

30 September 2020

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

Dear Sir / Madam

Victoria Power Networks Draft AER Determination

Please see attached release to market in relation to Victoria Power Networks Draft AER Determination.

Authorised by:



Alexandra Finley
Company Secretary

ASX RELEASE

Wednesday, 30 September 2020

AER releases its Draft Decision on the Regulatory Determination for Victoria Power Networks for the 2021-26 period

Spark Infrastructure notes that the Australian Energy Regulator (AER) has today released its Draft Decision for the next five-year regulatory period for CitiPower and Powercor (together known as Victoria Power Networks), in which Spark Infrastructure holds a 49% interest.

The AER's Draft Decision includes the following for the 5-year regulatory period commencing 1 July 2021 to 30 June 2026 (\$2021):

- Revenue – \$4,349m (smoothed)
- Rate of Return – 4.59% (nominal vanilla WACC)
- Return on Equity – 4.59%
- Capital Expenditure – \$2,128m
- Operating Expenditure – \$1,783m

Spark Infrastructure Managing Director, Mr Rick Francis commented: "Our network businesses, including Victoria Power Networks, are market leaders in productivity, safety and system reliability and have delivered consistently strong performance and sustained efficiency over time. This means they have been able to pass on lower network costs to consumers as well as outperformance benefits to our Securityholders, which we aim to continue into the next regulatory periods."

"We are pleased to see the AER recognising the importance of funding capital expenditure to support distributed energy resources enabling Victoria Power Networks to develop the distribution system in response to the continuing changes in the electricity market as well as new technologies being embraced by consumers and businesses enabling them to make choices about how they interact with their energy supply. However, we were disappointed with the AER's response to Powercor's proactive pole replacement programme which we see as resulting from new additional compliance obligations on the business", he added.

As it is a draft decision, Victoria Power Networks has the opportunity to provide additional information, and has been invited to do so by the AER on many elements, prior to the final decision. The risk free rate and inflation forecast will be updated in the Final Decision. This decision also implements a transitional decision for the period 1 January 2021 to 30 June 2021 to give effect to the Victorian Government's decision to delay the commencement of the five year regulatory period until 1 July 2021.

Mr Francis said: "We are pleased to see that Victoria Power Networks has been afforded the opportunity by the AER to provide an update to a number of forecasts post COVID-19. This is an important opportunity as we anticipate that both Federal and State Government's will announce major stimulus packages during October 2020 that will encourage growth."

Victoria Power Networks is reviewing the Draft Decision and will continue to consult with the AER and stakeholders throughout the remaining process. A Revised Proposal will be submitted in December 2020, with the Final Determination expected to be released in April 2021.

Details of the Draft Decision can be found on the AER website at www.aer.gov.au.

Further Information:

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