO 2018 Integrated System Plan (AEMO 2018 ISP); NSW Transmission Infrastructure Strategy, November 2018 (2) Estimated cost sourced from AEMO 2018 ISP, ElectraNet SAET Project Assessment Conclusions Report (PACR) February 2019, AEMO/TransGrid VNI Specification Consultation Report (PSCR) November 2018, TransGrid/Powerlink QNI PSCR November 2018, TransGrid Southern Shared Network PSCR June 2019 and represents total cost for each project, some of which may be funded by other TNSPs (3) Source: AER's final decision for TransGrid 2018-2023 Determination, Attachment 6 – Capital Expenditure; Projects include Support South Western NSW for Renewables, Supply to Broken Hill, Support Central Western NSW for Renewables, Support North Western NSW for Renewables, and Renewables development in Mt Piper to Wellington area

DISTRIBUTION

Our distribution networks will be a platform for technologies, innovation and distributed energy resources (DER)



Source: Adapted from SA Power Networks 2020-25 Regulatory Proposal – An overview for South Australian electricity customers, sourced from SA Power Networks' Talking Power website

ENERGY TRANSITION – SPARK IS PLAYING A KEY ROLE

Renewables Vision

- Leading Australia's energy transformation
- Leading the sustainable reduction in emissions through investing in renewable generation and smarter electricity grid infrastructure

TransGrid new generation connections



1.8GW of solar and wind connections under construction

Connecting significant volume of large-scale renewables to the grid each year

SA Power Networks VPP with Tesla



**1,000 homes – current plan
50,000 homes – future plan**

Learning from the largest Virtual Power Plant in the world upon completion

Enerven solar and storage for SA Water



Significant solar PV and battery storage project

~\$300m framework agreement to deliver solar and storage across many sites

Beon renewable construction

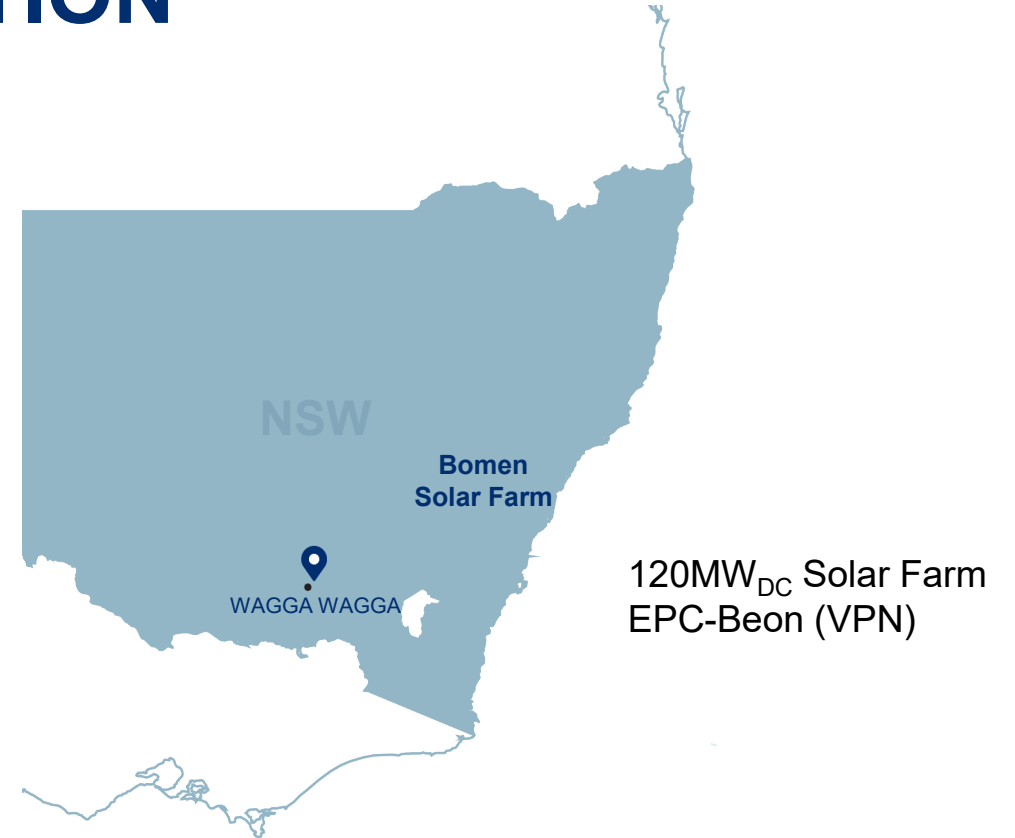


112MW Karadoc solar farm completed in 2018

Growing expertise in solar farm and renewable energy connection construction

RENEWABLE ENERGY GENERATION

BOMEN SOLAR FARM – OUR FIRST STEP

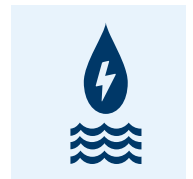


- High quality asset in strong grid location; highly contracted revenue (Westpac and FlowPower)
- Construction activities progressing as anticipated
- Commercial operations forecast for Q2 2020

SPARK INFRASTRUCTURE

THE RENEWABLE PARTNER OF CHOICE

What makes Spark the renewable partner of choice?	
Proven and trusted partner in the energy sector. Highly regarded by PPA counterparties	✓
Deep understanding of the network – grid connection issues	✓
Strong balance sheet and excellent access to equity markets and debt markets	✓
Established relationships with network, transmission and trusted delivery partners (Beon and Enerven)	✓
Ability to be involved earlier on in the development process	✓
Actively engaged in the discussion around energy transformation and the necessary evolution of regulatory and industry frameworks	✓
Dedicated to clean energy and emission reduction	✓



THANK YOU

Slide 2

For those who don't know Spark Infrastructure – we have been a listed investor in essential services infrastructure since 2005, and have investments primarily in regulated electricity transmission and distribution networks in SA, VIC and NSW.

We have held the investments in SA Power Networks, and CitiPower and Powercor in Vic since IPO. We led the consortium that acquired TGD off the NSW Govt as part of their privatization program in 2015, and in April this year we announced our first step-out into adjacent renewable assets, with our 100% acquisition of the 120MW_{DC} Bomen Solar Farm project which I'll discuss in more detail later.

Our vision has become clearer and more important to investors and the community in recent years. Whilst it has always been about providing long-term stable returns from high-quality, well-run, long-life essential service infrastructure businesses, we are very much focused on investing for the future and leading the change to a cleaner future. We try not to think about disruption, technology change, market evolution, returns and so forth in 6 month terms or even 5 year regulatory terms, as we are putting assets to work with time horizons of 30-50 years.

This is, and has been, a huge challenge for us and many others in the current economic and political environment, and has led us to be one of the few remaining ASX-listed regulated infrastructure investors.

The electricity grid is rapidly transforming to meet the energy demands of future generations and has the potential to significantly reduce the cost of electricity to consumers.

Our businesses are playing a critical role in the energy transformation, whether that be by:

- building interconnectors, connecting renewable energy zones or connecting new generation
- By investing in distribution networks and integrating smarter electricity grid infrastructure, or
- by investing directly in long-term contracted renewable generation

Slide 3

We expect that the transmission landscape in the NEM will change dramatically over the next 5-10 years as old centralised coal-fired generation prepares to be decommissioned and replaced by numerous large-scale (albeit smaller) renewable generation plants, widely distributed across the NEM.

Transmission is critical in 3 key areas:

- Whilst interconnectors do not produce electricity, they ensure that the amount of new generation being built is optimised, and not over-built. Ultimately any over-build is additional cost borne by consumers.
- Secondly, the NEM is a complex and sophisticated market governed by a prescriptive set of rules. Enhanced physical interconnection between regions and generators ensure that these wholesale markets work optimally and more efficiently for the benefit of consumers.
- And finally, it encourages the best-located and most efficient generation to be built, and reduces losses incurred through curtailment and MLFs (marginal loss factors).

As it was reported this week by the Clean Energy Council, investment in renewable generation is slowing. We're seeing this as well, both from an investor's perspective as well as from the network side.

A lack of clear policy and a system designed in the 90's are exacerbating matters.

The ESB has recently commenced a post 2025 – System design review, a clear example of the pressing need to rewrite the rules, but arguably it has come too late, and the issue is now how we transverse the intervening period.

To that extent, investment in the regulated networks has and will be held-up or held-back without an urgent review of the regulatory processes – specifically the RIT-T, the RORG and the regulatory treatment of inflation.

It is extremely challenging for investors to reach material investment decisions where the current regulatory returns are (at c4.6%), and where there is a real risk that not all capex spend will be added to the RAB base, and where the basic appeal mechanisms have been removed from the system.

Slide 4

- We don't necessarily need to dwell on this slide too much, as most of you will be familiar with the projects.
- But to put it into context, TGD's current RAB is c\$6.5bn. Their Regulatory capex allowance for the 5 yrs is \$1.25bn (2018-23).
- Identified contingent projects per their Regulatory proposal and from additional projects in the ISP total upwards of \$5bn.
- Not all of these will be done at the same time obviously, but TGD is doing its best to progress the highest priority projects, the most obvious one being the NSW-SA Interconnector (Project EnergyConnect) and in an effort to meet the target dates desired by State Govts, AEMO and the ESB.

Slide 5

- While the current focus is on transmission networks, distribution networks will play an enhanced or expanded role in the future to support new generation, innovation and new technology that will change the way people buy and use electricity.
- In the not too distant future, it is easy to envisage an Australian energy system with millions of homes and businesses with rooftop solar, a battery system, a charging station for an electric vehicle and a household energy management system.
- Penetration of PV is having an impact now, but batteries and EVs are still a while away. However it is pleasing to see that policy makers are already focusing on the role that networks can play as Distribution System Operators in this new world.
- Having said that I expect that any additional capex requirements in Distribution networks over the next 5 yrs will be modest, while any major capex bow-wave if required would be post 2025.

Slide 6

- As I said, our businesses are each playing vital roles in the energy transition, whether it be driving it, or supporting it, through things like:
 - new transmission and new grid connections;
 - trialling with batteries in Virtual Power plants;
 - working with customers on bespoke PV & battery integrated solutions; or
 - via large scale construction of renewable generation plant.
- And then that brings us to Spark itself...

Slide 7

In April we announced the acquisition of the Bomen Solar Farm development project, a 120MW solar farm, 10kms north-east of Wagga Wagga. The farm is already well underway in terms of construction, which is being managed by our Victorian unregulated business – Beon Energy Solutions.

Bomen is our first step-out into a close adjacency, being renewable generation. We specifically liked it because of its excellent location and its strong PPA offtake agreements that underpin revenues for 10 years.

Whilst we engage with Beon and TGD on an arms-length basis, our knowledge of the industry that we have built up over many years has given us great insight into the various risks that need to be managed.

Whilst leading and supporting the energy transformation in Australia is at the heart of our vision, our step-out is also clear recognition that we don't see the risk/return equation in the current regulatory settings as being properly balanced, and that the Bomen investment is expected to generate returns which are more commensurate with market and investor expectations.

Slide 8

Since we announced our acquisition of Bomen Solar Farm and our interest in building a portfolio in contracted renewable generation, we have received a lot of inbound enquiries.

Obviously for the reasons listed on the slide we are seen as a very attractive partner for future developments, particularly given our ASX credibility, our strong balance sheet and access to debt and equity markets, and also our in-depth knowledge of the grid.

But it is also evidence that the industry and development of opportunities is slowing with uncertainty in price curves, and concerns around grid stability and connection leading to material risks around such things as: curtailment, run-back schemes, MLFs and additional capital requirements for extra plant such as harmonic filters and synchronous condensers.

To conclude, we are very much focused on investing for the long-term in regulated and contracted infrastructure businesses, and we believe we are well-placed to do so.

But we are also concerned that a lack of national policy, uncoordinated government interventions and out-dated regulatory systems will hold back the investment required to deliver the transformation of the energy sector to the long-term detriment of consumers.