

Monday, 31 May 2021

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

Dear Sir / Madam

TRANSGRID TO DELIVER PROJECT ENERGYCONNECT

Please find attached Spark Infrastructure's announcement in relation to TransGrid obtaining approval to build Project EnergyConnect.

Authorised by:



Jenny Faulkner
Company Secretary

31 May 2021

TRANSGRID TO BUILD NEW ELECTRICITY INTERCONNECTOR TO FACILITATE AUSTRALIA'S RENEWABLES TRANSITION

Spark Infrastructure is pleased to announce today that TransGrid, in which it holds a 15.01% interest, has successfully reached a Final Investment Decision (FID) to build Project EnergyConnect, having now received final approvals from the Australian Energy Regulator (AER).

Project EnergyConnect (PEC or EnergyConnect) is the proposed new 900km high capacity electricity interconnector between Robertstown in South Australia (SA) and Wagga Wagga in New South Wales (NSW), that also includes a short spur from Buronga in NSW to Red Cliffs in northwest Victoria.

PEC is a joint project with ElectraNet, who will construct the South Australian component of the project, while TransGrid will deliver the major NSW section of PEC from Wagga Wagga to the South Australian border.

Spark Infrastructure Managing Director Rick Francis said: "This is the first major electricity project to receive a green-light under AEMO's Integrated System Plan for the east coast. It is a critical piece of national transmission infrastructure and is fundamental to Australia's transition to renewable energy to decarbonise the power industry and will benefit consumers for decades to come."

"Not only will EnergyConnect assist Australia meet its climate change targets, it will also help deliver lower energy prices for consumers, and enhance grid stability and reliability. Its construction is a critical step towards unlocking the transfer capacity we need to support more renewables coming into our energy supply," Mr Francis said.

As previously reported, TransGrid and its securityholders have been working through a number of complex issues associated with financing large greenfield projects under old regulatory rules in a low-return environment.

As part of the funding for EnergyConnect, TransGrid has secured a A\$295 million, hybrid security instrument in the form of subordinated notes from the Clean Energy Finance Corporation (CEFC). This is an innovative and bespoke solution and Spark Infrastructure is pleased to have worked with the CEFC and TransGrid to deliver it. The hybrid security instrument will form part of TransGrid's ongoing capital structure and attracts partial equity credit treatment from Moody's.

"We are delighted with the support received from the Australian Government's CEFC to get this important project across the line. Without it TransGrid's credit metrics would have been materially and negatively impacted such that EnergyConnect would have been unable to proceed," Mr Francis said.

"Navigating a project of this type and size through the existing rules has exposed a number of fundamental flaws in the regulatory process that must be addressed if necessary investment in critical new transmission infrastructure to unlock further renewable generation is to continue," said Mr Francis.

As PEC traverses both South Australia and NSW, both TransGrid and ElectraNet were required to submit individual Contingent Project Applications for their respective components of EnergyConnect

for regulatory approval under the National Electricity Rules. The AER has subsequently approved a capital expenditure allowance of \$1,834 million (\$2017-18) for TransGrid's portion of PEC. Once completed, PEC will represent an increase of approximately 30% in Transgrid's Regulated Asset Base and will further enable growth in the renewable connections pipeline.

"We expect that TransGrid will play a significant role in providing the investment required to deliver the long term benefits to customers outlined under the Integrated System Plan and expected under the NSW Government's Infrastructure Roadmap. Networks will remain a critical part of achieving this vision. As a long term Australian investor we are excited by these opportunities," Mr Francis said.

Following project approval by the TransGrid Board, TransGrid has now finalised its Engineering, Procurement and Construction (EPC) contract with SecureEnergy for the construction of the NSW component of PEC. SecureEnergy is a 50/50 joint venture between international engineering and construction groups – Australia's Clough and Spain's Ecnor. Early works, including design works, essential environment approval activities and mobilisation of key resources had commenced in late 2020 but can now accelerate in full confidence that FID has been reached and all regulatory approvals have now been received.

Independent analysis shows PEC is expected to deliver net annual savings of around \$100 for a typical household in South Australia and around \$60 for a typical household in NSW – it will drive competition in the wholesale electricity market by connecting more, low-cost generation to the grid and supporting the ongoing transition to a lower carbon emissions future.

Construction of TransGrid's component of PEC is expected to commence from late 2021 with project commissioning by 2023.

"The approval for EnergyConnect is not only a significant step in delivering on Spark's 'growth plus yield' value proposition to our investors, but is also a critical project to deliver lower electricity prices and reduce Australia's carbon footprint," Mr Francis said.

Spark Infrastructure's equity commitment to EnergyConnect will be covered via the Company's Distribution Reinvestment Plan.

Media Releases from TransGrid and CEFC are attached.

Full details of the Final Decision on TransGrid's Contingent Project Application are expected to be released later in the week, and will be able to be found on the AER website at www.aer.gov.au.

Further Information:

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May 31, 2021

TRANSGRID COMMITS TO DELIVERING AUSTRALIA'S BIGGEST ELECTRICITY INTERCONNECTOR TO LOWER ELECTRICITY BILLS AND CREATE 1500 NEW CONSTRUCTION JOBS

TransGrid's Board today announced it will build the critical electricity transmission project, EnergyConnect, which will save NSW customers \$180 million a year and create 1,500 new construction jobs in regional NSW.

TransGrid CEO, Paul Italiano, confirmed the company will invest \$1.834 billion to deliver the major, NSW section of EnergyConnect from Wagga Wagga in the State's south to the South Australian border.

Mr Italiano said: "EnergyConnect is a transformational energy project which will provide net benefits of up to \$11.9 billion and save NSW customers \$180 million a year, or \$64 annually on an average household bill.

"EnergyConnect will be Australia's biggest electricity interconnector built to date in the National Electricity Market and it will help to accelerate Australia's energy transition by connecting customers with more renewable generation.

"EnergyConnect will also help to abate an estimated one million tonnes of carbon emissions each year contributing significantly to meeting Australia's climate change targets.

"Regional NSW will benefit from the creation of 1,500 construction jobs and an injection of more than \$250 million in direct project expenditure.

"The project will also contribute a further \$4 billion in economic activity for NSW."

Mr Italiano thanked the South Australian Government for its unwavering support for the project, the Federal Government for the support it has provided via an underwriting agreement with South Australia and through the Clean Energy Finance Corporation (CEFC) and project delivery partner, ElectraNet, for the essential role it has played to advance the project through the regulatory process.

The TransGrid Board's investment decision came after it was able to partially resolve financeability issues for EnergyConnect, which challenge delivery of major regulated transmission projects in the NEM.

This has been achieved via an agreement between TransGrid and the CEFC on the issue of an innovative \$295 million hybrid debt instrument.

Mr Italiano said: "The agreement with the CEFC has been essential to the Board's final investment decision today and we are thankful to the Corporation for working with us to progress this important project."

CEFC CEO Ian Learmonth said: "It is significant that the largest single investment the CEFC has made since we began investing will help deliver more renewable energy to Australian consumers by adding such a substantial piece of infrastructure to our electricity grid. We are proud that CEFC finance is supporting this important investment in the grid."

Work on EnergyConnect is expected to commence by the end of 2021.

For more information about EnergyConnect, go to: <https://www.transgrid.com.au/energyconnect>

Media enquiries: Kate Davies on 0438 437 466 or kate.davies@transgrid.com.au



Historic CEFC investment to kickstart nation building Project EnergyConnect

31 May 2021

The CEFC has announced its single largest investment, with up to \$295 million in capital to play an instrumental role in developing essential grid infrastructure – which will unlock renewable energy projects across three states and accelerate the decarbonisation of the National Electricity Market.

The CEFC investment, on behalf of the Australian Government has been made via an innovative subordinated note instrument which has contributed to the crowding in of further private sector debt to this critical project. The project will spur the generation of cleaner, cheaper and more reliable energy across South Australia, Victoria and New South Wales, leading to the creation of thousands of jobs in regional Australia.

The CEFC commitment is part of Project EnergyConnect (PEC), a vital piece of energy infrastructure spanning more than 900 kilometres. It is a significant first step in the delivery of the Australian Energy Market Operator (AEMO) 2020 Integrated System Plan (ISP).

PEC is the second CEFC investment in major electricity grid infrastructure in less than six months, following its \$125 million investment backing of Snowy 2.0 grid needs.

The CEFC investment in PEC will see TransGrid build the NSW portion of the new 330kV interconnector connecting the energy grids of NSW and SA, with an additional link to North West Victoria. ElectraNet is constructing the SA portion of PEC.

CEFC CEO Ian Learmonth said: "It is significant that the largest single investment the CEFC has made since we began investing will help deliver more renewable energy to Australian consumers by adding a critical piece of infrastructure to our electricity grid. We are proud that CEFC finance is supporting this important investment in the grid.

"Project EnergyConnect reflects our strong focus on investing in essential grid augmentation as part of Australia's important renewable energy transition. We see exciting investment opportunities in energy transmission, interconnectors, renewable energy zones, pumped hydro, grid-scale battery storage and green hydrogen. These assets can all play a critical role in the accelerated decarbonisation of our electricity grid, delivering a cleaner and more reliable energy system which takes advantage of our world leading renewable energy resources. We are also pleased to see our finance playing such a key role in delivery of the ISP."

TransGrid CEO Mr Paul Italiano said: "The agreement with the CEFC has been essential to the Board's final investment decision today and we are thankful to the CEFC for working with us to progress this important project."

AEMO forecasts that PEC will unlock as much as 1,800MW of renewable energy generation across Renewable Energy Zones, including approximately 800 MW in SA, 400 MW in NSW and 600 MW in Victoria. According to PEC, the development of this additional renewable energy capacity will lead to the creation of some 950 jobs across the region. In addition, up to 1,700 jobs will be created during construction.



Importantly for energy consumers, PEC is expected to deliver estimated annual energy savings of about \$100 to SA households and \$60 to NSW householders. Businesses can also expect higher savings, proportional to their energy use.¹

The enhanced grid is expected to drive competition in the wholesale electricity market by connecting more, low-cost generation to the grid. Its location near identified renewable energy zones will support grid connection for future renewable energy projects as well as enable SA to increase the export of its renewable energy production into the national market.²

By creating a second point of connection between SA and the NEM, the PEC will significantly reduce the risk of the SA grid being “islanded” or disconnected from the NEM. Victoria’s Alcoa Portland aluminium smelter will also indirectly benefit from PEC, with an alternate interconnector from SA to the rest of the NEM enabling critical maintenance to be performed at the nearby Heywood interconnector.

Spark Infrastructure Managing Director Rick Francis said: “We are delighted with the support received from the Australian Government’s CEFC to get this important project across the line. Without it TransGrid’s credit metrics would have been materially and negatively impacted such that EnergyConnect would have been unable to proceed.

Mr Learmonth added: “With this investment in Project EnergyConnect, the CEFC has committed \$420 million to nation building grid infrastructure, including our landmark \$125 million investment in grid infrastructure which is critical to the delivery of the Snowy 2.0 pumped hydro project.

“A project of the scale and complexity of PEC presents unique financing challenges to the investors. Our team has worked closely with TransGrid on these challenges and developed an innovative financing solution critical to enabling the project to proceed.”

About the CEFC

The CEFC has a unique role to increase investment in Australia’s transition to lower emissions. With the backing of the Australian Government, we invest to lead the market, operating with commercial rigour to address some of Australia’s toughest emissions challenges – in agriculture, energy generation and storage, infrastructure, property, transport and waste. We’re also proud to back Australia’s cleantech entrepreneurs through the Clean Energy Innovation Fund, and invest in the development of Australia’s hydrogen potential through the Advancing Hydrogen Fund. With \$10 billion to invest on behalf of the Australian Government, we work to deliver a positive return for taxpayers across our portfolio.

About Transgrid

TransGrid operates and manages the high voltage electricity transmission network in NSW and the ACT, connecting generators, distributors and major end users. The Transgrid network is the backbone of the National Energy Market, enabling energy trading between Australia’s three largest states along the east coast and supporting the competitive wholesale electricity market. This allows energy consumers to gain access to the lowest cost generation available.

¹ <https://www.projectenergyconnect.com.au/>

² <https://www.electranet.com.au/electranet-gives-commitment-to-sa-nsw-interconnector/>