



Thursday, 1 October 2020

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

Dear Sir / Madam

**AER releases its Draft Position on the 2020 Review of Regulatory Treatment of Inflation**

Please find attached our announcement in relation to the AER Draft Position on the 2020 Review of Regulatory Treatment of Inflation.

Yours faithfully,

A handwritten signature in blue ink, appearing to read "Alex Finley".

**Alexandra Finley**  
**Company Secretary**



# ASX RELEASE

Thursday, 1 October 2020

## **AER releases its Draft Position on the 2020 Review of Regulatory Treatment of Inflation**

Spark Infrastructure notes that the Australian Energy Regulator (AER) has today released its Draft Position on its 2020 review of the regulatory treatment of inflation.

The regulatory treatment of inflation has the impact of indexing regulatory revenues and asset bases for actual inflation. An anomaly has been identified in the current regulatory treatment, exacerbated in the current low inflation for longer environment, such that Network Service Providers are not actually receiving the return as stipulated in the AER's Rate of Return Instrument. Ultimately this anomaly is not sustainable in the long-term and is not in the best interests of consumers as networks seek to evolve to support the transition to lower emissions through increased renewable generation.

Spark Infrastructure is pleased that the AER is proposing to make a positive change to its approach to forecasting expected inflation to enable it to better reflect market expectations of inflation, and changes to expectations, particularly in this low inflation environment.

The AER's final position on the regulatory treatment of inflation is expected to apply to Victoria Power Networks' (CitiPower and Powercor) final regulatory determinations for the regulatory period commencing 1 July 2021, the drafts for which were released by the AER on 30 September 2020.

The AER has outlined that the proposed change would reduce the forecast of inflation adopted in the recent Victorian draft decisions from 2.37% to 1.95%.

The AER's Draft Position is available on the AER website at [www.aer.gov.au](http://www.aer.gov.au).

Interested stakeholders have until 6 November to provide further responses. The review process commenced in June this year and a final position is expected to be announced in December 2020.

### **Further Information:**

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