



8 October 2020

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

Dear Sir / Madam

**Update on TransGrid's Project EnergyConnect Contingent Project Application and proposed National Electricity Rule Change**

Please see attached release to market in relation to update on TransGrid's Project EnergyConnect Contingent Project Application and proposed National Electricity Rule Change.

Authorised by:

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

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

# ASX RELEASE

Thursday, 8 October 2020

## Update on TransGrid's Project EnergyConnect Contingent Project Application and proposed National Electricity Rule Change

Spark Infrastructure notes that TransGrid has lodged with the Australian Energy Regulator (AER) an update to its Contingent Project Application (CPA) for Project EnergyConnect (PEC), being the new high voltage transmission interconnector proposed to be built between New South Wales (NSW) and South Australia. The original CPA was lodged on 29 June 2020 in accordance with the timelines under the underwriting agreement with the South Australian Government.

The AER's approval of the PEC CPA is required under the regulatory framework to enable TransGrid to commence recovery of revenue associated with the project costs in its current regulatory period (being 1 July 2018 to 30 June 2023). A final decision on the PEC CPA from the AER is expected by late 2020.

If approved by the AER, PEC will deliver a range of benefits for consumers including lower electricity prices, improved energy security and job creation for regional communities. PEC is forecast to reduce the total average annual residential electricity bill in NSW by up to \$64 per annum. PEC will increase transmission capacity between South Australia and NSW and has been confirmed in the Australian Energy Market Operator's 2020 Integrated System Plan (ISP) as an Actionable ISP Project.

TransGrid has confirmed the forecast capital cost of the NSW component of the project to be \$1.91 billion after undertaking a competitive tender process. The South Australian component of the project will be delivered by ElectraNet while the NSW component of PEC will be delivered by TransGrid.

TransGrid has also submitted a rule change request to the Australian Energy Market Commission (AEMC) to support delivery of the project. The rule change, which is specific to TransGrid, proposes a participant derogation to the National Electricity Rules (NER) to effectively remove indexation of the regulated asset base (RAB) for large Actionable ISP Projects, e.g. for PEC and Humelink.

Due to the significant size of these projects relative to the existing RAB, the rule change will ensure its financeability by better matching revenues and financing costs for each project. Under the current regulatory framework without the rule change (i.e. if indexation remained), recovery of revenue would be deferred until later in the project's life which would have significantly adverse impacts on credit metrics, debt funding capacity and the cost of debt. The rule change will not increase the cost to customers over the life of the project. A final decision on the proposal from the AEMC is expected by late 2020.

Spark Infrastructure notes that the PEC Final Investment Decision from TransGrid's securityholders is not expected until late 2020.

Spark Infrastructure holds a 15.01% equity interest in TransGrid.

### Further Information:

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