



Thursday, 1 December 2016

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

Dear Sir / Madam

INVESTOR DAY WITH TRANSGRID

I enclose the investor presentation to be delivered at Spark Infrastructure's investor day with TransGrid in Sydney today.

Yours faithfully,

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

Alexandra Finley
Company Secretary

INVESTOR DAY



TRANSGRID MANAGEMENT BRIEFING

THURSDAY, 1 DECEMBER 2016





INTRODUCTION







Rick Francis
MD Spark Infrastructure

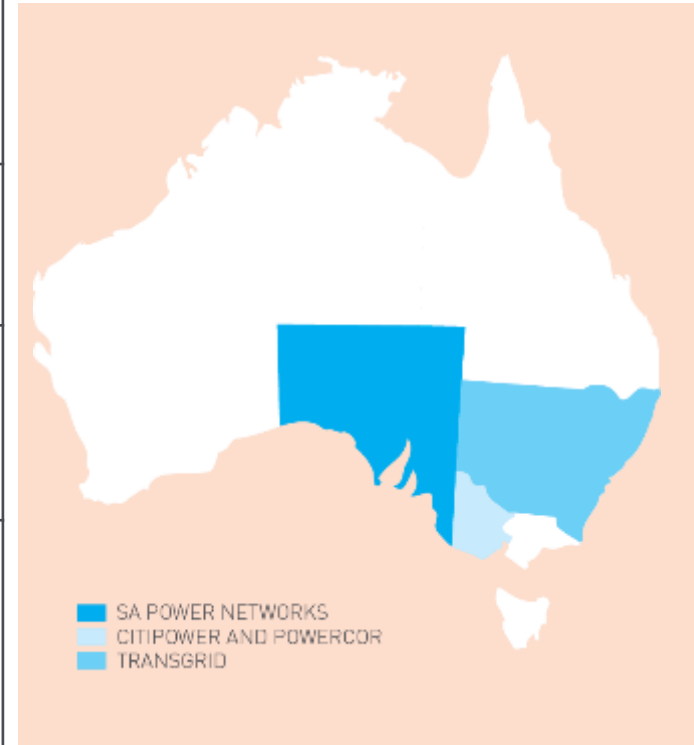
AGENDA

Time (est.)		
09.00	Introduction	Rick Francis, MD Spark Infrastructure
09.15	Strategic overview	Paul Italiano, CEO
09.55	Non-prescribed businesses	Paul Italiano, CEO
10.25	Finance	Matthew Irwin, CFO
10.45	Break	
11.00	Network Asset Management	Gerard Reiter, EM Network Planning
11.30	Regulation	Tony Meehan, EM Strategy & Stakeholders
12.00	Wrap-up	Rick Francis, MD Spark Infrastructure
12.15	Ultimo site tour	

SPARK INFRASTRUCTURE CURRENT INVESTMENT PORTFOLIO

AUSTRALIAN BASED SPECIALIST INFRASTRUCTURE INVESTOR
WITH A PORTFOLIO OF HIGH QUALITY REGULATED BUSINESSES

	49.0% Interest	SA Power Networks is the sole operator of South Australia's electricity distribution network, supplying around 852,000 residential and commercial customers in all regions and the major population centres.
	49.0% Interest	CitiPower operates the distribution network that supplies electricity to around 326,000 customers in Melbourne's CBD and inner suburbs.
	49.0% Interest	Powercor is the largest distributor of electricity in Victoria, operating a network that serves around 768,000 customers in central and western Victoria and the western suburbs of Melbourne.
	15.01% Interest	TransGrid is the largest high-voltage electricity transmission network in the National Electricity Market (NEM) by electricity transmitted. It connects generators, distributors and major end users in NSW and the ACT, and forms the backbone of the NEM connecting QLD, NSW, VIC and the ACT.



PORTFOLIO ASSETS BENCHMARKING WELL

AER'S 2015 BENCHMARKING REPORT CONFIRMS FAVOURABLE RANKINGS FOR SPARK'S INVESTMENT PORTFOLIO

- ▶ SA Power Networks, CitiPower and Powercor ranked at the top end among peers
- ▶ TransGrid performing well on opex productivity relative to transmission peers. Capex benchmarking reflects the NSW Government requirements for network robustness
- ▶ AER has reaffirmed its long held position in relation to relative benchmarking performance and regulatory resets – good performers with regulatory credibility subject to lighter touch regulation based on revealed cost years and historical performance

ELECTRICITY TRANSMISSION BENCHMARKING 2015

Figure 5 Capital partial factor productivity index, 2006 to 2015

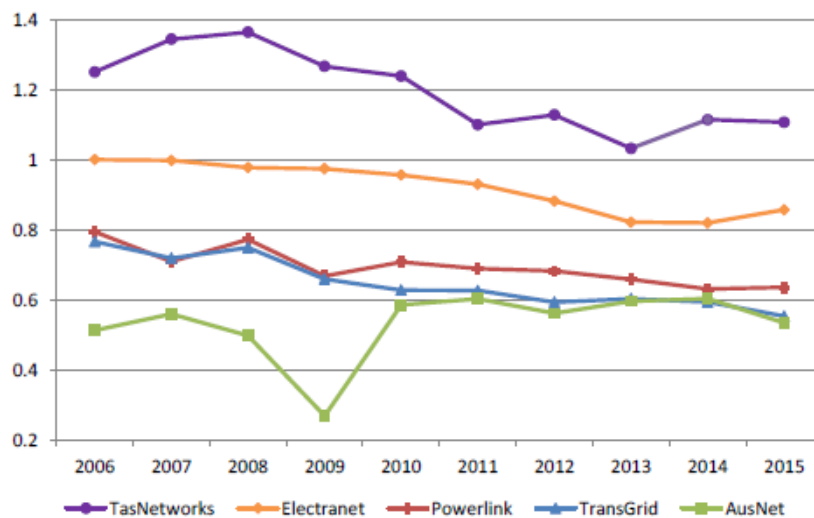
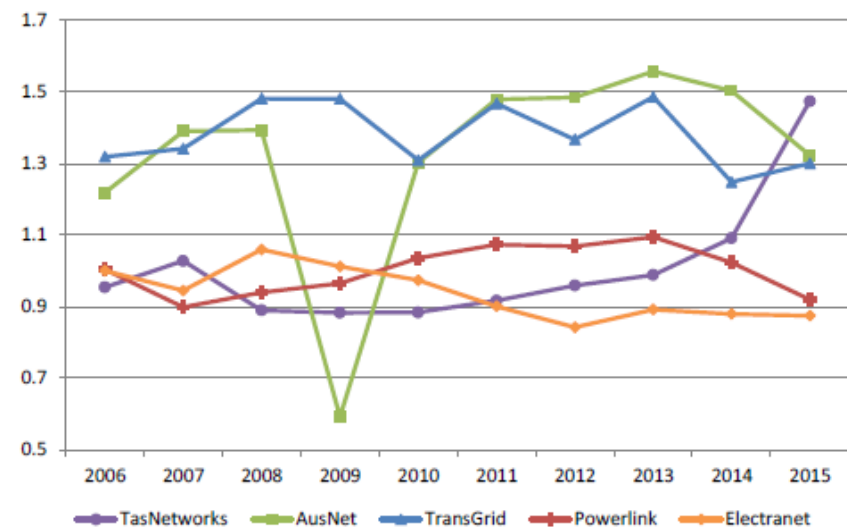


Figure 6 Opex partial factor productivity index, 2006 to 2015



ACTIVE MANAGEMENT APPROACH

ADDING VALUE BY APPLYING SECTOR EXPERTISE

1 Concentrated portfolio of significant interests with ability to influence outcomes and drive performance

- Spark Infrastructure takes an active role in driving performance from asset level management teams

2 Ensure robust governance at both fund level and asset level

- Active representation on boards of asset businesses delivering two way flow of information and expertise

3 Apply industry and regulatory expertise to asset level investment strategy and operations

- Experienced core team of executives at Spark Infrastructure with deep knowledge of the regulation of network assets in Australia and demonstrated expertise in improving productivity and cost efficiency

4 Apply financial discipline to investment decisions both organic and external

- Long term value creation the key priority with short term cashflow per security accretion a supporting priority
- Prudent asset gearing based on stable investment grade credit ratings

5 Focus on delivering sustainable growth in distributions over time

- Spark distributions are fully covered by operational cashflows on both a standalone and look-through basis
- Drive continual improvements in operational efficiency and cost management to maximise operational cashflows
- Diversify the asset portfolio with a view to creating opportunities for long term value enhancement in equity

DEPTH AND DIVERSITY OF SKILLS AND EXPERIENCE

IN-HOUSE CAPABILITIES IN STRATEGY, REGULATION & GOVERNMENT, FINANCE AND BUSINESS TRANSFORMATION



Doug McTaggart
Chair

- Ex QIC, QLD
Treasury



Anne McDonald

- Ex Ernst & Young



Andy Fay

- Ex Deutsche Asset
Management



Christine McLoughlin

- Ex AMP, IAG



Karen Penrose

- Ex Wilson HTM,
CBA and HSBC



Keith Turner

- Ex Meridian
Energy



Greg Martin
(from 1 Jan 2017)

- Ex AGL, Challenger,
Murchison Metals



Rick Francis
Managing Director
and CEO

- Ex APA, Origin



Greg Botham
Chief Financial Officer

- Ex Sydney Airport,
Qantas



Alexandra Finley
General Counsel and
Company Secretary

- Ex NAB, MLC



Mario Falchoni
GM, Investor Relations
and Corporate Affairs

- Ex GrainCorp, NSW &
Federal Govts



Luke Kameron
Business Improvement
Manager

- Ex Sydney Airport, MAp,
Macquarie



Sally McMahon
Economic Regulation

- Ex ESC Victoria,
IPART, ACCC, ATCO
Gas, Western Power

GOVERNANCE AND MANAGEMENT - TRANSGRID

SPARK INFRASTRUCTURE HAS ONGOING INFLUENCE AT THE BOARDS AND ACROSS MANAGEMENT

Strong shareholder relationships

- ▶ Alignment on objectives
- ▶ Fair and balanced shareholder agreements

Experienced management

- ▶ New CEO since April 2016
- ▶ New CFO since Dec 2015; 2 new EGMs to commence in 2017

	Structure and participation	Spark Infrastructure role
Operating board (TOT)	<ul style="list-style-type: none"> ▪ 8 directors (including 3 Independents) ▪ Kerry Schott AO (Ind. Chair) ▪ Reps from Spark, Hastings, CDPQ 	<ul style="list-style-type: none"> ▪ Rick Francis (Director) ▪ Keith Turner (Director) ▪ Alexandra Finley (Alt. Company Secretary)
Regulatory Committee	<ul style="list-style-type: none"> ▪ 5 members ▪ Warren Mundy (Ind. Chair) ▪ Reps from Spark, Hastings, CDPQ 	<ul style="list-style-type: none"> ▪ Rick Francis (Committee member) ▪ Sally McMahon
Audit Committee	<ul style="list-style-type: none"> ▪ 4 members ▪ Julie Stanley (Ind. Chair) ▪ Reps from Spark, Hastings and CDPQ 	<ul style="list-style-type: none"> ▪ Rick Francis (Committee member)
HSE Committee	<ul style="list-style-type: none"> ▪ 4 members ▪ Dr Keith Turner (Chair, Spark nominee) ▪ Rep from Spark, Hastings and CDPQ 	<ul style="list-style-type: none"> ▪ Dr Keith Turner (Committee Chair)
Remuneration Committee	<ul style="list-style-type: none"> ▪ 5 members ▪ Rick Francis (Chair, Spark nominee) ▪ Reps from Hastings, CDPQ and Kerry Schott AO 	<ul style="list-style-type: none"> ▪ Rick Francis (Committee Chair)
Working groups and working alongside management	<ul style="list-style-type: none"> ▪ TransGrid, led by the CEO 	<ul style="list-style-type: none"> ▪ Rick Francis ▪ Alexandra Finley ▪ Mario Falchoni ▪ Luke Kameron ▪ Sally McMahon
Asset board (TAT)	<ul style="list-style-type: none"> ▪ 5 directors (including 2 Independents) ▪ Warren Mundy (Ind. Chair) ▪ Reps from Spark, Hastings, CDPQ 	<ul style="list-style-type: none"> ▪ Greg Botham (Director) ▪ Alexandra Finley (Alt. Company Secretary)
Capital Structure Working Group	<ul style="list-style-type: none"> ▪ TransGrid, led by the CFO 	<ul style="list-style-type: none"> ▪ Greg Botham ▪ Luke Kameron

LONG TERM VALUE CREATION IN TRANSGRID



Key drivers

- Real value of RAB maintained
- Sound regulatory management
- Growth to meet demand and deliver security of supply projects

Key drivers

- Maintain Baa2 rating
- Refinance existing bank debt tranches in capital markets
- Efficient funding of growth opportunities

Key drivers

- Pipeline of renewable generation connection opportunities
- Natural competitive advantages in NSW
- Increasing utilisation of optic fibre network through Telco business

Key drivers

- Transformation into a commercial, customer focused and innovative business
- Aiming to achieve consistent top end benchmarking in AER performance reports

Progress

- Regulatory proposal drafted for submission in late Jan 2017
- Efficient performer benchmarking well
- Powering Sydney's Future
- SA Interconnector proposal

Progress

- Achieved Baa2 rating from Moody's
- Successful USPP A\$1 billion capital raising done at competitive margins
- No debt maturities until next regulatory reset

Progress

- More than 1 GW of connections projects in negotiation
- First substantial deal has been signed; several other proposals well advanced
- Building commercial capabilities in Telco

Progress

- New structure, skills and capabilities
- ACE Program being implemented in both opex and capex
- 80% EBITDA margin in HY2016



STRATEGIC OVERVIEW

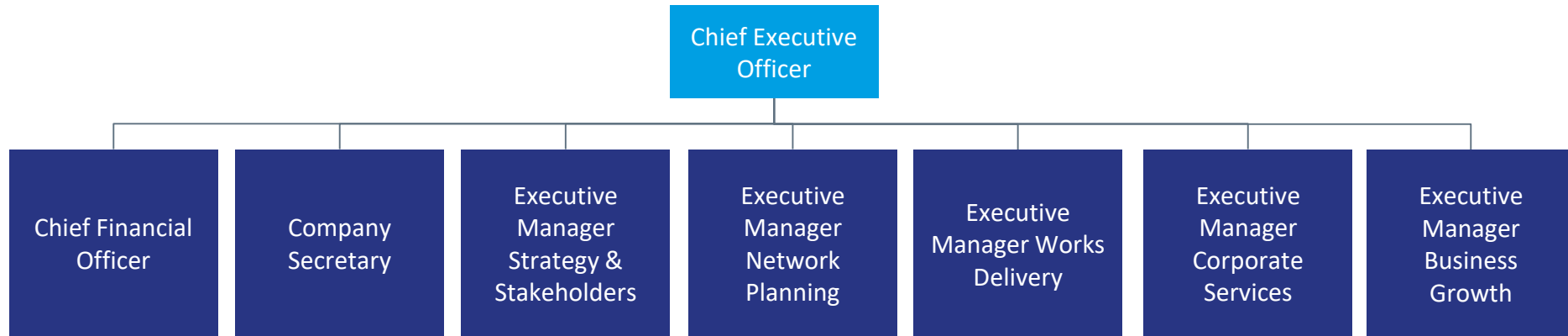


Paul Italiano, CEO
TransGrid



TRANSGRID EXECUTIVE TEAM

POSITIONED FOR THE FUTURE



SAFETY

THE NUMBER ONE PRIORITY

Over the next year, the focus will be on:

Leadership

Encourage employees to speak up if something is unsafe and offer ideas to work more safely.

Systems

More consultation on system design, better road testing before delivery and more training and 'after-sales' support.

Attitudes

Enable employees to 'own' safety by shifting from a compliance based approach to risk management.

Training

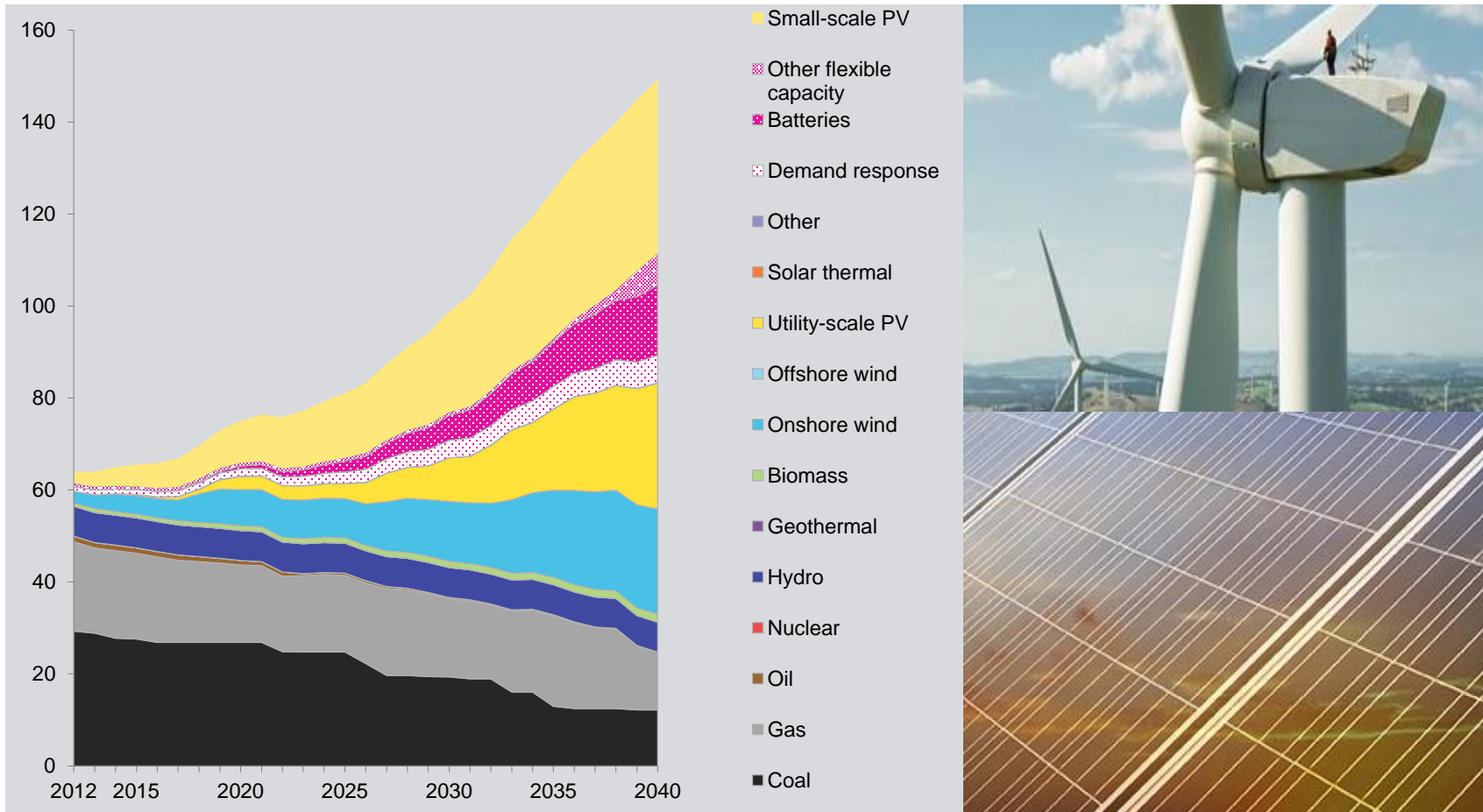
Better define skillsets we need, and instil competence and confidence.

Knowledge transfer

Collaborate and share knowledge so we can all work safely from design through to delivery.

TRENDS

TOTAL DEMAND FOR GENERATION IS GROWING



Source: Bloomberg New Energy Finance

THE ROLE OF THE GRID

THE GRID IS HERE TO STAY



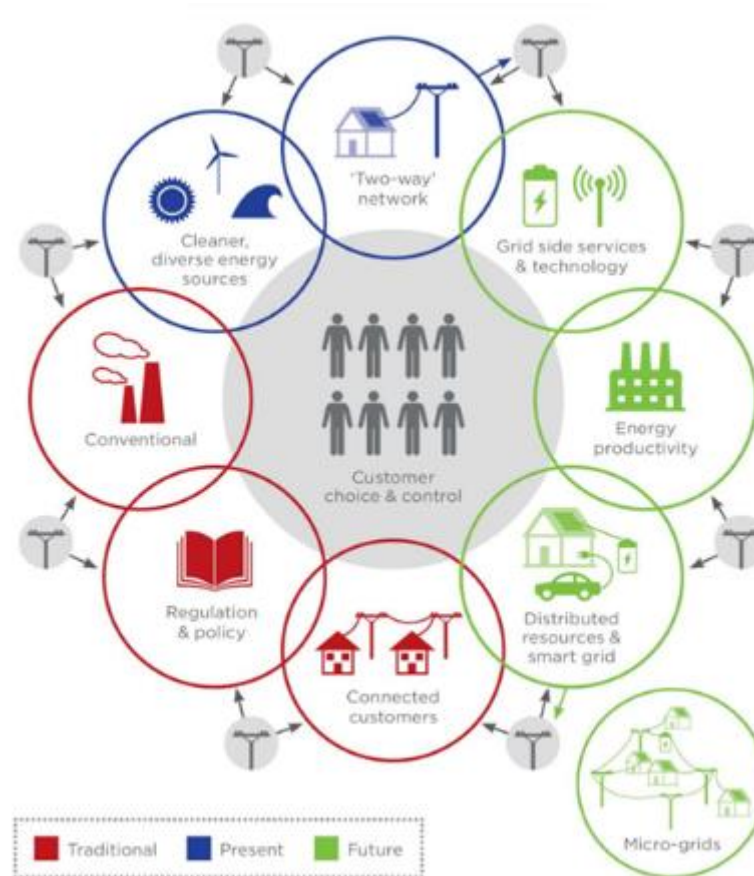
Elon Musk. Source: TED.com

“I do want to emphasize there is still a very important role for utilities here. Sometimes people think that this is an either/or thing, it’s like either rooftops are going to win or centralized generation is going to win and actually both are going to win.”

- **Elon Musk, 2016**

ENERGY IN TRANSFORMATION

ELECTRICITY NETWORKS MUST BE CUSTOMER-FOCUSSED AT THEIR CORE



Source: CSIRO/ENA, Electricity Network Transformation Roadmap, Interim Program Report, Dec 2015

EXTERNAL KEY DRIVERS

THE FUTURE IS BRIGHT FOR TRANSGRID AS IT TRANSITIONS TO A NEW ENERGY ECOSYSTEM

Short term

- Outperforming current regulatory contract
- Government policy driving support for renewables, leading to increased renewable connections in New South Wales
- Closure of Hazelwood Power station to make way for new generation

Long term

- Regulatory decision for 2019-2023
- Carbon abatement driven by government policy
- Strong economy to drive energy use
- Increased interconnection
- Electrification of transport
- New energy services
- Regulation

Medium term

- Regulatory/Policy agenda impacting future of emergent new energy services
- Competitive tension in growth opportunities
- Exponential growth of emerging technologies, testing assumptions and projections

BUSINESS OUTLOOK

KEY AREAS OF FOCUS FOR TRANSGRID IN 2017

1

Safety and compliance

2

Financial flexibility and performance

3

People and culture

4

Regulatory environment

5

Maximise use of assets and IP

6

Driving out cost



NON-PRESCRIBED BUSINESSES



Paul Italiano, CEO
TransGrid



SUMMARY OF INFRASTRUCTURE IN 2016/17

SUPPORTING RENEWABLE PROJECTS WORTH OVER \$1BN

Connections

- ▶ Renewable growth
- ▶ Industrial connection
- ▶ Contestable interstate assets

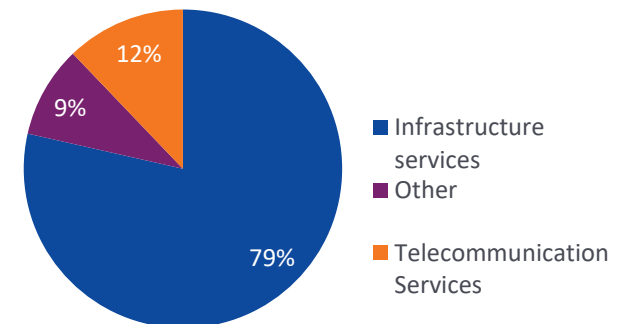
Network modifications and Other

- ▶ Infrastructure development
- ▶ Property services and access

Value proposition

- ▶ Geographic advantage
- ▶ Proven track record on delivery
- ▶ Reliability and response capability
- ▶ Bundled operations, communications and connection services over the long term
- ▶ Asset owner
- ▶ Technical expertise
- ▶ Reliability

HY 16 Non Prescribed Revenue



Good growth potential, delivering returns

Infrastructure Services

- ▶ Around 6000MW of new wind farm capacity is required to meet the LRET
- ▶ State renewable policy is growing.
- ▶ Transition to renewables through traditional generation closures

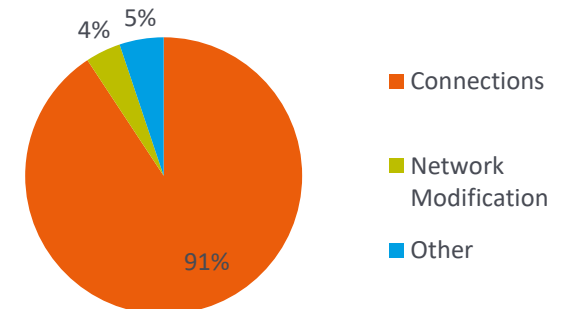
Telecommunications

- ▶ Increasing data demand and regional coverage requirements
- ▶ Need for increased infrastructure for the internet of things and wireless network

Property and Other

- ▶ Property and asset portfolio development

HY 16 Infrastructure Revenue



NSW INFRASTRUCTURE OPPORTUNITIES

State government policy accelerating opportunities over last 12 months

Key

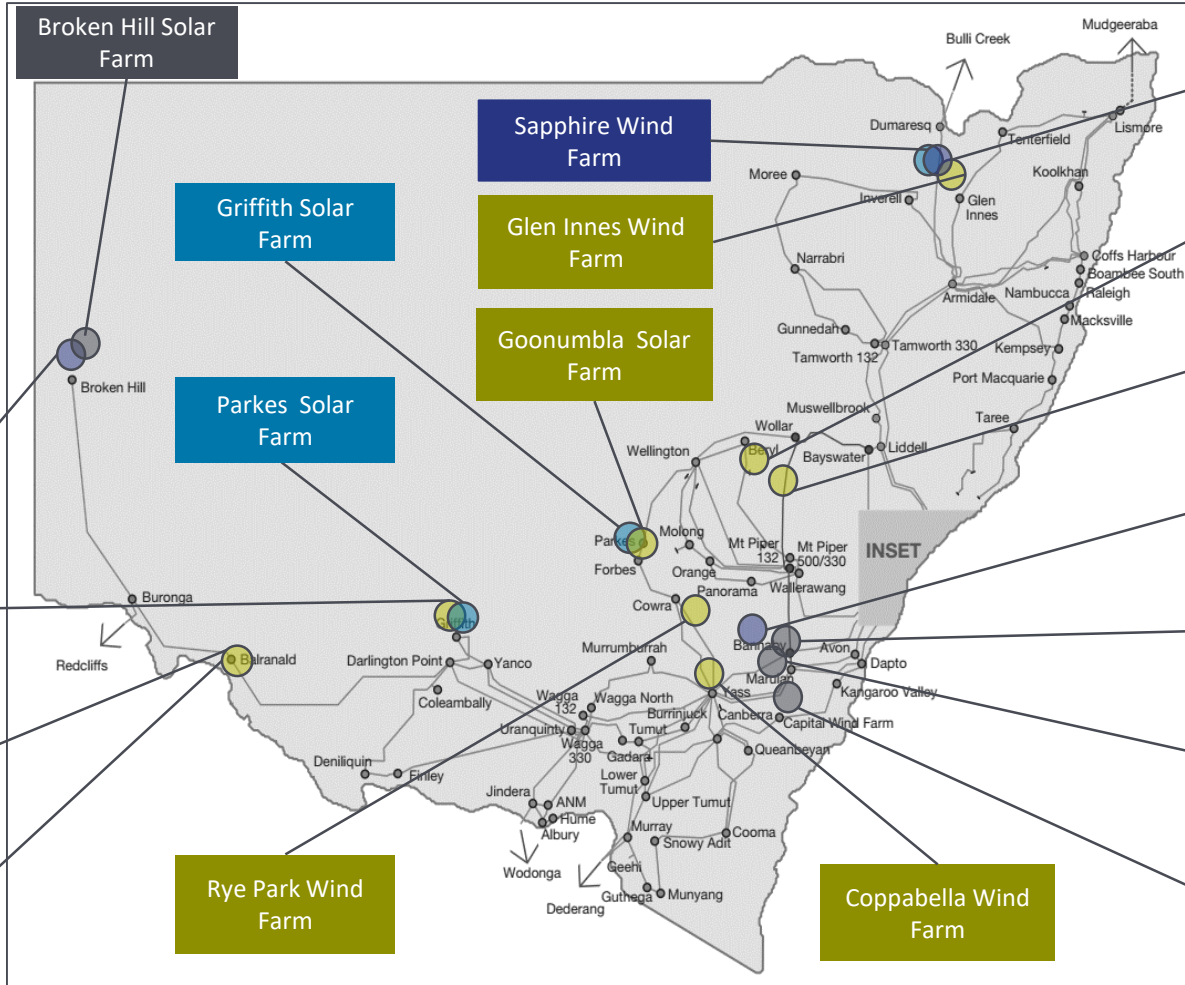
- Discussion commenced
- Preferred Supplier
- Under Construction
- Existing

Silverton Wind Farm

Riverina Solar Farm

Sunraysia Solar Farm

Limondale Solar Farm



Whiterock Wind Farm

Crudine Ridge Wind Farm

Bodangora Wind Farm

Crookwell 2 Wind Farm

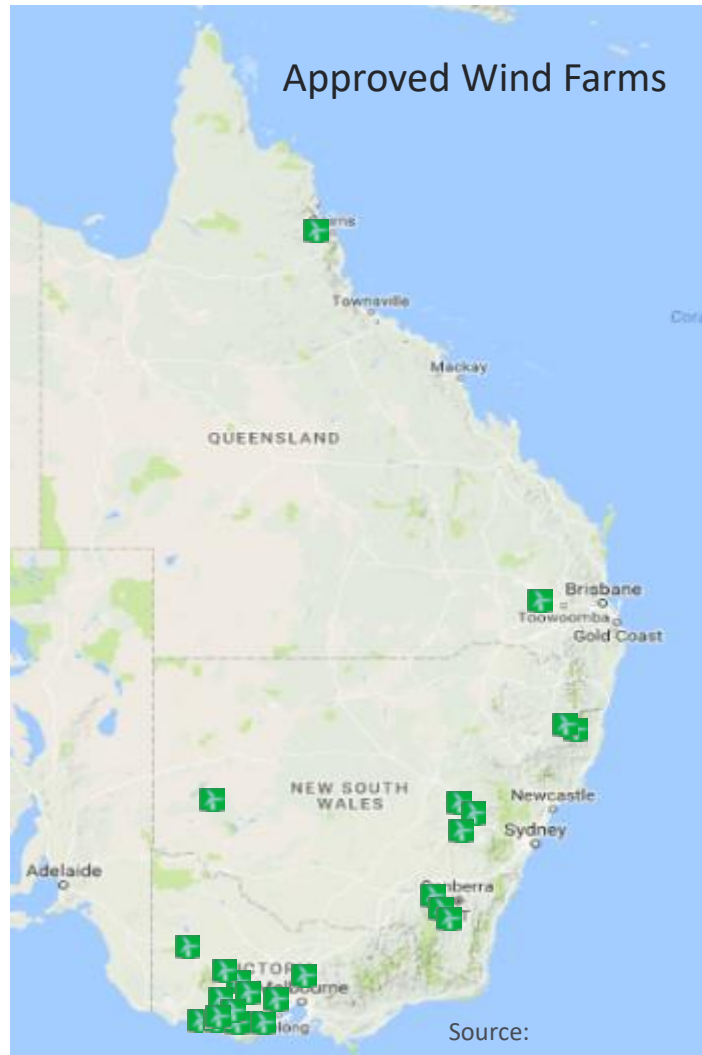
Taralga Wind Farm

Gullen Range Wind Farm

Capital Wind Farm

EASTERN COAST INFRASTRUCTURE

THE PIPELINE OF OPPORTUNITY IS BIGGER THAN EXPECTED



State	Type	Approved	Proposed	Total
QLD	Wind	2	3	5
	Solar	6	17	23
NSW	Wind	9	16	25
	Solar	8	13	21
Victoria	Wind	18	-	18
Total		43	49	92

TRANSGRID TELECOMMUNICATIONS' OPERATIONS

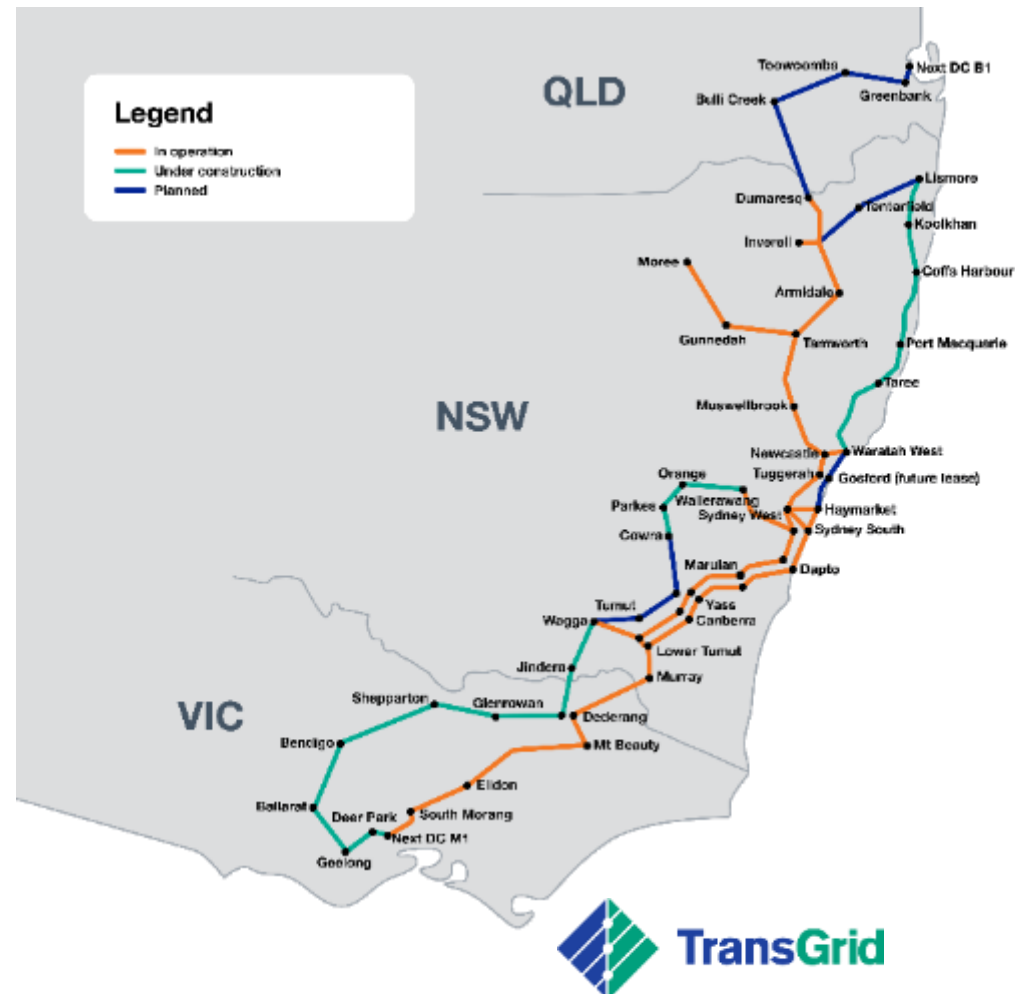
UNDER-UTILISED ASSET PROVIDES OPPORTUNITY

Market drivers and TransGrid's competitive advantage

- ▶ Supported by Connections and network modifications
- ▶ Independent network
 - 90% route and asset diversity
 - Extensive regional network
 - Alternative to traditional providers
- ▶ Facilities to support telecommunications assets

Customers

- ▶ Wholesale – other telecommunications providers
- ▶ Large commercial business
- ▶ Government
- ▶ Regional customers



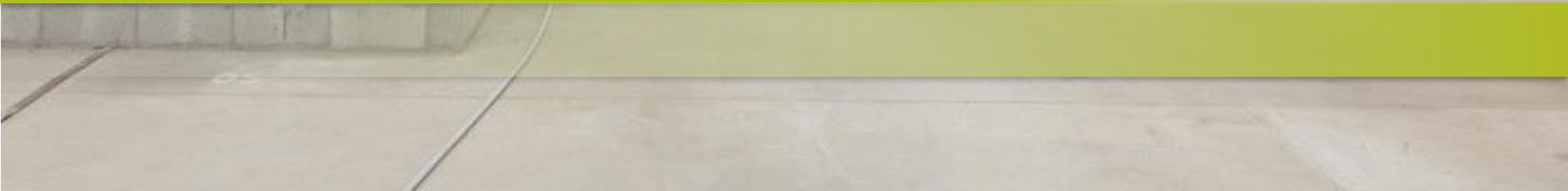
Q&A



FINANCE

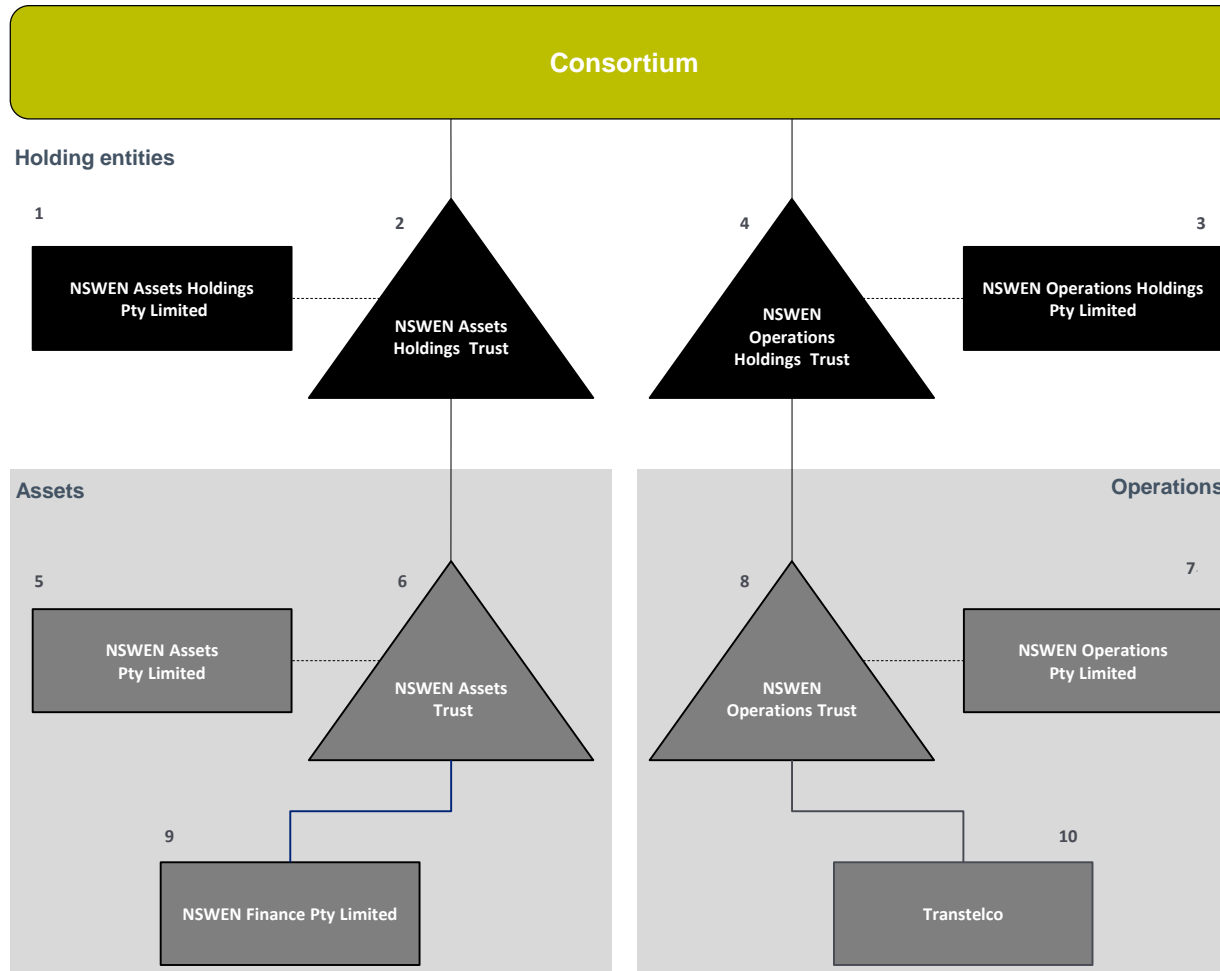


Matthew Irwin, CFO
TransGrid



OWNERSHIP STRUCTURE

DISTINCT AND BALANCED GOVERNANCE



Key points

- ▶ The “Assets” entities hold the leased transmission network assets - passive owner with no active trading operations.
- ▶ The “Operations” entities operate the TransGrid business and hold the Transmission Licence.
- ▶ The two ‘sides’ are separate and independent structures, each with their own boards and governance protocols, their businesses and functions are distinct from each other.
- ▶ Governance arrangements for holding entities apply consistently with the two ‘sides’

KEY FINANCIAL HIGHLIGHTS FOR 2016

DELIVERING AS PLANNED THROUGH ROBUST STRUCTURES AND PROCESSES

- ▶ Boards established for both NSWEN Assets Trust and NSWEN Operations Trust with appropriate governance structures
- ▶ Initial transition activities completed on time and within budget
- ▶ Financial reporting systems have been implemented to integrate new ownership structure
- ▶ First audited accounts completed for the new entities
- ▶ Banking facilities established to fund working capital and capex programme
- ▶ Baa2 credit rating obtained from Moody's on USPP notes
- ▶ First phase of refinancing strategy now completed with USPP
- ▶ Initial distributions in line with approved Business Plan

FINANCIAL RESULTS – JUNE HY 2016 RECAP

Financial ¹	HY2016 \$m
Prescribed revenue	423.7
Other revenue	24.8
Total revenue	448.5
Operating costs	91.8
EBITDA	356.7
EBITDA margin	79.5%
Capex ²	100.6

Operational	
Employee numbers	1,026

- ▶ Revenue cap in place for TransGrid since July 2014
- ▶ TUoS reported revenue includes:
 - \$6.5m STPIS recovered in HY 2016 relating to 2014 calendar year
 - Revenue under-collected vs revenue cap of \$7.9m³
- ▶ STPIS benefit for 2015 calendar year of \$12m being recovered from 1 July 2016
- ▶ Other revenues includes:
 - Infrastructure: \$19.5m
 - Property: \$2.3m
 - Telco: \$3.0m
- ▶ Opex includes both regulated and unregulated costs
- ▶ Capex is predominantly repex
 - Regulated net capex of \$90.6m (repex \$72m, augex \$4m, NCIPAP⁴ \$4m, non-network \$11m)
 - Unregulated capex \$10.0m (Infra \$7.7m, Telco \$2.3m)

1. Results are based on TransGrid's financial statements covering the period from acquisition (16 December 2015) to 30 June 2016. These results have been adjusted by Spark Infrastructure to reflect accounts for the 6 month period to 30 June 2016

2. Capex covers the period from acquisition of TransGrid (16 December 2015) to 30 June 2016

3. Under recovery of amounts under the regulated revenue cap have not been recorded by TransGrid during HY 2016. Spark Infrastructure makes an adjustment to its results to reflect that these amounts will be recovered from electricity consumers in future periods. This adjustment is reflected in the table above.

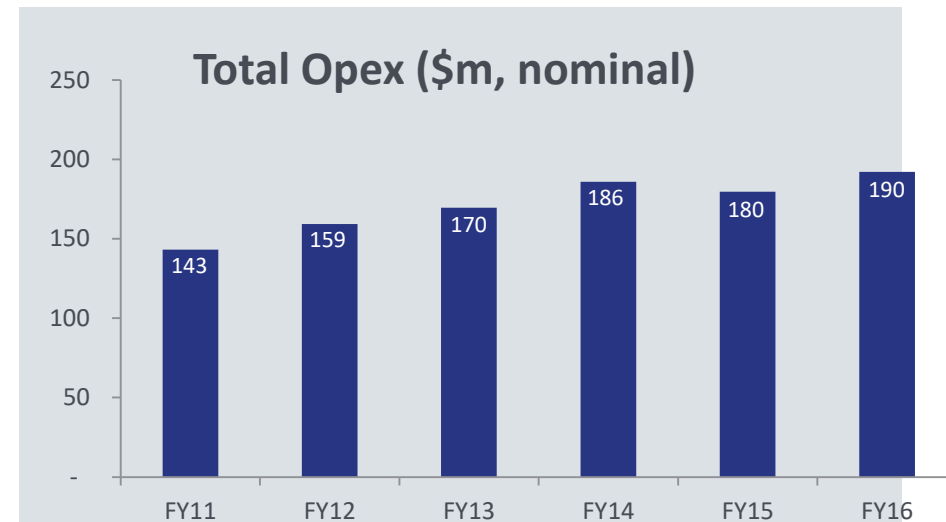
4. Network Capability Incentive Parameter Action Plan (component of Transmission related STPIS for current 4 year regulatory period)

OPERATING AND CAPITAL EXPENDITURE



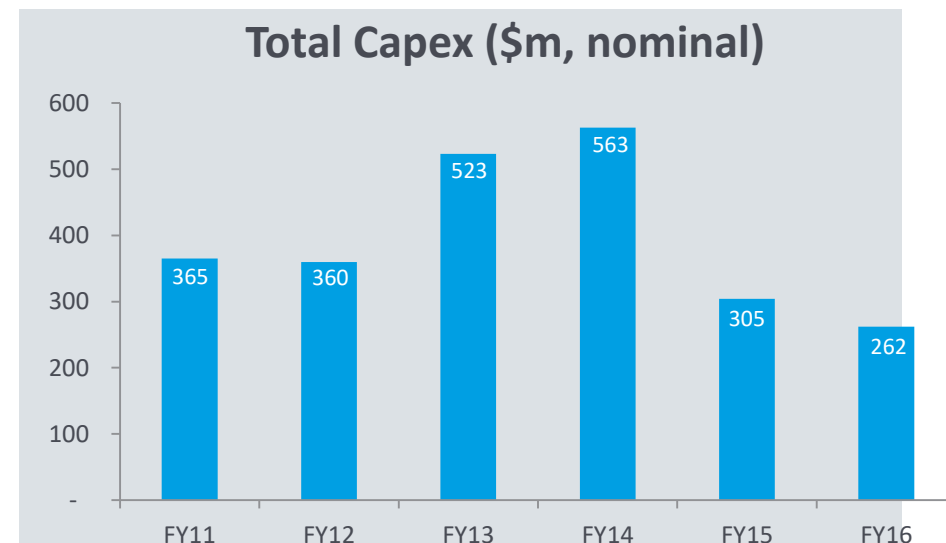
Operating Expenditure

- ▶ Long term opex growth has historically been less than RAB growth
- ▶ Labour costs are a major component of opex
- ▶ FY16¹ included some transaction costs



Capital Expenditure

- ▶ Historically capex reflects augmentation phase
- ▶ TransGrid is currently in a replacement capex cycle with less augmentation
- ▶ Non-prescribed capex has increased with growing investment in new connects and spend for the Ultimo building



1. TransGrid operates to a 30 June year end

US PRIVATE PLACEMENT (JULY 2016)

Key terms

- ▶ US\$700m + A\$75m
 - Sep 2026: US\$200m
 - Mar 2029: US\$250m
 - Sep 2031: US\$250m
 - Sep 2033: A\$75m

- ▶ Placed 1 July 2016
 - Cross-currency swaps dealt simultaneously
 - Funds received September 2016

- ▶ Refinanced entire \$1 billion bridge facility early

- ▶ Issuance rated Baa2 by Moody's

Highlights

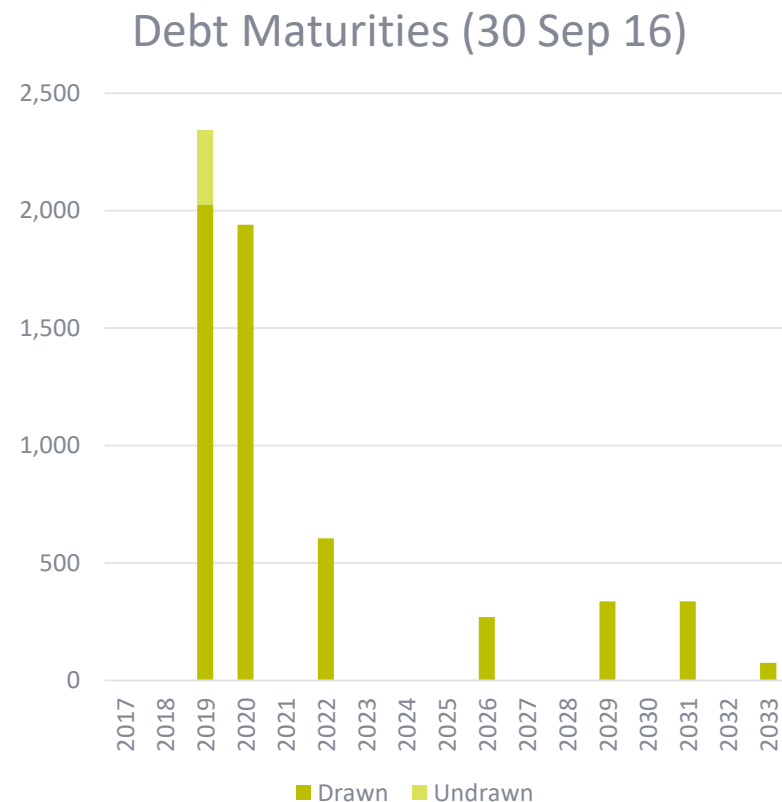
- ▶ Initial book was 3x oversubscribed
 - 28 participating investors
 - Largest Australian corporate debut issuer in the USPP market

- ▶ Achieved pricing objectives
- ▶ Weighted average debt maturity extended by ~2.2 years

- ▶ Diversified funding sources

KEY DEBT METRICS – AT 30 SEPTEMBER 2016

Issuer	TransGrid
Weighted average maturity ¹	5.7 years
Next maturity	June 2019
Average contract hedge rate ²	2.6%
Hedge % of gross debt ³	74%
Net debt at 30 June 2016	\$5.384 bn
Net debt / RAB	86%
Net debt / EBITDA ⁴	7.5x
Credit rating ⁵	Baa2 (on USPP notes)
Senior interest cover ratio ⁶	4.4x



Notes:

1. Based on drawn debt as at 30 September 2016
2. Contracted swap rates only. Excludes other costs including margins
3. Includes fixed rate debt and interest rate swaps
4. Excludes revenue in excess/under collection of the revenue cap
5. Issued in September in respect of the USPP issuance
6. Reported HY 2016 EBITDA / net cash finance charges

Q&A



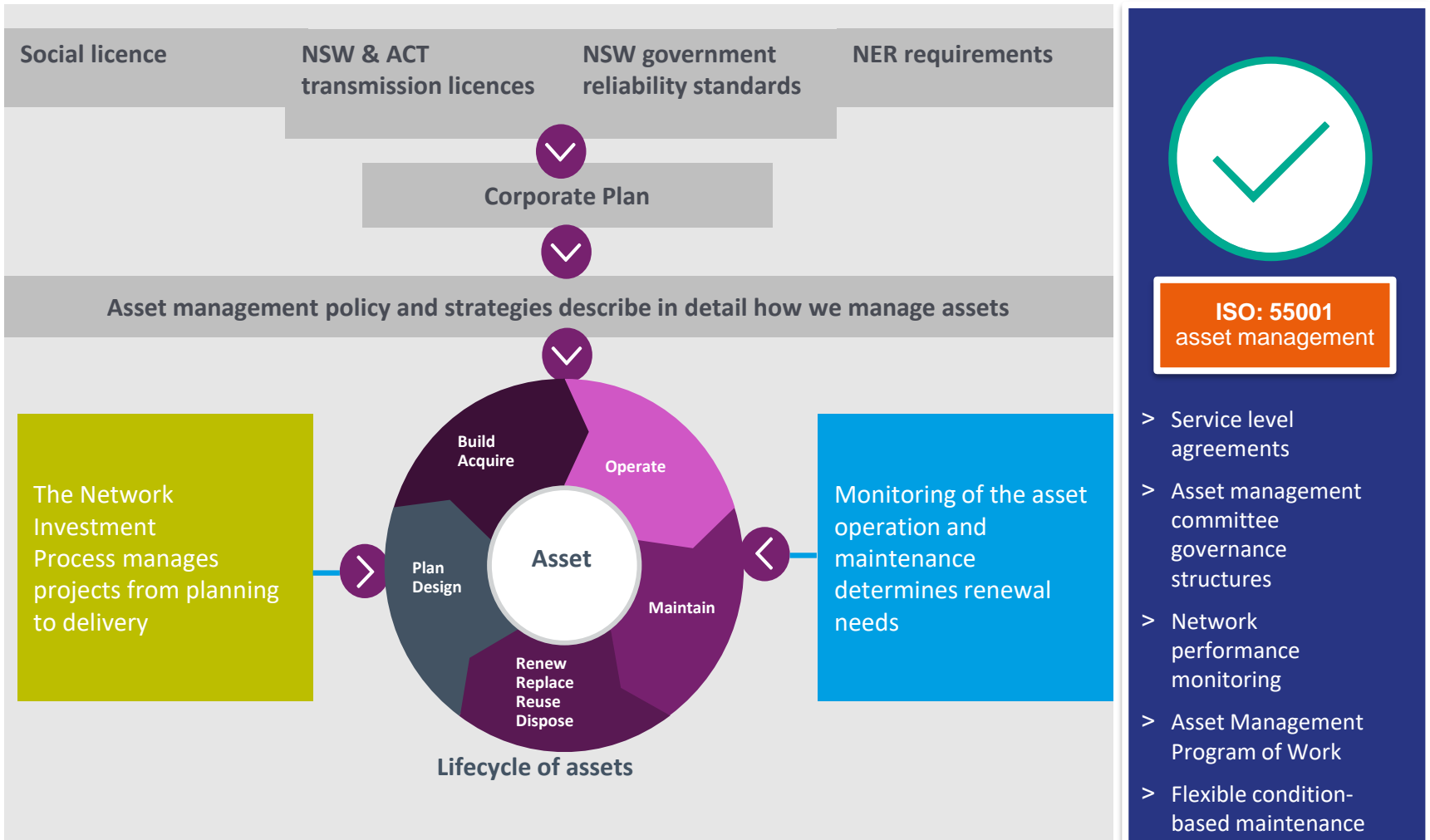
EFFECTIVELY MANAGING ASSETS



Gerard Reiter, Executive Manager
Network Planning
TransGrid

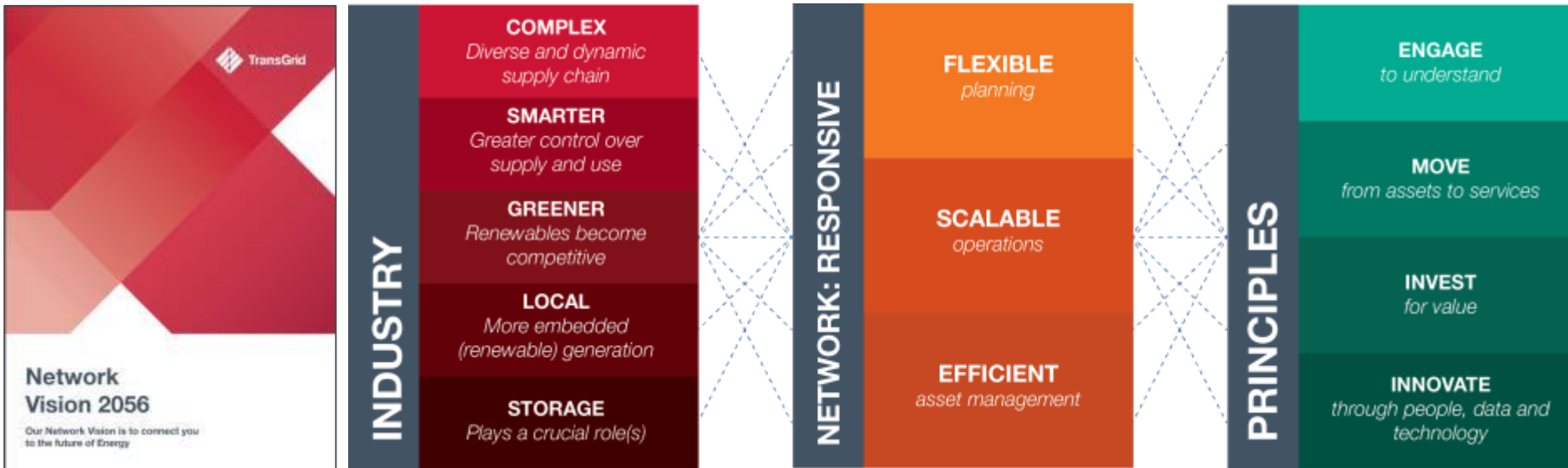
TRANSGRID'S ASSET MANAGEMENT SYSTEM

99.999% RELIABLE IN SUPPLYING NSW



NETWORK PLANNING

FLEXIBLE, SCALABLE AND EFFICIENT

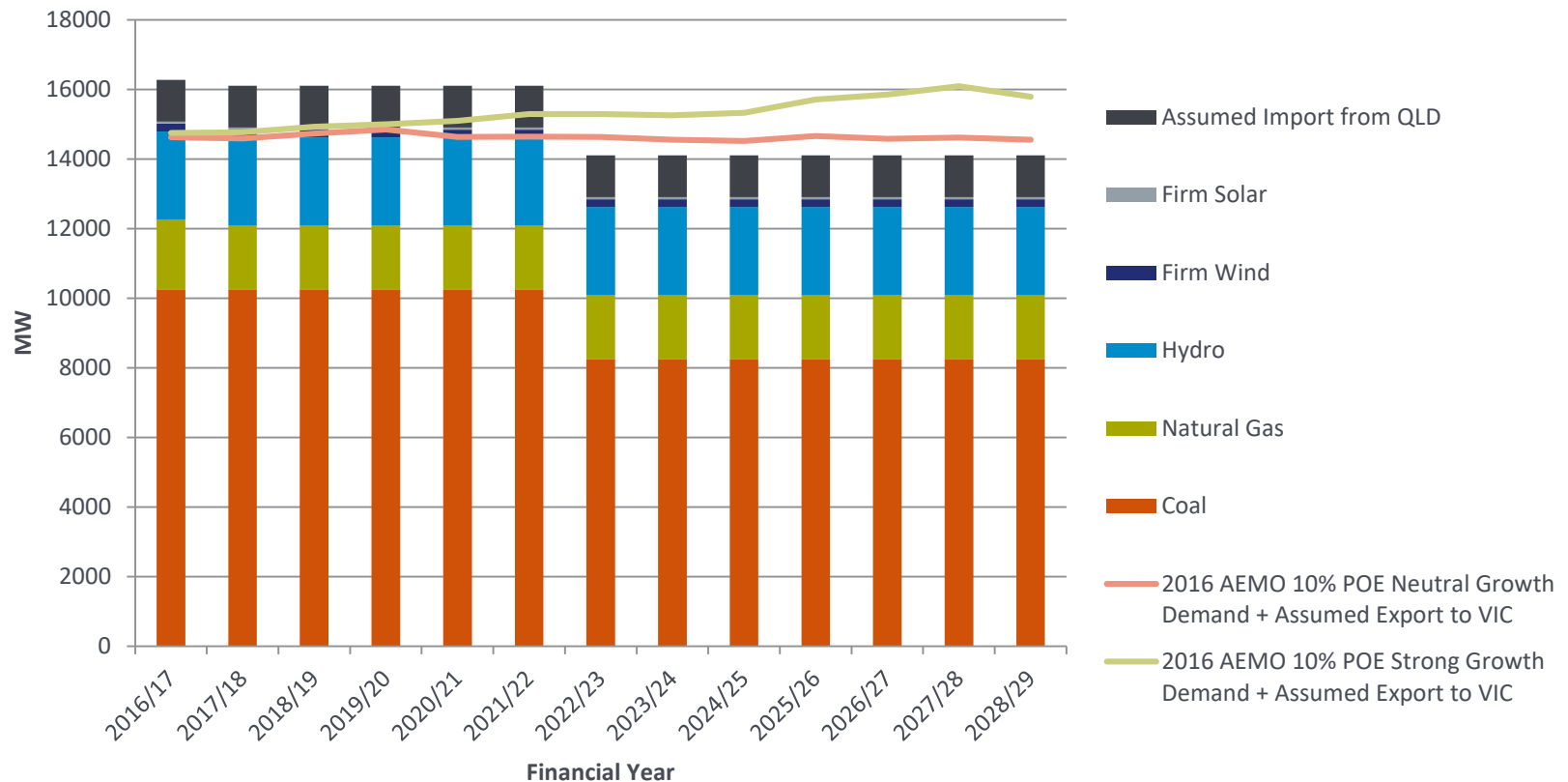


Network Vision 2056 serves as a link between TransGrid's overarching business plan and planning and asset management documents, including:

- ▶ Network Development Strategy
- ▶ Transmission Annual Planning Report

GENERATION DEMAND BALANCE

FROM 2022/23 THERE WILL BE A REQUIREMENT FOR EXTRA GENERATION CAPACITY ON THE NETWORK

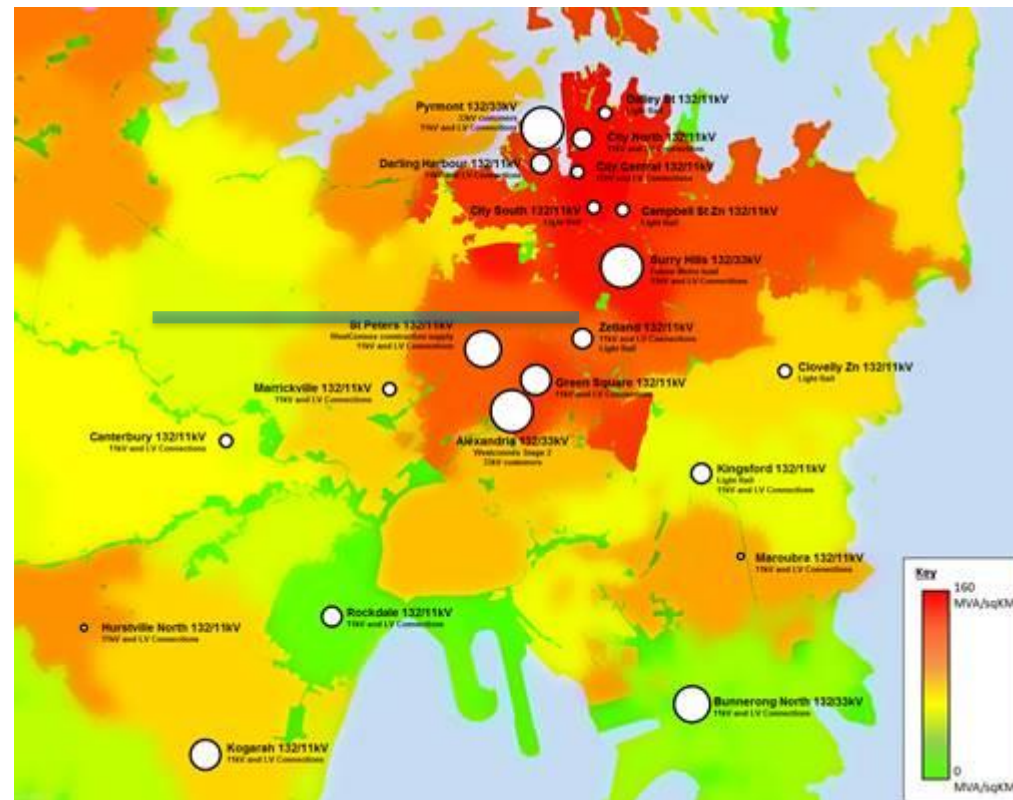


Source: www.aemo.com.au/Electricity/National-Electricity-Market-NEM/Planning-and-forecasting/Generation-information

IMPROVING RELIABILITY AND SECURITY

OFFICIAL FORECASTS CONFIRM NEED FOR INVESTMENT

Powering Sydney's Future



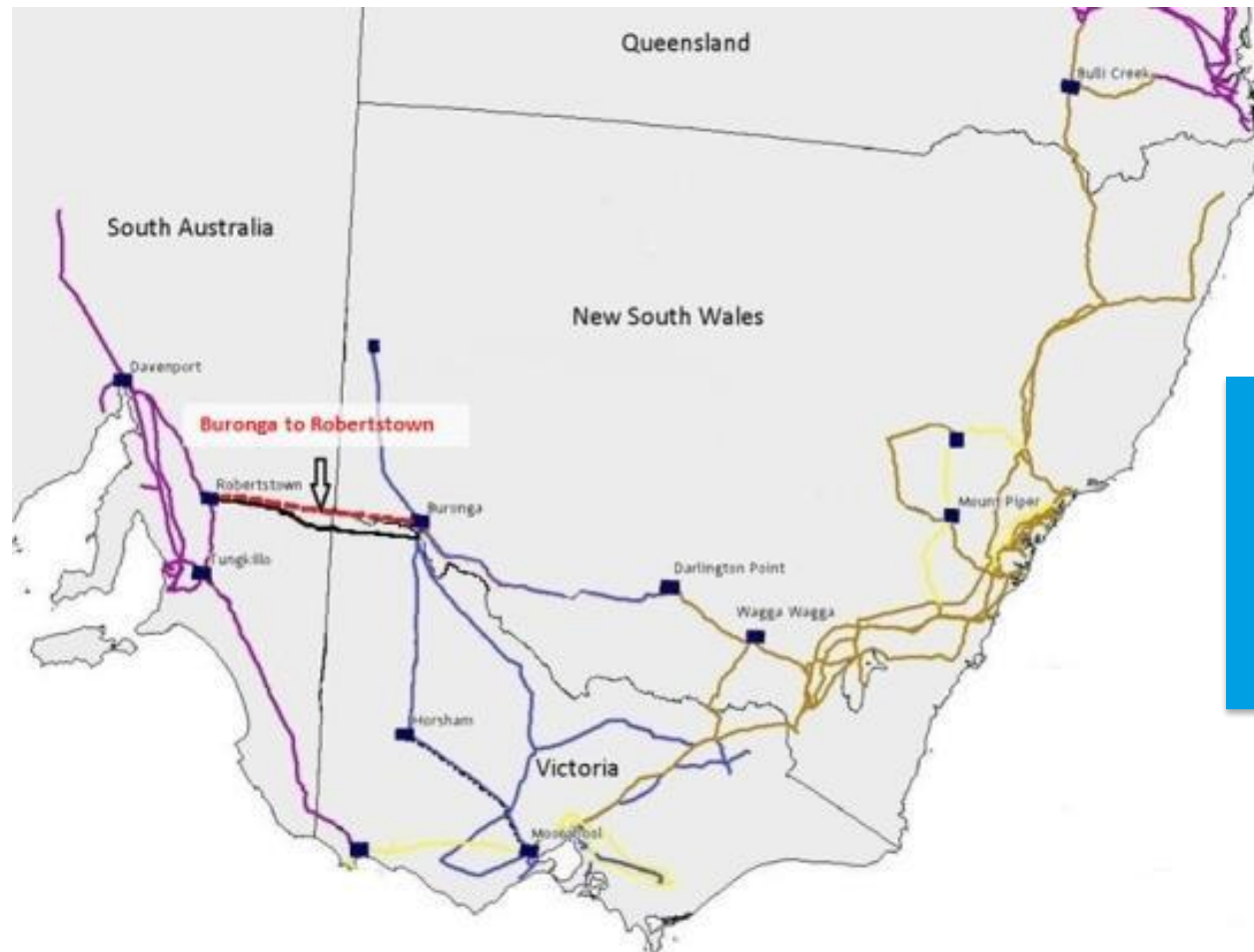
- ▶ Network infrastructure built in the 1960's and 70's
- ▶ Demand increasing above projected load
- ▶ Sydney infrastructure projects growing demand
- ▶ Network solution requires start by 2017 to be operational by 2023

We are currently examining all options including cable options

Source: TransGrid-Ausgrid Powering Sydney's Future Workshop, November 2016

RE-INFORCING THE NEM

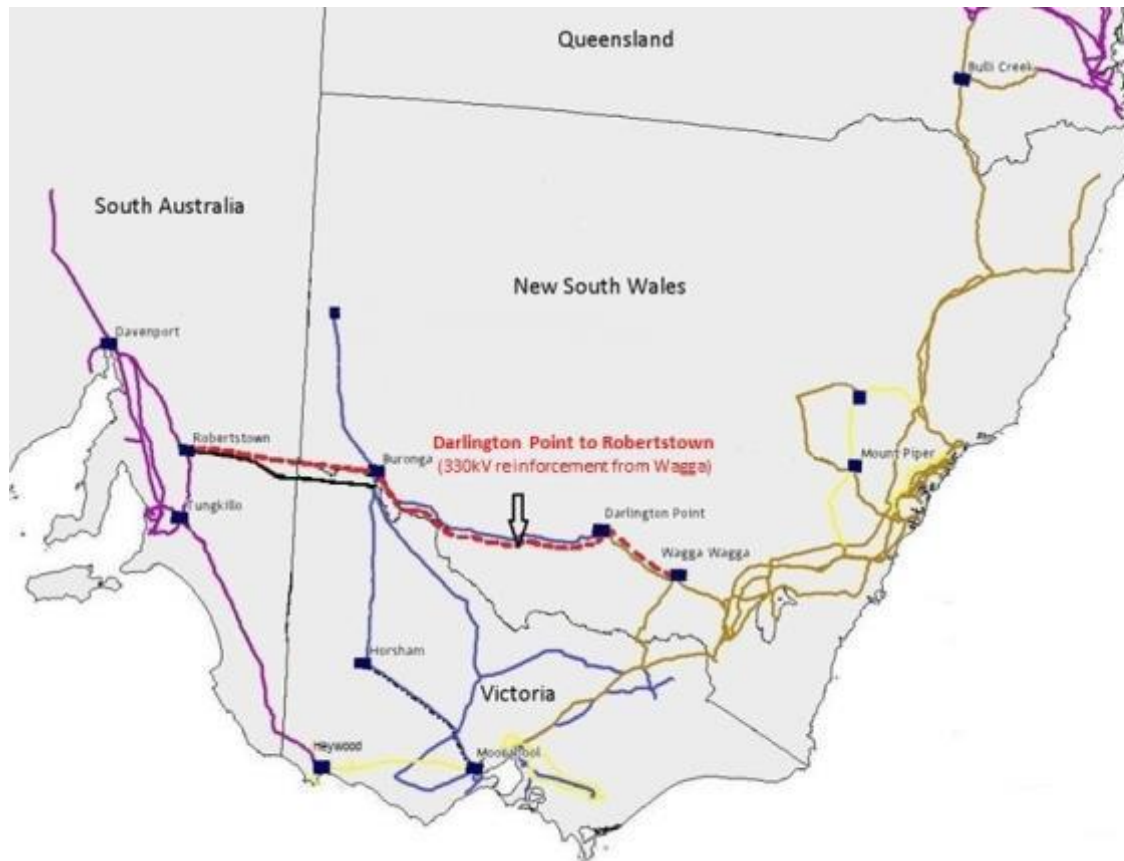
TRANSGRID'S RESPONSE TO THE SOUTH AUSTRALIAN INTERCONNECTOR



Option: Buronga to Robertstown

RE-INFORCING THE NEM

TRANSGRID'S RESPONSE TO THE SOUTH AUSTRALIAN INTERCONNECTOR



Option: Darlington Point
to Robertstown

RE-INFORCING THE NEM

NSW TO SA IS A STRONG OPTION FOR ENSURING SECURITY OF SUPPLY IN SOUTH AUSTRALIA

Option	Nominal Capacity (MW)	Estimated cost (\$m)	Time to construct	Advantages		
				Supply diversity	Facilitate renewables	Manage separation event
Horsham to Tungkillo	550	1,200*	24 months	☒	✓	☒
Buronga to Robertstown	400	800	18 months	✓	✓	✓**
Darlington Point to Robertstown	650	1,200	24 months	✓	✓	✓
New generation in SA	600	800	36 months	✓	☒	☒

*Includes reinforcement of supply to Moorabool

** Including Special Protection Scheme

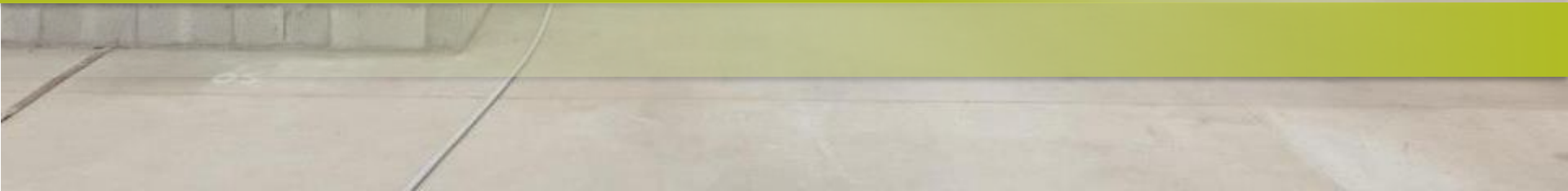
Q&A



REGULATION



Tony Meehan, Executive Manager
Strategy & Stakeholders



CURRENT REGULATORY PERIOD

A SOLID BASE ON WHICH TO BUILD

- ▶ Regulatory decision for 2014/15 to 2017/18 is final with no appeal actions.
- ▶ 4 year regulatory period with TransGrid lodging its proposal 1 year before the NSW distribution companies.
- ▶ Consumer-centric commercial business with focus on improving efficiency and responding to regulatory incentives.

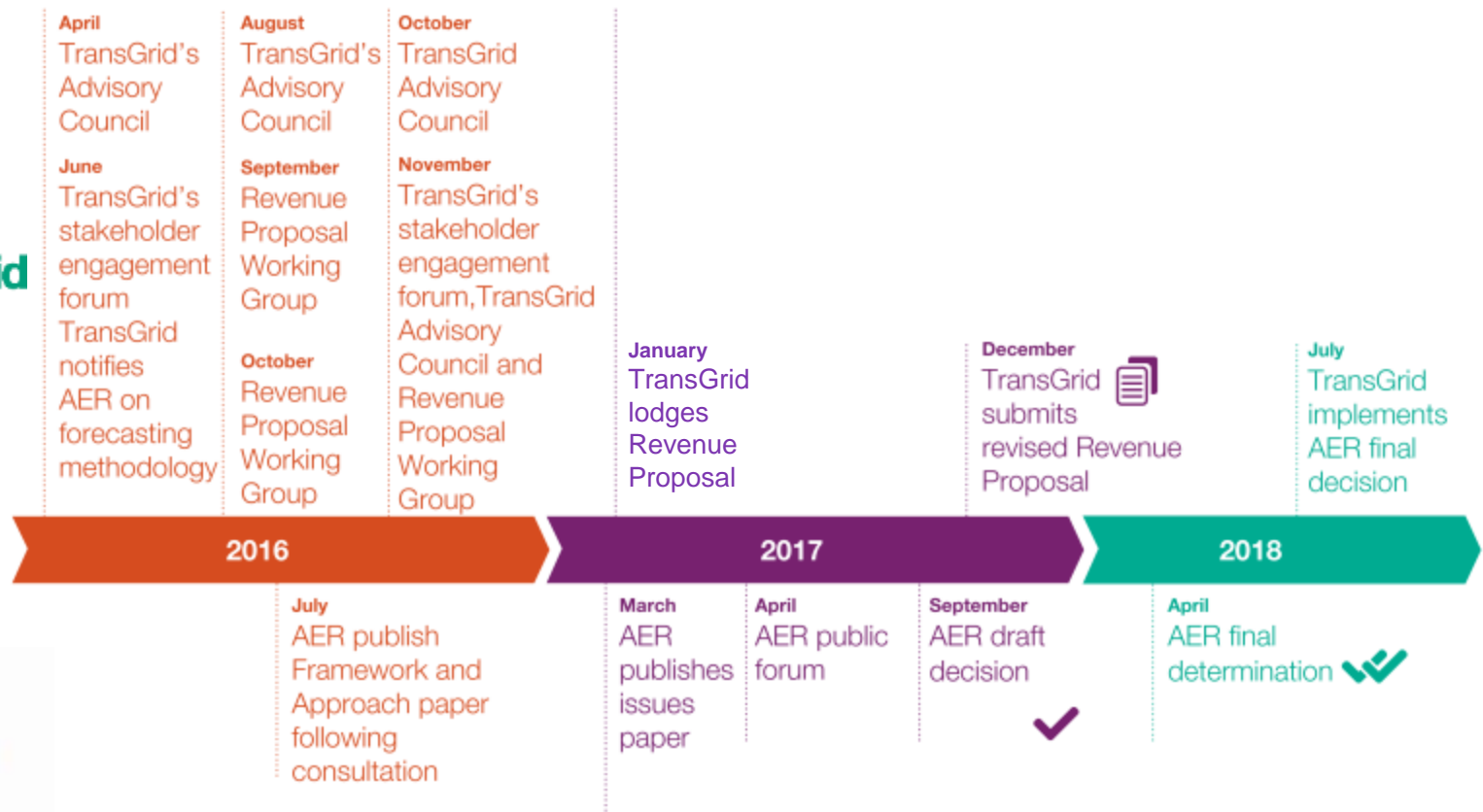
Maximum Allowable Remuneration (MAR) 2014/15-2017/18 (\$m nominal)

Return on Capital	1,716
Return of Capital	435
Operating Expenditure	721
Corporate income tax	102
Incentive mechanisms	64

Timing of next regulatory period is decoupled from the NSW electricity distribution businesses

TRANSGRID'S REVENUE PROPOSAL

PRIORITISING SAFETY, RELIABILITY, EFFICIENCY AND VALUE FOR MONEY



CONSUMER ENGAGEMENT INITIATIVES

PUTTING CUSTOMERS AT THE CENTRE

TransGrid Advisory Council



An executive-level forum that provides ongoing advice to TransGrid. Members have been appointed based on their level of industry expertise to jointly provide high level advice and feedback on areas such as price, infrastructure, investment and innovation to ensure the customer and consumer perspective is included in TransGrid decision making.

Revenue Proposal Working Group



A dedicated forum to ensure that customers, consumers and interested parties have an opportunity to discuss, explore impacts of and tangibly influence TransGrid's approach to the upcoming Revenue Proposal.

NSW Energy Forum



TransGrid is embracing new opportunities and in 2016 launched the NSW Energy Forum to explore priorities for NSW, including how we support a low carbon future and explore ways to shape the future of the grid.

Board and Executive Debrief



Ideas and views expressed by stakeholders are shared with TransGrid's Board and Executive team and actions and decisions made are reported back to the TransGrid Advisory Council.

APPROACH TO REVENUE PROPOSAL

MAXIMUM ALLOWED REVENUE (MAR)

- ▶ Total Regulated Revenue cap adjusted by CPI annually

RETURN ON CAPITAL

- ▶ Apply the AER rate of return guideline
- ▶ Continue the transition to the 10 year trailing approach to debt
- ▶ Approach to market risk premium will reflect current market conditions

GAMMA

- ▶ 0.25 continues to be the appropriate value to be applied for dividend imputation credits

CAPITAL EXPENDITURE

- ▶ TransGrid has transformed its approach to both asset management and risk assessment
- ▶ TransGrid has heard and responded to criticisms raised by the AER in the last reset

OPERATING EXPENDITURE

- ▶ TransGrid is adopting the AER's methodology for forecasting operating expenditure
- ▶ Forensic review across the business to identify cost reductions. These are reflected in the forecast operating expenditure for the next reset

INCENTIVES

- ▶ TransGrid is responding to the regulatory incentives

INCENTIVE SCHEMES

AN ESSENTIAL PART OF DELIVERING VALUE FOR CUSTOMERS

Capital Expenditure Sharing Scheme (CESS)

Provides financial rewards for TNSPs whose capex becomes more efficient and financial penalties for those that become less efficient.

Efficiency Benefit Savings Scheme (EBSS)

Aims to provide a continuous incentive for TransGrid to pursue efficiency improvements in operating expenditure, and to share efficiency gains between TransGrid and network users.

Service Target Performance Incentive Scheme (STPIS)

Provides revenue rewards or penalties for calendar year performance in three service components (service, market impact and network capability) relative to targets set at the start of the period.

Network Capability component (NCIPAP)

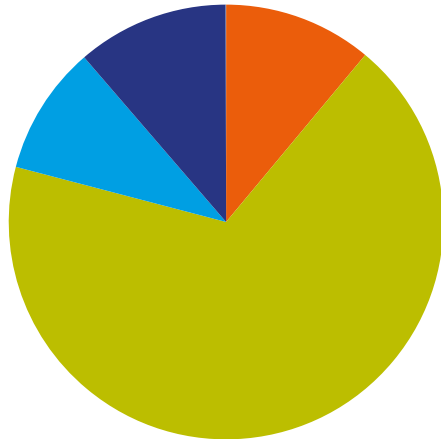
Provides an incentive of 1.5% of MAR for approved network capability enhancement expenditure of up to 1% of MAR.

NCIPAP is assessed at the end of the period by the AER.

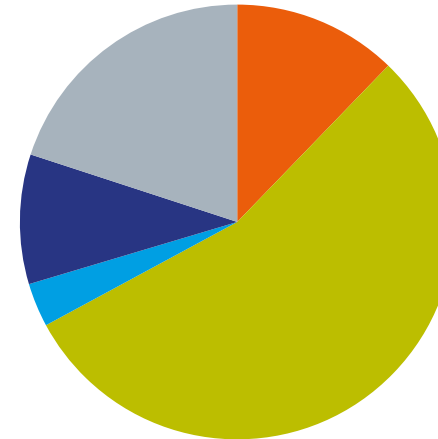
CAPEX PROGRAM

ENSURING RELIABILITY AND SECURITY OF SUPPLY

Reg period 14/15 to 17/18



Reg period 18/19 to 22/23



- Base Augmentation
- Replacement
- Security / Compliance
- Non-network (business support)
- Powering Sydney's Future

Contingent projects (in addition to the capex above):

▶ NSW-SA Interconnector

- A contingent project to increase the interconnection capacity between South Australia and NSW to manage low reserve conditions, system security and deliver lower generation cost via increased competition.

▶ Reinforcement of the Northern Network

- A contingent project to increase network capability triggered by new generation in the New England area in the north of NSW.

▶ Reinforcement of the Southern Network

- A contingent project to increase network capability triggered by new generation in the southern NSW area.

Q&A



CONCLUSION



Rick Francis
MD Spark Infrastructure

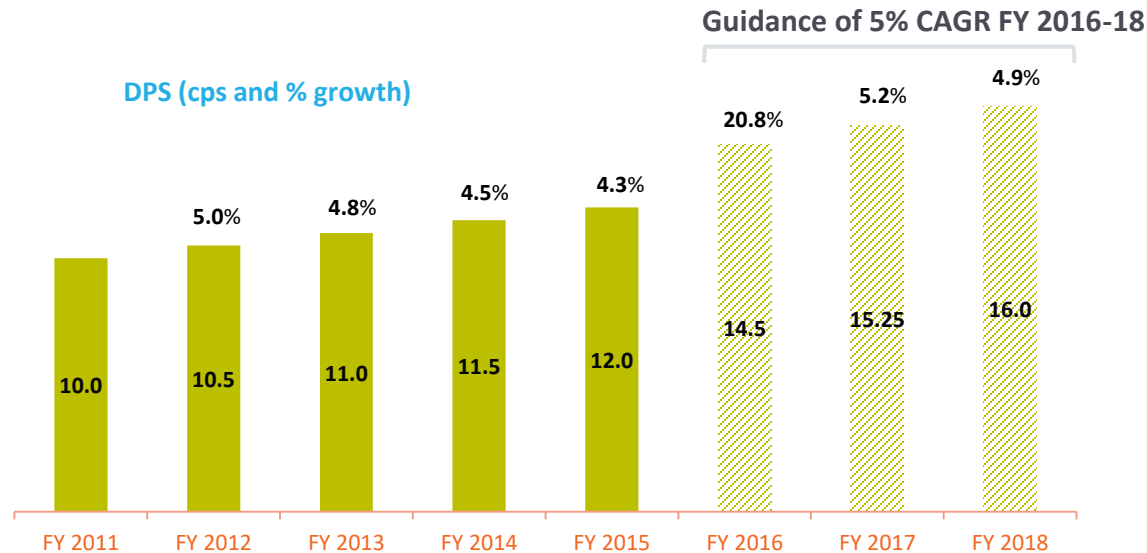
TRANSGRID VALUE CREATION ON TRACK

BUSINESS TRANSFORMATION PROGRAM IS DELIVERING RESULTS

- ▶ New CEO on deck, reforming Executive Team
 - Creating momentum
 - Cultural transformation underway
- ▶ ACE efficiency program will deliver benefits to consumers and investors
- ▶ Non-prescribed business opportunities now crystallising:
 - Infrastructure connections opportunity greater than expected; contracts signed
 - Building capabilities in telco; new EGM to commence in 2017
- ▶ Debt book prudently managed:
 - A\$1 billion issuance in July; Baa2 rating secured on the USPP issuance
 - No further refinancing until after the next regulatory reset
- ▶ Preparations for the regulatory reset well underway with initial submission to be lodged in January 2017
 - Expecting growth in the RAB over next regulatory period
 - Promoting a collaborative relationship with AER

SPARK INFRASTRUCTURE SUSTAINABLE DISTRIBUTION GROWTH

BASED ON RELIABLE OPERATIONAL CASHFLOWS



- ▶ The Directors have reaffirmed medium term distribution guidance; which is expected to be fully covered by both standalone and look-through OCF:
 - ❑ FY 2016 14.5cps (21% higher than 12.0cps in FY 2015)
 - ❑ FY 2017 15.25cps
 - ❑ FY 2018 16.0cps
 - ❑ Guidance is based on expected distributions from asset portfolio and subject to business conditions
 - ❑ Guidance is not dependent on regulatory appeal outcomes

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