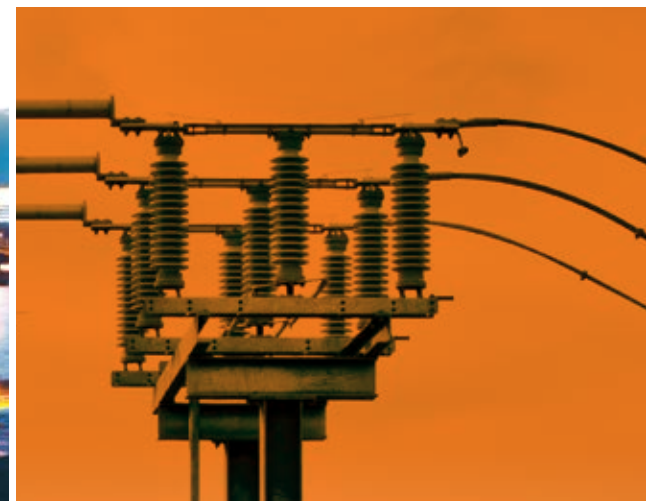


# THE AUSTRALIAN INFRASTRUCTURE NETWORK SPECIALISTS

SHAREHOLDER REVIEW 2015



## AGM

11:30am, Friday 20 May 2016  
Marble Room  
Radisson Blu Plaza Hotel  
27 O'Connell Street  
Sydney NSW

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Spark Infrastructure takes a long term view of its investments. The priority is to generate consistently robust cashflows and deliver reliable distribution growth over time.

## ABOUT US

### OPERATIONAL CAPABILITY

Spark Infrastructure has a proven track record of prudent, disciplined and transparent management of its investments and brings this accumulated knowledge and experience to the table when assessing new opportunities and improving the quality of its investment portfolio.

Our in-house team possesses a deep understanding of regulated network assets and how to make them deliver the best possible results for consumers, employees and Securityholders.

Spark Infrastructure's consistent performance and returns from its investments are founded on business plans which are robust and sufficiently flexible to deliver growing cashflows under a variety of different business circumstances and regulatory outcomes.

### REGULATORY KNOW-HOW

An understanding of the regulation of energy infrastructure in Australia, with its various constraints and opportunities, is the key to making good financial and operational decisions that will deliver results now and into the future. It is this expertise which stands Spark Infrastructure out from the crowd.

The regulatory regime remains incentive based with a range of opportunities for out-performance and various in-built protections. Importantly, it provides inflation protection of revenues and the Regulated Asset Base and pass-throughs for operating and capital costs.

### FINANCIAL DISCIPLINE AND PRUDENT DIVERSIFICATION

Our consistent approach is to apply rigorous financial and operational oversight to the portfolio of assets with a view to achieving long-term growth and profitability in a measured way. The emphasis is always on prudent financial management, efficient operations, a safe and engaged workforce and the effective management of all business risks.

SA Power Networks and Victoria Power Networks (SAPN and VPN) consistently outperform regulatory benchmarks while TransGrid possesses the youngest electricity transmission network in Australia by weighted asset life and offers significant scope to deliver operational efficiencies. Each business in Spark Infrastructure's investment portfolio will target a solid investment grade credit rating.

### SUSTAINABLE GROWTH

Spark Infrastructure values sustainable growth in distributions to Securityholders over time. This commitment shapes the way we look at all matters of strategy, operations and capital management. We take the same disciplined approach to our assessment of any opportunities to further grow and diversify the assets.

At the same time we are focused on promoting continuous improvement in the operational performance of the businesses in our investment portfolio – in cost management, service planning, customer service, employee safety, and capital management.

We also recognise that the business environment is changing and network businesses must respond energetically to new technologies and evolving customer expectations. Spark Infrastructure is ideally placed to grow the businesses in its investment portfolio in new and exciting directions over the coming years.

## VISION

Spark Infrastructure's vision is:

- To be a leading Australian listed utility infrastructure investment fund;
- To provide long-term, attractive and stable returns and capital growth in line with its risk profile and market expectations; and
- To establish a diversified portfolio of quality regulated utility infrastructure assets over time.

## MISSION

Spark Infrastructure is committed to conducting its business consistent with the following goals and values:

- Maximising Securityholder value;
- Enhancing Spark Infrastructure's strong relationships with partners, and motivating them to continuously contribute to Spark Infrastructure's improved performance for their own benefit and that of Spark Infrastructure;
- Honesty and fairness;
- Respecting the legitimate interests of the host communities of Spark Infrastructure's investments; and
- Maintaining high standards of corporate governance.

## INVESTMENT MANDATE

Spark Infrastructure's investment mandate includes electricity and gas distribution and transmission assets, and water and sewerage assets in established jurisdictions, with Australia being a focus, that:

- Offer predictable earnings and reliable cashflows;
- Are subject to independent and transparent regulation by appropriate bodies or supported by long term contractual arrangements with reliable counterparties;
- Provide an attractive yield and be accretive within a reasonable timeframe;
- Provide growth in the equity of its investments – expected to be value accretive over the long term using risk-adjusted return metrics appropriate for the relevant investment opportunity;
- Display a similar risk profile to the assets in its current portfolio; and
- Offer the opportunity for strategic diversification, by asset class, geography, regulatory regime and/or timing.





## FINANCIAL HIGHLIGHTS

In 2015, SAPN and VPN generated reliable, predictable cashflows, sufficiently strong to fund the equity portion of the capital expenditure of the businesses and to reduce their leverage.

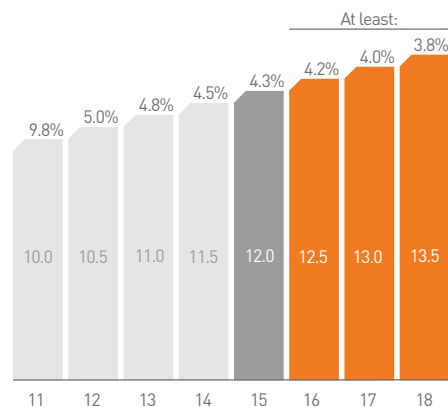
Spark Infrastructure's central priority is to continue delivering steadily growing distributions to its Securityholders over time and across regulatory periods. This commitment shapes the way we look at all matters of strategy and capital management.

At the same time we are focused on promoting continuous improvement in the operational performance of our investment portfolio – in capital management, cost management, service planning, customer service and employee safety.



## SPARK INFRASTRUCTURE'S TRACK RECORD

### DISTRIBUTIONS PER SECURITY (CPS AND % GROWTH)

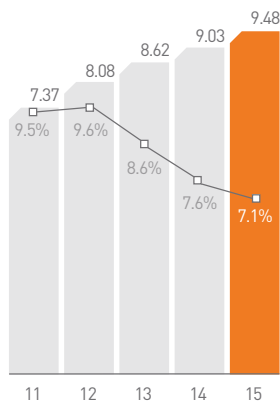


Spark Infrastructure has provided medium term distribution guidance:

- FY2016 – at least 12.5 cps
- FY2017 – at least 13.0 cps
- FY2018 – at least 13.5 cps

Distribution guidance will be reviewed in the first half of 2016 following the VPN Final Determination and finalisation of business planning processes.

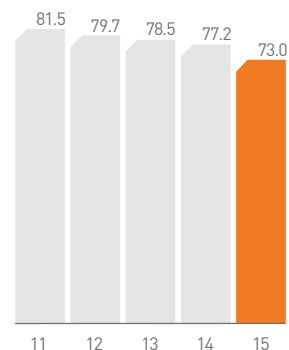
### GROWTH IN RAB – AGGREGATE SAPN + VPN ROLLING CAGR<sup>1</sup> ((\$BN AND %))



SAPN's and VPN's combined Regulated Asset Base has grown by a compound annual rate of more than 7% over the 5-year regulatory periods just completed to \$9.48 billion (\$4.65 billion Spark Infrastructure share).

1. Compound Annual Growth Rate

### NET DEBT TO RAB (%) – AGGREGATE SAPN + VPN (%)



Aggregate SAPN and VPN gearing as measured by net debt to Regulated Asset Base was lowered by 4.2% in 2015 achieving the target of 75% for these businesses.

### 2015 DISTRIBUTION PER STAPLED SECURITY

# 12.0<sup>CPS</sup>

DELIVERED 12.0 CPS  
IN LINE WITH GUIDANCE,  
UP 4.3% ON 2014.

## STRATEGIC AND OPERATIONAL HIGHLIGHTS

Spark Infrastructure's ability to deliver sustainable growth in distributions over time is based on consistent outperformance and continuous improvement in the businesses which comprise its investment portfolio.



### RELIABLE LONG TERM DISTRIBUTION GROWTH

Spark Infrastructure's ability to provide reliable long term distribution growth with matching guidance is a rare offering in the market and the central element in Spark Infrastructure's investment proposition.

SAPN and VPN are on the cusp of a satisfactory finalisation of their regulatory reset processes and have now successfully completed the targeted de-gearing of their balance sheets. This has created the potential for a significant increase in their operational cashflows to Spark Infrastructure which, in turn, may increase distributable cashflows to Securityholders from 2016.

### STRONG GROWTH IN THE ASSET BASE AND IN EQUITY SHARE

SAPN and VPN have displayed strong growth in their combined Regulatory Asset Bases (RAB) based on the Australian Energy Regulator (AER) approved capital expenditure in the recently concluded 5-year regulatory periods.

At the same time, they have completed their program of reducing their leverage, thus increasing the equity share of the asset base attributable to Spark Infrastructure's Securityholders.



## **TOP EFFICIENCY OF INVESTMENT PORTFOLIO CONFIRMED**

The AER has again confirmed the rankings of SAPN, CitiPower and Powercor (together known as Victoria Power Networks) in its most recent Benchmarking report published in November 2015.

The AER has ranked these three businesses in the top five electricity distribution networks for operational efficiency, with CitiPower ranked first for both operational and capital efficiency and South Australia as the most efficient State on a State by State comparison. SAPN is the only electricity distribution business in South Australia.

## **EQUITY INTEREST IN TRANSGRID PROVIDES LONG TERM CASH GENERATION OPPORTUNITIES**

The acquisition of a 15.01% interest in NSW electricity transmission business TransGrid has provided further diversification of Spark Infrastructure's investment portfolio by sources of cashflow, asset type, geography, regulatory timing and partnering.

Spark Infrastructure will apply its core capabilities to transforming TransGrid's corporate culture, out-performing regulatory benchmarks and growing unregulated business activity.

## **INNOVATION AT THE CORE OF BUSINESS PLANNING**

Each of the businesses in Spark Infrastructure's portfolio has embraced new technologies and is focused on innovative solutions to emerging business challenges. The aims are to further enhance a culture of agile and empowered business leadership, to improve understanding of customer's needs and preferences, and to enshrine a flexible and innovative approach to asset planning and investment decisions.

SAPN's Network Innovation Centre, VPN's Energy Solutions Business Unit and TransGrid's iDemand Pilot Project are important examples of the priority placed on this important area by the businesses in Spark Infrastructure's portfolio.

## MESSAGE FROM THE CHAIRMAN

The primary focus for your Directors of Spark Infrastructure is to ensure robust stewardship of the business and to deliver steadily growing distributions over time. We are aware of the importance of this to our investors and this understanding forms the backdrop for our decision-making on all matters we consider.

Dear Securityholder,

We were delighted to have been successful in acquiring a 15.01% interest in the NSW electricity transmission business TransGrid in December of last year. The acquisition has diversified the investment portfolio of Spark Infrastructure and offers significant opportunities to achieve operational efficiencies and to grow unregulated business revenues in the future. We believe the investment will deliver higher distributions over time. I will return to this topic further on.

### Full Year 2015 results

Spark Infrastructure has delivered another solid full year result for the year ended 31 December 2015. As always, our success depends upon the performance of the businesses in our investment portfolio. SA Power Networks (SAPN) and CitiPower and Powercor, together known as Victoria Power Networks (VPN), in which we hold 49% interests, have performed strongly as they transition into their new 5-year regulatory periods.

Our 15.01% interest in TransGrid reached financial completion two weeks prior to 31 December 2015 and so its results have not had a meaningful impact in this reporting period. The acquisition has expanded and diversified

our cashflow sources and we are confident it will make a significant contribution to growth in distributions in the future. In addition, the economic interest in DUET Group (DUET), which is now under review, has continued to be accretive to cashflows.

### Distributions to securityholders

The performance of our investments enabled your Directors to declare a 2015 final distribution of 6.0 cents per security (cps), in line with prior guidance, which was paid in mid-March 2016. This brought total distributions for 2015 to 12.0cps, 4.3% higher than 2014. In accordance with our usual practice, distributions will continue to be fully covered by both stand-alone and look-through cashflows.

In addition, we have made clear our intention to review distributions in the first half of 2016 based on our current expectation of increased future operating cashflows to Spark Infrastructure.

This expectation arises mainly on a decreased requirement to fund organic growth in SAPN and VPN from operational cashflows now that those businesses have been successful in achieving their individual de-gearing target of 75% net debt to Regulatory Asset Base (RAB).

# 15.01%

EQUITY INTEREST  
IN TRANSGRID  
ACQUIRED

A more flexible approach to funding growth for these businesses should enable a significant increase in distributable cashflows to Spark Infrastructure and its co-shareholders, which in turn is expected to be reflected in higher distributions to Spark Infrastructure's securityholders.

We anticipate that growth in distributable cashflows will be enhanced by the resolution of certain regulatory matters. This matter has moved forward with the publication of the Australian Competition Tribunal's decisions in relation to various appeals lodged by the three NSW electricity distribution businesses (Ausgrid, Endeavour Energy and Essential Energy) on 26 February 2016; into which SAPN and VPN joined. With the Regulator now deciding to appeal the decisions, the outcomes are not yet completely clear, but it is possible that some may have a positive impact on the revenues of SAPN and VPN going forward.

Importantly, SAPN received its Final Determination from the Australian Energy Regulator (AER) in October 2015. Whilst there are still a number of matters that the business will pursue through the appeal mechanism, the Final Determination was a marked improvement on the Preliminary Determination received earlier.

# 4.3%

GROWTH IN  
DISTRIBUTIONS  
IN 2015

VPN also received its Preliminary Determination from the AER in October 2015. This reflects VPN's sector leading performance and standing amongst its electricity distribution peers.

We now await receipt of VPN's Final Determinations currently expected by the end of May 2016. Subject to receiving the Final Determinations from the AER and the finalisation of associated business planning processes we would expect that at that point we would be in a position to provide updated distribution guidance.

### **Strong cashflows from SA Power Networks and Victoria Power Networks continue to underpin growth**

Underpinning our distribution growth is the reliable stream of operating cashflows which have been generated by our investment portfolio. It is very pleasing that SAPN and VPN have been able to fund their own substantial growth, reduce their gearing as measured by net debt to RAB, and pay a growing distribution to their shareholders without the need for any new external equity from their shareholders over the last 5 years.



In turn, this has enabled Spark Infrastructure to continue to deliver a growing distribution to its securityholders, representing an investment that has an attractive yield plus growth in the equity of its investments.

SAPN and VPN have both recently commenced the first year of their respective new 5 year regulatory periods. Both businesses are currently operating according to the parameters provided in their Preliminary Determinations and will undergo a no disadvantage 'true-up' for years 2-5 of their regulatory periods based on the outcomes in their respective Final Determinations. Our new investment, TransGrid, is currently subject to a 4-year regulatory period, for this regulatory cycle only, which expires in June 2018. It has already commenced its regulatory reset preparations this year.

As I mentioned earlier, SAPN and VPN have now achieved their previously stated gearing target of 75% net debt to RAB. This should enable them to take a more flexible approach to funding their growth which should enable increased cashflows to their shareholders, including Spark Infrastructure. These gearing targets were specific to SAPN and VPN and reflected the agreed position of Spark Infrastructure and its co-shareholders in these businesses.

In addition, both businesses have demonstrated an impressive capacity to manage their cost base. They have been steadfast and innovative in how they have achieved this and their success is clearly evident in their 2015 results. Their operational efficiency has again been acknowledged in the most recent Benchmarking Report published by the AER; which confirms their high rankings in this area. It is this knowledge and experience that we will bring to our investment in TransGrid, and it is our goal to move that business to the efficient frontier over time.

### **Acquisition of equity interest in TransGrid**

The successful acquisition by the NSW Electricity Networks consortium of the first of NSW's electricity assets to be privatised, the NSW electricity transmission business TransGrid, was a major achievement for Spark Infrastructure in 2015. The consortium, which also included Hastings Funds Management, Tawreed Investments (the infrastructure arm of the Abu Dhabi Investment Authority), Caisse de dépôt et placement du Québec (CDPQ) and Wren House (the direct investment arm of the Kuwait Investment Office) acquired a 99 year lease of the assets of TransGrid for \$10.258 billion.

TransGrid owns, operates and manages the largest high-voltage electricity transmission network in the National Electricity Market (NEM), connecting generators, distributors and major end users in NSW and the ACT, and forms the backbone of the NEM in NSW connecting QLD, NSW, VIC and the ACT.

Spark Infrastructure made an equity investment of \$735.3 million in the acquisition, which equates to a 15.01% ownership interest in TransGrid. This expands and diversifies our overall investment portfolio with another high quality investment in a regulated electricity transmission asset in Australia.

The investment in TransGrid adds diversity to Spark Infrastructure's cashflow sources and we believe it will be value accretive over the long term, providing ongoing cash generation growth opportunities. It also provides long term opportunities for growth in RAB and non-prescribed (i.e. unregulated) earnings in the infrastructure connections and telecommunications areas. The acquisition was the result of a detailed and painstaking due diligence process which confirmed the quality and potential of TransGrid in the minds of your Directors.

We are comfortable that it sits well within our established investment mandate and confident that over time it will prove itself to be a prudent and rewarding investment for Spark Infrastructure's securityholders.

In addition, we were pleased with the investor response to the associated rights issue which was undertaken strictly on a pro-rata basis to existing securityholders. Successful completion of the institutional tranche of the Entitlement Offer raised approximately \$294 million while the retail tranche of the Entitlement Offer raised approximately \$111 million from the issue of approximately 215 million stapled securities in total at an issue price of \$1.88 per new security.

### **Economic interest in DUET**

Our investment in DUET has made a positive contribution to our cashflow since it was acquired in May 2014. However it is fair to say that their recent acquisition of Energy Developments Limited and our acquisition of an equity interest in TransGrid led us to re-examine our continuing economic interest in DUET. This exercise was anticipated by many of our investors and given ongoing public speculation around our intentions we have formally confirmed the investment is under review.

The confirmation appears to have been generally well accepted by investors. We will update the market in relation to this matter at the appropriate time.

### **Changing of the guard**

In November of last year I announced my intended retirement from the Board of Spark Infrastructure to take effect at the 2016 Annual General Meeting (AGM). Dr Doug McTaggart was appointed as a Director and as Deputy Chair in December 2015 and his election will be considered by securityholders at the AGM in May 2016. Subject to your vote at the AGM, it is the intention of the Directors to appoint Dr McTaggart as Chair of Spark Infrastructure following my departure.

Dr McTaggart was selected by the Board's Nomination Committee, which undertook an extensive search process, as part of the Board's succession and renewal program. Dr McTaggart will bring valuable skills to the Board of Spark Infrastructure along with a deep understanding of infrastructure investments, funds management and significant experience with regulated assets.

The Board believes that orderly succession and renewal is achieved as a result of careful long-term planning, where the appropriate composition of the Board is continually under review. This is necessary to ensure your Board has the required diversity and depth of skills, experience, independence and knowledge to govern Spark Infrastructure effectively now and in the future.

Together, your directors contribute executive leadership experience; deep domain knowledge; infrastructure industry and sector experience; experience in financial analysis and the financial services industry; an understanding of health, safety and environmental issues; regulatory and corporate governance experience; experience in managing people and remuneration; and a robust understanding of risk management. Your Board believes that the overall composition of the Board, as it currently stands, enables it to effectively govern Spark Infrastructure on behalf of securityholders in the best long term interests of the Company.

I am pleased that I was able to lead Spark Infrastructure during an exciting time involving sector consolidation, technical innovation and regulatory reform. With SAPN and VPN at the start of their new regulatory periods and the transition of TransGrid to private ownership well underway, now is the time to put into practice our commitment to Board renewal for the role of Chair. I know I leave the business in good shape and in safe hands, and I thank you for your support during my tenure.



**BRIAN SCULLIN**  
Chairman



## MESSAGE FROM THE MANAGING DIRECTOR

Spark Infrastructure takes a long term view of its investments. The priority is to generate consistently robust cashflows and deliver reliable distribution growth over time. This is driven by active management of the investment portfolio through working with our fellow shareholders on improving the existing business' operating performance, their financial and capital management and innovation, while also taking a prudent, measured approach to growth opportunities in Spark Infrastructure's overall investment portfolio.

Dear Securityholder,

Our investment approach has provided the platform for consistent growth by Spark Infrastructure over an extended period.

2015 was an active and transformational year for Spark Infrastructure that positions us for sustainable growth into the future.

This is evidenced through excellent management of costs, innovative responses to technology in the investment portfolio; and the development of a broader investment footprint for Spark Infrastructure.

### **Strong financial results in 2015**

Over the past year we have built on our track record of reliable, predictable performance. For the year to 31 December 2015, Spark Infrastructure delivered an underlying profit (before Loan Note interest and tax) of \$262.8 million, which was slightly down on the 2014 calendar year.

This result was largely due to a lower equity accounted share of profits from SA Power Networks which, in accordance with the Australian Energy Regulator's (AER) reset schedule, has been operating under the revenue allowance provided in its Preliminary Determination since 1 July 2015.

This is significantly lower than what has been provided in the AER's Final Determination, which was received in October 2015. While the additional \$626 million of revenue allowed by the AER in the Final Determination will be recovered over years 2-5 of the regulatory period starting from 1 July 2016, it will produce some volatility in the reported financial results. We endeavour to look through this 'timing noise' in setting the distribution strategy going forward.

In 2015, Spark Infrastructure generated standalone operating cashflows of \$207.4 million. Underlying net profit after tax was down 6.6% to \$119.7 million and a statutory net profit after tax of \$88.0 million was recorded.

# 75%

NET DEBT TO RAB  
GEARING LEVEL ACHIEVED  
IN SAPN AND VPN

The aggregated net debt to Regulatory Asset Base (RAB) for SA Power Networks (SAPN) and Victoria Power Networks (VPN) was 73.0%. This means that SAPN and VPN have achieved their previously stated target of 75% net debt to RAB and are now free to pursue a more flexible funding strategy for growth capital expenditure in the future. This forms an important part of the Directors' confidence in relation to the potential for future growth in distributions to securityholders. The Directors have flagged a review of distribution guidance in the first half of 2016 following receipt of VPN's Final Determination from the AER, now due at the end of May 2016.

In relation to 2015, the Directors declared a final distribution of 6.0 cents per security, which was paid in mid March 2016. This takes the full year distribution to 12.0 cents per security. The full year distribution increased by 4.3% on the distributions paid in 2014.

# \$207.4M

SPARK INFRASTRUCTURE  
STANDALONE OPERATING  
CASHFLOW

### **Successful investment in TransGrid adds valuable diversification benefits to the investment portfolio**

On 16 December 2015, the NSW Electricity Networks consortium, including Spark Infrastructure, formally took ownership of the NSW electricity transmission business TransGrid. Since that time, we have been busy ensuring a smooth transition to private ownership and putting in place the necessary structures and processes to promote the desired cultural change and execution of the consortium's acquisition business plan.

Spark Infrastructure will actively manage its interest in TransGrid to help the business increase efficiency through better asset utilisation and process improvements, with the goal of moving the business to the efficient frontier of performance, much like its investments in SAPN and VPN.

Since reaching financial close on 16 December 2015, we have established a new corporate structure, put in place an appropriate capital structure, and are well progressed in transitioning the business into private



ownership. We have travelled extensively across NSW to visit every TransGrid depot and meet with employees and a number of community representatives.

We have established a new governance framework with policies and procedures necessary for 'business as usual' operations and have appointed a new Board, which includes two Spark Infrastructure Directors from a total of six, including myself as initial Chair, and instituted various Board committees.

Perhaps most significantly, we have appointed Mr. Paul Italiano as the new Chief Executive Officer of TransGrid. Paul is a transformational leader who has turned around the performance and service standards, safety culture, operating framework and financial results of Western Power (WA) during his 4-year tenure as CEO. His dynamic leadership style, commercial acumen and proven ability to transform a business in the face of significant challenges make him an excellent choice to lead the new TransGrid. He will take up his position at the end of April.

We have also added depth to the finance team with the appointment of a new Chief Financial Officer from the consortium's bid team.

The business' transformation is well underway, with the consortium business plan being rigorously checked and integrated into the business. The first evidence of this is the roll-out of program ACE (accountable, collaborative, energised) which will drive the business towards top quartile performance in asset operations and maintenance, and achieve significant growth in unregulated opportunities in the infrastructure connections and telecommunications areas.

### **Investment portfolio performing well moving into the new regulatory period**

Today, Spark Infrastructure's investment portfolio comprises a 49% interest in each of SAPN and VPN, a 15.01% interest in TransGrid and an economic interest in DUET.

VPN performed solidly in 2015, in what was the final year of its 5-year regulatory period. It recorded year-on-year growth in Earnings Before Interest Tax Depreciation and

Amortisation (excluding customer contributions and gifted assets) of 11.4% based on higher regulated revenue and effective cost management through its 'World CLASS' efficiency program. VPN generated total revenues (excluding customer contributions) of almost \$1.2 billion, which was up 7.5% on 2014.

SAPN generated total revenues (ex-customer contributions) in 2015 of almost \$1.1 billion, which as noted earlier was down on 2014, largely due to the AER's Preliminary Determination, which came into effect from 1 July 2015.

SAPN and VPN rank amongst the safest, most reliable and most efficient businesses of their kind in Australia. The businesses also continue to focus on responding to changes in consumer choice, operating environment and technology through innovation.

For SAPN, a number of innovations took shape in 2015, including the trial of a residential battery storage unit; and the trial of mid-scale network storage to improve reliability and enable increased renewables penetration and

defer network upgrades in regional locations. The business also implemented an Advanced Distribution Management System and is engaged in ongoing discussions with customers on the feasibility of renewable micro-grids. Meanwhile, SAPN's 'Network Innovation Centre' continues to be a hub for research and community education.

For VPN, innovation is also a major business focus. In 2015, VPN entered into a partnership with NextGen, bringing a proven commercial solar track record and capabilities to the business. The business also commenced a trial for a residential battery storage facility, while a grid scale storage project is also underway. Commercial-scale solar projects have been rolled out, with 320kW of systems now installed and numerous other service opportunities being analysed.

### **Review of distribution guidance**

Looking ahead, the Directors have confirmed medium term distribution guidance of at least 12.5cps for 2016, at least 13.0cps for 2017 and at least 13.5cps for 2018. This guidance was first provided at the time of the equity raising

# 11.4%

GROWTH IN EBITDA (EXCLUDING  
CUSTOMER CONTRIBUTIONS)  
FOR VPN IN 2015

in November 2015 which part-funded the investment in TransGrid and remains subject to business conditions.

The Directors have foreshadowed a review of Spark Infrastructure's distribution guidance during the first half of 2016 based primarily on the expectation of increased cashflows from SAPN and VPN associated with the achievement of the 75% net debt to RAB gearing target applicable to those businesses.

The Australian Competition Tribunal's recently published decisions in relation to certain appeals lodged by the NSW electricity distribution businesses have also been positive. Although these decisions are now being appealed by the AER it is still expected that some of the outcomes, such as the decision in relation to 'Gamma', which is a measure of the value of tax imputation credits, may have a positive impact on the future cashflows of the businesses in our investment portfolio.

# \$626M

OF ADDITIONAL REVENUE FOR SAPN ALLOWED IN  
AER FINAL DETERMINATION TO BE RECOVERED  
IN YEARS 2-5 OF THE REGULATORY PERIOD

Importantly, and what has distinguished Spark Infrastructure for many years now, distributions will continue to be fully covered by both stand-alone and look-through cashflows.

On the operational front, efficiency, safety, reliability, innovation, risk management and engaged employees are key attributes of the businesses that Spark Infrastructure invests in and these things will continue to drive long-term value.

I look forward to keeping you updated on our progress in 2016 and beyond.



**RICK FRANCIS**  
Managing Director and  
Chief Executive Officer

Spark Infrastructure is run by a team of experienced professionals with expertise in the management of infrastructure businesses across multiple sectors.

Spark Infrastructure's Board and Management applies rigorous financial and operational oversight to its investments through its representation on the Boards of its investment portfolio companies.

The focus is always on prudent financial management, efficiency of operations, a safe and engaged workforce and the effective management of every type of business risk.

The businesses in our portfolio continue to be regarded as among the most efficient and reliable of their kind in Australia. Importantly for our investors, their strong operational performance combined with regulatory protections translates into reliable cashflows, which in turn support Spark Infrastructure's distributions to its securityholders.





### **RICHARD (RICK) FRANCIS**

**BCom, MBA, CA, GAICD  
Managing Director and  
Chief Executive Officer**

Rick Francis commenced as Managing Director and Chief Executive Officer of Spark Infrastructure in 2012. He originally joined Spark Infrastructure in 2009 as the Chief Financial Officer and served in that role for three and a half years prior to his appointment as Managing Director.

Rick has over 18 years' experience in the Australian energy and energy infrastructure industries. Prior to Spark Infrastructure he was employed by the ASX listed gas transmission and energy infrastructure business APA Group, where he was Chief Financial Officer for four years and by Origin Energy Limited for over eight years in a number of senior management roles in the corporate and operations areas.

Rick has been a Non-Executive Director of SA Power Networks and Victoria Power Networks since 2009, and was appointed as Chairman of NSW Electricity Networks Operations Pty Limited (TransGrid) on 16 December 2015. He also sits on a number of their respective Board Sub-Committees, including Audit, Risk Management and Remuneration.

Rick is also a Chartered Accountant with extensive experience in the finance and energy fields in Australia and the UK.



### **GREG BOTHAM**

**BBus, MAppFin, CA  
Chief Financial Officer**

Greg Botham has extensive experience in senior financial roles in energy and transport infrastructure businesses in Australia. As a Chartered Accountant, Greg has previously worked in a number of senior finance and planning roles at Sydney Airport, having commenced his career at Qantas.

Greg is responsible for corporate planning and analysis, project evaluation and risk management, financial accounting and reporting, capital and treasury management and taxation.

Greg was appointed to the position of Chief Financial Officer in May 2012 after serving as Group Financial Controller for three years.

In April 2015, Greg was appointed as a Non-Executive Director of SA Power Networks and on 16 December 2015 was appointed as a Non-Executive Director of NSW Electricity Networks Assets Pty Limited (TransGrid).



### **ALEXANDRA FINLEY**

**DipLaw, MLM  
General Counsel and Company Secretary**

Alexandra Finley is an experienced corporate governance professional with over 16 years legal and commercial experience gained in private practice and in-house. Prior to joining Spark Infrastructure, she spent almost 10 years with National Australia Bank/MLC in various senior legal and commercial roles.

Alexandra has extensive experience in the financial services sector having held strategic, operational and management roles. Her responsibilities include corporate governance, legal and regulatory compliance, risk management, corporate transactions, and advising on general legal matters.

Alexandra was appointed to the position of General Counsel and Company Secretary in September 2008.



### **MARIO FALCHONI**

**BEC, MPA, GradDipCom  
General Manager, Investor Relations  
and Corporate Affairs**

Mario Falchoni has extensive experience in investor relations, regulation, government and industry relations and corporate communications.

Immediately prior to joining Spark Infrastructure he was part of the senior management team at ASX listed GrainCorp Limited. He has also managed policy, government relations and corporate affairs for a peak business lobby group and served in senior advisory roles in State and Federal governments.

Mario is responsible for investor relations, regulatory affairs, stakeholder and issues management and corporate communications.

Mario was appointed to the position of GM Investor Relations and Corporate Affairs in July 2006.

## BOARD OF DIRECTORS



1.



2.



3.



4.



5.



6.



7.

### 1. BRIAN SCULLIN

BEC

**Independent Director (since May 2011)  
and Chair (from September 2011)**

Mr Scullin was the Independent Non-Executive Chair of BT Investment Management and retired from this position in December 2013, having been appointed to its Board and as Chair in September 2007. Mr Scullin has previously served as a Non-Executive Director of Dexus Property Group and State Super Financial Services. Mr Scullin served as a Non-Executive Director and RREEF nominee of the Spark Infrastructure Group from 1 November 2005 to 24 August 2007. During this time he was the Chair of the Compliance Committee and a member of the Audit and Risk Management Committee.

Mr Scullin has more than 20 years' experience in the funds management industry in both Australia and Asia. Following a career in the Federal Government and politics, Mr Scullin was appointed the Executive Director of the Association of Superannuation Funds of Australia (ASFA) in 1987. In 1993, Mr Scullin joined Bankers Trust, holding a number of senior positions, including President of Japan Bankers Trust. He was appointed Chief Executive Officer – Asia/Pacific for Deutsche Asset Management in 1999. He retired from that full time position in 2002, although remained a Non-Executive Director of Deutsche Asset Management until June 2007.

Mr Scullin has held many industry positions including Vice Chair of the Financial Services Council (then known as IFSA), a part-time member of the Federal Government's Financial Reporting Council and a panel member for the Financial Industry Complaints Service. Mr Scullin was appointed to the Board of Optia Inc and as President of the Retirement Benefits Fund of

Tasmania (and its associated companies) in 2013 and is Chair of Life Education Tasmania. In December 2014 Mr Scullin was appointed as the Presiding Chair of the Tasmanian Development Board.

Mr Scullin is a member of the Spark Infrastructure Remuneration and Nominations Committee (RemCo).

### 2. DOUG McTAGGART

PhD, MA(Econ), BEc(Hons),  
DUniv, FAICD, SF Fin  
**Independent Director  
(since December 2015)**

Dr Doug McTaggart is an independent Non-Executive Director. He sits on the boards of the Suncorp Group and chairs its Audit Committee. He is Chairman of the QIMR Berghofer Institute of Medical Research and also of Suncentral Maroochydore.

Dr McTaggart is a member of the Prime Minister's Expert Advisory Panel on the Reform of the Federation, is a member of ANU's Council and also of the council for the Queensland Division of the AICD. He has advised governments, most recently the Northern Territory Government as a member of its Economic Development Advisory Panel. In early 2012 he retired as Chair of the Queensland Public Service Commission and as a member of the Queensland Public Sector Renewal Board. Dr McTaggart was also a Commissioner on the Queensland Independent Commission of Audit.

Dr McTaggart retired as CEO of QIC in June 2012 after 14 years. Prior to this appointment, Dr McTaggart held roles including Professor of Economics and Associate Dean at Bond University (1989–1996), and then Under Treasurer, Queensland Department of Treasury (1996–1998).

Dr McTaggart was a member of the Council of Australian Governments (COAG) Reform Council (2007–2013) and Councillor on the National Competition Council (NCC) (2000–2013).

Dr McTaggart has held various positions on industry bodies and public interest groups, including Director and Chairman of IFSA (now the Financial Services Council), President of the Economic Society of Australia, Director of CEDA, and member of the Australian Accounting Standards Board (AASB).

### **3. ANDREW FAY** **BAGec (Hons), AFin** **Independent Director (since March 2010)**

Mr Fay is a Non-Executive Director of BT Investment Management Limited and J O Hambro Capital Management Holdings Limited, a UK company which is wholly owned by BT Investment Management. Mr Fay is a Non-Executive Director of Gateway Lifestyle Group, was previously Chair of Tasman Lifestyle Continuum Ltd, and is also Chair of Deutsche Managed Investments (Australia) Limited. Mr Fay consults to the Dexus Property Group Ltd in the area of capital markets and advises Microbiogen Pty Ltd, a private company which operates in the renewable energy industry, on corporate development initiatives.

Mr Fay was Chair of Deutsche Asset Management (Australia) Limited (DeAM) and associated companies until 2010 following a 20 year career in the financial services sector. During that time Mr Fay held a number of senior positions including CEO Australia, Regional CIO Asia Pacific and CIO of DeAM. Prior to joining Deutsche, Mr Fay spent six years at AMP Global Investors working in the areas of Fixed Income, Economics and Australian Equities. Mr Fay was also a member of the Investment Board Committee of the Financial Services Council for six years until 2006.

From November 2006 to November 2007 he was an Alternate Director for the Spark Infrastructure Group and was also an Alternate Director for the Dexus Property Group from 2006 until 2009.

Mr Fay has been a Non-Executive Director of Victoria Power Networks, CitiPower and Powercor, and of SA Power Networks (SAPN) since 2011. He is a member of the Remuneration Committees of each business and is Chair of the SAPN Audit Committee and a member of its Risk and Compliance Committee.

Mr Fay is a member of the Audit, Risk and Compliance Committee (ARC).

### **4. ANNE McDONALD** **BEc, FCA, GAICD** **Independent Director (since January 2009)**

Ms McDonald is a Non-Executive Director of GPT Group, Sydney Water Corporation and Speciality Fashion Group Limited and is also Chair of the Audit Committees for each of these entities. Ms McDonald was previously a director of Westpac's life insurance and general insurance businesses from 2006 to 2015.

Ms McDonald served as a partner of Ernst & Young for 15 years until 2005. She has broad based business and financial experience, gained through working with a wide cross section of international and local companies, assisting them with audit, transaction due diligence and regulatory and accounting requirements. She was a Board member of Ernst & Young Australia for 7 years.

Ms McDonald has been a Non-Executive Director of Victoria Power Networks, CitiPower and Powercor since 2009. In addition, she is Chair of the Audit Committee of Victoria Power Networks and a member of its Risk and Compliance Committee.

Ms McDonald is Chair of the ARC and a member of RemCo.

### **5. KEITH TURNER** **BE (Hons) ME, PhD Elec Eng** **Independent Director (since March 2009)**

Dr Turner possesses extensive experience in the New Zealand energy sector. He served as Chief Executive Officer of Meridian Energy Limited from 1999 to 2008. Prior to that, he worked as a private energy expert advising a range of large corporate clients and Government. He has previously served in a number of senior roles in establishing Contact Energy, and in the Electricity Corporation of New Zealand, and the New Zealand Electricity Department, as well as many industry reform roles.

He is currently Chair of Fisher & Paykel Appliances Limited and a Director of Chorus NZ Limited. He was previously Deputy Chair of Auckland International Airport for 7 years and a Director for 10 years. Dr Turner was appointed to the Board of NSW Electricity Networks Operations Holdings Trust (trading as TransGrid) in December 2015 and is Chair of its Health, Safety and Environment Committee and is a member of its Audit and Risk Committee.

Dr Turner has been a Non-Executive Director of SA Power Networks, Victoria Power Networks, CitiPower and Powercor since 2009.

Dr Turner is a member of the RemCo.

### **6. CHRISTINE McLOUGHLIN** **BA, LLB (Hons), FAICD** **Independent Director (since October 2014)**

Ms McLoughlin is a director of nib Holdings Ltd, Suncorp Group and Whitehaven Coal Limited. Ms McLoughlin was formerly a Director of Westpac's Insurance Businesses, the Victorian Transport Accident Commission and the Australian Nuclear Science and Technology Organisation.

In the charitable sector Ms McLoughlin is the Deputy Chair of The Smith Family.

She was the inaugural Chair of Australian Payments Council during 2014 and was appointed a member of ASIC's Director Advisory Panel in September 2015.

Ms McLoughlin has over 25 years' experience as a financial services, telecommunications and professional services industries in Australia, the UK and Asia.

Ms McLoughlin is Chair of the RemCo.

### **7. KAREN PENROSE** **BCom, CPA, GAICD** **Independent Director (since October 2014)**

Ms Penrose is a Director of Bank of Queensland Limited, Vicinity Limited, AWE Limited, Future Generation Global Investment Company Limited (a pro bono board role), UrbanGrowth NSW and Marshall Investments Pty Limited.

Ms Penrose has a strong background and experience in business, finance and investment banking, in both the banking and corporate sectors. In her professional non-executive director career, she is an experienced Audit Chair and member of due diligence committees. Her prior executive career includes 20 years with Commonwealth Bank and HSBC and, over the eight years to January 2014, Chief Financial Officer and Chief Operating Officer roles with two ASX listed companies.

Ms Penrose is a member of the ARC.

Spark Infrastructure owns equity interests in four quality Australian electricity networks across South Australia, Victoria and New South Wales.

This includes 49% interests in SA Power Networks and CitiPower and Powercor (together known as Victoria Power Networks) and a 15.01% interest in the NSW electricity transmission business TransGrid.







### SA POWER NETWORKS

SA Power Networks manages South Australia's electricity distribution network, supplying 852,439 residential and business customers in the capital, Adelaide, and all regions in the State. The network is one of the most reliable in Australia with 99.97% network availability achieved across a State of widely varied and challenging terrain and extremes of weather. The Australian Energy Regulator (AER) recently ranked South Australian electricity distribution as the most efficient in its jurisdiction on a State by State comparison in its 2015 benchmarking report.



### VICTORIA POWER NETWORKS

CitiPower owns and operates the distribution network that supplies electricity to 325,826 customers in Melbourne's CBD and inner suburbs. These customers include some of Australia's largest companies, public transport systems and sporting venues. CitiPower is the most reliable electricity distribution network in Australia with an availability rating of 99.99%.



Powercor is the largest distributor of electricity in Victoria, owning and operating a network that serves 767,919 customers in central and western Victoria and the western suburbs of Melbourne. Powercor operates with a network availability rating of 99.97%.



### TRANSGRID

TransGrid owns, operates and manages the largest high-voltage electricity transmission network in the National Electricity Market (NEM) by electricity transmitted, connecting 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. It operates with a network reliability rating of 99.999%.



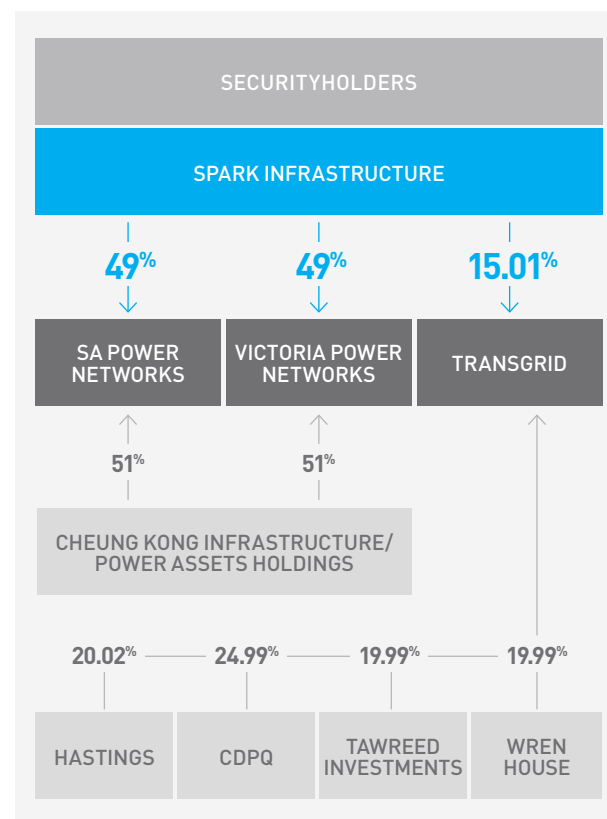
## OVERVIEW

	SA POWER NETWORKS	CITIPOWER	POWERCOR	TRANSGRID
Number of customers	852,439	325,826	767,919	–
Number of employees	2,096	1,939 (reported jointly)		1,019
Network size (km length of all lines)	88,496	7,518	86,773	12,943
Network size (km <sup>2</sup> of area)	178,200	157	145,651	803,664
Electricity sales volume (GWh)	10,347	5,944	10,713	–
Network availability (%)	99.97	99.99	99.97	99.18 <sup>1</sup>
Number of distribution transformers	75,499	4,735	83,876	–
Number of zone substation transformers	436	107	140	–
Number of poles	725,004	58,238	561,920	–
Percentage of lines underground (%)	19	42	13	0.6
Peak demand (MW)	2,778	1,234	2,116	11,270
Network reliability (%)	–	–	–	99.999 <sup>2</sup>
Number of transmission structures	–	–	–	37,438

1 Defined as the % of time transmission lines and cables are in service. It includes all outages for any reason, this measure is predominantly driven by the planned outages taken for maintenance and replacement work.

2 Based on the ratio of total amount of energy supplied to customers compared to energy not supplied.

## OWNERSHIP STRUCTURE





SA Power Networks manages South Australia's electricity distribution network, supplying 852,439 residential and business customers in Adelaide and all regions across South Australia. The network is one of the most reliable in Australia, with 99.97% network availability achieved across a State that is characterised by widely-varied and challenging terrain.

SA Power Networks (SAPN) has continued to perform strongly as it transitioned to its new 5 year regulatory period from 1 July 2015. The business is focusing on innovation through technology and is actively working on integrating solar and battery technology into its distribution grid. SAPN continues to rank amongst the safest, most reliable and most efficient businesses of its kind in Australia with the Australian Energy Regulator (AER) again ranking South Australia as the most efficient electricity distribution jurisdiction on a State by State comparison in its most recent benchmarking report.

### **Operational summary**

Following a strong first half in 2015, SAPN's second half revenues were impacted by the AER's Preliminary Determination for the period 1 July 2015 to 30 June 2020, which is in operation for the first year of its five year regulatory period. The AER's Final Determination allowed for additional revenue for the 5 years, being final allowed revenue of \$4 billion, which will be recovered over the remainder of the regulatory period commencing from 1 July 2016. Careful management of costs and reduced costs of debt funding mitigated some of the impact on the full year result.

# SOUTH AUSTRALIA



- NETWORK COVERAGE
- DEPOT LOCATIONS
- OFFICE AND DEPOT LOCATIONS

**99.97%**  
NETWORK AVAILABILITY

**\$3.9<sup>B</sup>**  
REGULATED ASSET BASE

**2020 JULY**  
NEXT REGULATORY RESET

**2,096**  
NUMBER OF EMPLOYEES

Largely as a result of the AER's Preliminary Determination, total distribution revenue for 2015 (net of transmission charges) was \$831.5 million, a decrease of \$88.4 million (or 9.6%) from 2014. At 10,347 GWh in 2015, sales volume declined by about 2.3% relative to 2014 volumes. The lower volumes resulted from reduced use of the Adelaide Desalination Plant, higher penetration of residential solar photo voltaic (PV) installations, and a flat economic climate. Volume decline only affected revenues in the first half as SAPN moved to a revenue cap in the second half, which has the impact of eliminating volume risk on revenues.

SAPN's non-regulated business continued to perform strongly in 2015, with revenue increasing by 18.0% from 2014 levels. This was primarily due to increased revenue from National Broadband Network contract works. This additional activity more than offset the reduced demand for major projects.

Despite lower second half revenues, earnings before interest, tax, depreciation and amortisation (EBITDA) (excluding customer contributions) of \$676.2 million was achieved in 2015. This was \$73.9 million or 9.9% lower than 2014.

The 2015 net capital expenditure (after contributions from customers) totalled \$315.5 million, a decrease of \$48.3 million (or 13.3%) from 2014. This was due to \$27 million lower core network expenditure following a significant 2014 works program, and \$19 million lower expenditure on vehicle, property and Information Technology projects.

### **Safety and Workforce**

SAPN continued its strong focus on nationally-recognised accredited training and an apprenticeship program that surpasses industry requirements. During 2015, there were 168 apprentices in training and a further 25 engineering and IT graduates participating in a three year development program.

In October 2015, SAPN was awarded Best Graduate Employer in Australia by the Australian Association of Graduate Employers, as voted by graduates, for the second year in a row.

In 2015, SAPN achieved a number 1 benchmark rating for safety based on Lost Time Injuries and maintained its safety certifications against AS/NZS 4801 and OHSAS 18001.

SAPN underwent its triennial ReturnToWorkSA Self Insurer Certification audit. While the final report is pending, the auditor has advised the

Executive Management Group that a five-year certification will be awarded pending ReturnToWorkSA Board approval. This is the highest possible outcome available under the current scheme.

SAPN also underwent a Project Safety Audit on 23 April 2015 as part of its accreditation under the Federal Government Building and Construction Occupational Health and Safety Scheme. The outcome was very positive and resulted in the close-out of all items from the initial audit and compliance to the Office of the Federal Safety Commissioner Criteria.

In September 2015, SAPN won the Training Skills Commission Employer of the Year and was shortlisted for a National Safety Award of Excellence by the National Safety Council of Australia, in the category of Best Solution of a Work Health and Safety Risk (Driving Safety Program).

Investment in SAPN's leadership development programs over the past five years has been validated by the strong results the programs have delivered. The 2015 results for leadership effectiveness index show 89% of leaders' performed at a good or very good level. This maintains the high scores recorded in 2013 and 2014.



## Customer Service

SAPN remains focused on meeting its reliability standards and improving its customer service performance.

In terms of reliability, the annual minutes without supply per customer in 2015, as measured by System Average Interruption Duration Index (SAIDI), was 134 minutes, compared to the annual target of 150 minutes (excluding Major Event Days).

The Service Target Performance Incentive Scheme (STPIS consisting of reliability and grade of service on telephone calls) achieved a positive outcome with a favourable result of \$29 million for 2014/15. Over the five year regulatory period, SAPN has achieved a total of \$47 million of additional revenues in incentive payments for its reliability performance.

In 2015, SAPN achieved a telephone Grade of Service (of calls answered within 30 seconds) of 91.4% against a target of 88.7%. This represents an improvement on last year.

## Innovation

SAPN continues to drive a culture of innovation across the business. It used innovative approaches in a number of areas in 2015. These include but are not limited to Services, Tariffs and Looking to the Future.

## Service Innovation

A number of service innovations were implemented in 2015. These include:

- A location-specific event calendar to avoid potential conflicts between planned outages and community sensitive dates;
- Implementation of voice recognition technology on the faults and emergencies telephone line, providing customers with an easy to use faults information service; and
- Revision of the Customer Charter and an accompanying animation created to assist with communicating the company's performance against key measures contained in the charter.

## Tariff Innovation

In order to tackle 'peak demand' on its electricity network and to reduce the need to upgrade the network in the future, SAPN's pricing needs to better signal, via demand-based tariffs, the cost of building and maintaining a network to meet these infrequent peaks in demand.

This national reform is being driven by Australian and State Governments as part of a program called the 'Power of Choice'. The aim is to make the electricity market more robust for the future. As well as network pricing,

rule changes are being introduced around customer information, metering, embedded generation and storage.

SAPN has discussed the impact of the reforms with stakeholders and customers and while there is an understanding of the need for reform, and agreement on the objective of completing reforms by 2025, there is little appetite for sudden changes. The initial changes proposed commence in July 2017 and will impact only a relatively small number of customers before 2020.

The transition to tariffs based on peak demand will continue progressively over the coming decade. SAPN will continue to engage with customers to allow them to shape the changes. The transition will start with new connections and major alterations from July 2017. From July 2018, existing large customers who have suitable advanced interval metering will be reassigned to 'transition tariffs' that have a peak demand charge starting at less than half of its eventual value before increasing in increments over several years. Customers can also opt in at any time.

### Looking to the Future – Customer Technology

Customer preferences and usage patterns continue to evolve with the introduction of in-home generation (solar PV) and storage technologies. By the end of 2015, SAPN had over 184,558 customers with solar PV, with some 700MW of residential solar PV capacity connected to the network.

SAPN has commenced a number of trials to understand the impacts new technology will have on energy consumption and on the network.

In late 2015, SAPN commenced a residential battery pilot. The aim of this project is to defer planned network expenditure in a constrained part of the network using residential customer sized battery storage technology. SAPN will also test the impacts more broadly on the network and customers. Stage 1 involved the pilot installation of a number of different battery systems in 10 residences in a suburb north of Adelaide. Stage 2, which will be open to 100 customers in the catchment area will commence once SAPN is comfortable with the installation process and is assured that the technology operates as designed.

In 2015, SAPN also installed a number of LED smart street lights near its Adelaide Headquarters. In total 40 lights across three

different lighting categories were installed and tested. This technology provides for remote control and dimming to reduce electricity consumption. SAPN will offer the most appropriate LED lights to customers during 2016 which will not only deliver energy savings but also an extended asset life.

### Network Technology

The Advanced Distribution Management System (ADMS) project is a key strategic project for SAPN. It is being delivered over two stages through to December 2016. Once operational it will provide SAPN with a network management system that controls, monitors and allows for advanced analysis, planning and optimisation of the distribution network.

The ADMS project will:

- Consolidate a number of disparate applications into a single user interface;
- Improve visibility of unplanned outages; and
- Provide a foundation for future network automation and smart technologies.

Stage 1 replaced the existing end-of-life Schneider Electric Supervisory Control and Data Acquisition (SCADA) system with the new Schneider Electric, industry standard SCADA system. SCADA is a foundational tool

within the ADMS and is used by the Network Operations Centre to monitor, analyse and process information about the status of the network in real time and to enable changes to the operating state of devices. The Network Operations Centre relies on the SCADA system to manage the high voltage distribution network, to aid the rapid restoration of supply following an unplanned interruption and to carry out remote control diagnostics and rectification.

The new SCADA system went live in April 2015 and is now the primary SCADA System used by the Network Operations Centre.

Stage 2 of the ADMS project will implement the advanced functionality within the Distribution Management System. It involves the importation of current location information to build a sophisticated, real time model of the interconnected high voltage network. This electrical model will simulate energy flows across the network through advanced engineering calculations and establish a foundation for future network automation solutions. A mobile client interface is to be developed and will be used by field crews to monitor and record their switching steps enabling both the field and the Network Operations Centre to see the same real time view of the network.



Victoria Power Networks (VPN) is comprised of the CitiPower and Powercor Australia networks in Victoria and is managed by a joint management team and workforce. CitiPower and Powercor Australia own and operate two of the five electricity distribution networks in Victoria under the regulatory supervision of the Australian Energy Regulator (AER).

CitiPower is the distribution network that supplies electricity to 325,826 customers in Melbourne's CBD and inner suburbs. These customers include some of Australia's largest companies, public transport systems and sporting venues. CitiPower operates with a reliability rating of 99.99% network availability.

Powercor Australia (Powercor) is the largest distributor of electricity in Victoria, owning and operating a network that serves 767,919 customers in central and western Victoria and the western suburbs of Melbourne. Powercor possesses one of the highest reliability ratings for rural electricity distribution networks in Australia at 99.97% network availability.

The AER has ranked CitiPower as the most efficient network in Australia while Powercor, which services a rural network, is also ranked in the top five networks for efficiency<sup>1</sup>. The VPN businesses are building on this success through a range of continuous improvement initiatives designed to achieve world class levels of efficiency. With benchmarking an increasingly prominent part of the regulatory environment, the delivery of excellent performance will be a key driver of value creation.

### Operational summary

VPN performed well in a changing environment in 2015. Distribution revenue benefited from higher sales volumes with residential and small business customers responding to colder than average temperatures from April to September. Victoria's coldest winter since 1997, coupled with record high temperatures in December, resulted in increased sales volumes for both CitiPower and Powercor.

CitiPower's total regulated revenue in 2015 was \$319.8 million, up 10.2% on 2014, including all metering revenue and excluding pass-through transmission revenue. Electricity sales volumes were 5,944 GWh, compared to 5,919 GWh in 2014. Total regulated revenue for

the Powercor network was \$734.2 million, up 9.8% on 2014 including all metering revenue and excluding pass-through transmission revenue. Electricity sales volumes for Powercor were 10,713 GWh compared to 10,333 GWh in 2014.

The distribution tariffs charged to retailers by CitiPower and Powercor rose by ~10% on 1 January 2015. The distribution tariff portion was in line with what was approved by the AER. The contribution of electricity distribution charges by CitiPower and Powercor to residential customers' retail electricity bills comprises about 25% of their total bill, significantly lower than in other states.

### Customer Service Performance

CitiPower and Powercor customer satisfaction was recorded at 81% and 87% respectively in 2015. These very high levels of satisfaction are unprecedented and customers appear to be responding favourably to VPN's commitment to its core value of 'Make it easy for your customer'.

In addition, in 2014–2015 CitiPower and Powercor outperformed other Victorian distribution businesses in the Energy Water Ombudsman Victoria annual reports, reporting the lowest number of complaints of any Victorian distributor for the third consecutive year. The



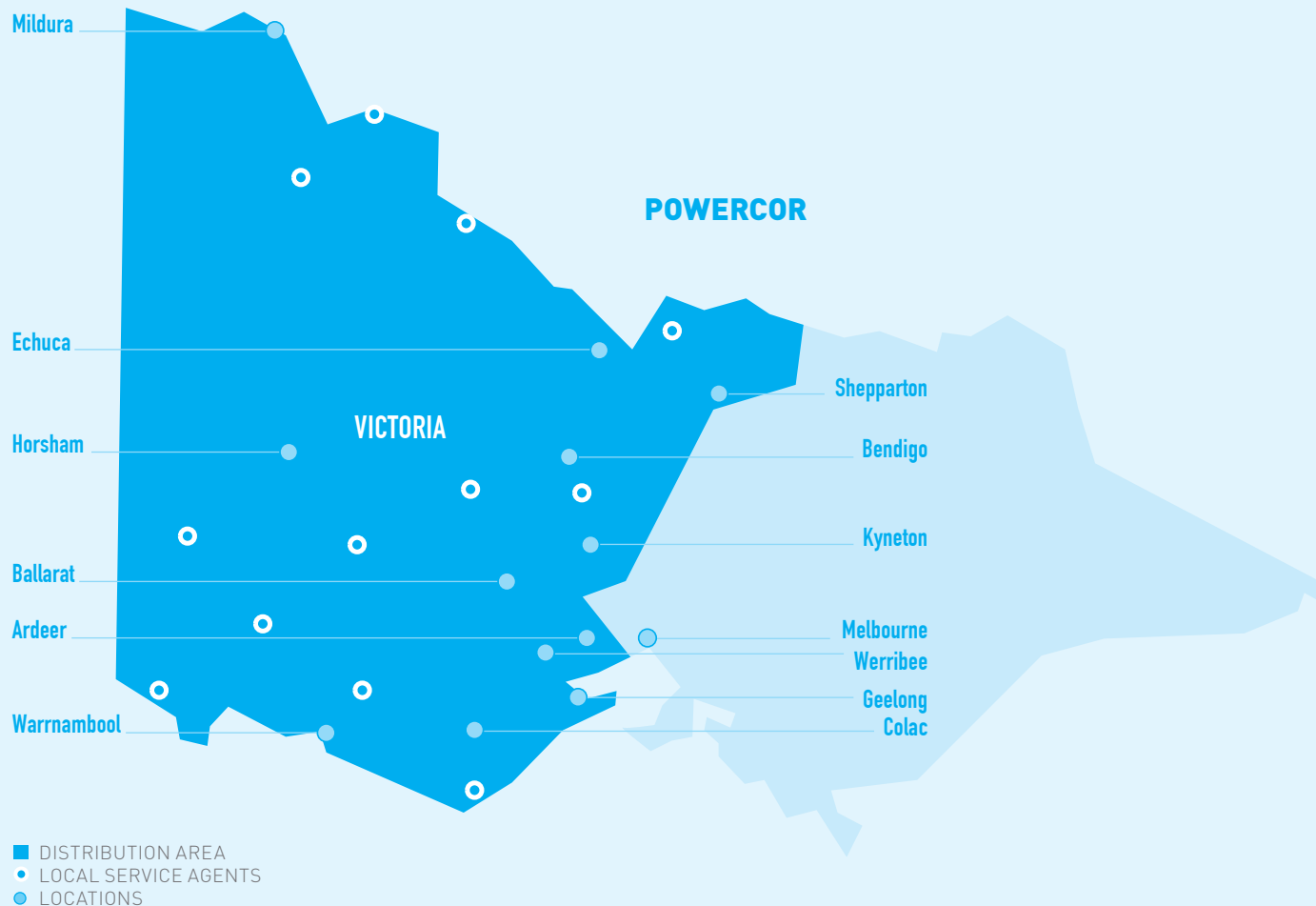
Customer Contact Centres take around 770,000 calls annually, with 85% and 80% of fault calls for CitiPower and Powercor respectively answered within 30 seconds. Whilst the preferred method of contact for most customers is the telephone, increasing use of the internet, SMS alerts, email and other advancing digital technologies such as the release of Australia's first outage app, mean customers can now connect using the channel of their choice.

Satisfaction among retailers was again strong at 87% whilst the Major Customer satisfaction rating for 2015 came in at 86%.

### Safety and Workforce

CitiPower and Powercor's Health and Safety Management System is certified to the AS/NZS 4801 – Occupational Health and Safety Management Systems Standard.

The Health and Safety Management System is supported by a strong Health and Safety structure with Health and Safety Committees at all locations, and a Health and Safety Steering Committee chaired by the Chief Executive Officer. The Steering Committee met four times in 2015, with meetings held at a variety of locations.



**99.97%**  
 NETWORK AVAILABILITY

**\$3.7<sup>B</sup>**  
 REGULATED ASSET BASE

**2021 JANUARY**  
 NEXT REGULATORY RESET

**1,939**  
 NUMBER OF EMPLOYEES  
 (REPORTED JOINTLY  
 WITH CITIPOWER)



■ DISTRIBUTION AREA

**99.99%**  
NETWORK AVAILABILITY

**\$1.9B**  
REGULATED ASSET BASE

**2021 JANUARY**  
NEXT REGULATORY RESET

**1,939**  
NUMBER OF EMPLOYEES  
(REPORTED JOINTLY  
WITH POWERCOR)

In 2015, VPN (employees and contractors) recorded 5 Class 4 incidents and 4 Lost Time Injuries (LTI) both bettering their respective targets. This performance continues an improving trend over the last three years across the CitiPower and Powercor operations. In addition, the VPN businesses measured planned health and safety interactions and involvement of its senior leaders and achieved 80% participation. CitiPower and Powercor's WorkCover premium for 2015/16 continues to be well below the average of all participants in the WorkCover scheme.

VPN expanded its Never Compromise Safety Rules App to include a 'Working Alone' section to support employees working alone on operational tasks. The extension reduces administrative overhead and enables faster response for colleagues working alone in the field if they need assistance.

CitiPower and Powercor also ran courses to increase the awareness of mental health issues and the businesses offer a support system for colleagues. Employees were trained to identify and aid colleagues needing help in this regard. The schemes proved successful with various employees coming forward for additional training and proactively referring others for off-site counselling.

The VPN businesses also invested heavily in training and development for its employees, with a focus on leadership, mentoring and career development.

In 2015, CitiPower and Powercor welcomed a record 34 new apprentices, the largest intake ever for the VPN businesses. These trainees and apprentices work from 11 locations around Victoria. CitiPower and Powercor have trained more than 453 apprentices and trainees since 2001.

### **Innovation**

The energy sector in Australia has changed more in the last five to ten years than it has in the past century. Customers are choosing new ways to access their electricity needs while demanding more reliable electricity supplies. The challenge for VPN is to provide Victorians with the most reliable electricity to power their homes and businesses while helping them connect to electricity services in the ways they prefer, all while providing value for money.

Solar and wind power are increasingly being integrated into the CitiPower and Powercor networks. Nearly 94,000 Powercor customers and more than 8,700 CitiPower customers have installed solar panels since 2009, with a combined capacity of almost 298,000 kilowatts and 8,756 kilowatts respectively.

In line with the ethos of providing the right energy solutions for customers, the VPN businesses invested \$8.5 million in two separate energy storage projects. The large-scale battery storage system, one of which is the largest in the region, will help reduce stress on the networks, improve reliability of supply and reduce maintenance costs.

VPN will continue to invest in the development of a smarter network incorporating advanced technologies that enable more efficient capital investment, improved safety and reliability as well as widespread integration of renewable energy sources as more customers choose to invest in small-scale generation.

VPN has also established its new energy solutions team. The team will expand existing businesses and also develop emerging streams such as commercial solar, wind, storage, and other energy network services.





TransGrid operates the NSW high voltage electricity network. TransGrid provides a safe and reliable electricity transmission service to more than 3 million homes and businesses across NSW and the ACT, as well as the customers directly connected to its network. Together with network reliability greater than 99.999%, TransGrid delivers both strong commercial and service performance.

Spark Infrastructure acquired a 15.01% interest in TransGrid as part of the NSW Electricity Networks consortium on 16 December 2015. Under private ownership and armed with a wealth of knowledge and specialist technical expertise, applied to assets which have the lowest weighted average age for like assets in Australia, TransGrid is well positioned to shape the future of the grid in NSW.

TransGrid's quality assets and skilled workforce provide a solid platform to extract operational efficiencies and drive new unregulated business opportunities through a reinvigorated business plan.

The successful acquisition by the NSW Electricity Networks consortium of the NSW electricity transmission business, TransGrid, was a major achievement for Spark Infrastructure in 2015. Spark Infrastructure made an investment of \$735.3 million in the acquisition, which equates to a 15.01% ownership interest in TransGrid. This expands and diversifies Spark Infrastructure's overall investment portfolio with another high quality investment in a regulated electricity transmission asset.

In March 2016, the Board of TransGrid appointed a new CEO, Mr Paul Italiano, formerly CEO of Western Power, who will commence in the role in late April 2016. Mr Italiano is a proven transformational leader who will take the business to its next stage of development under private ownership. Depth has also been added to the finance team with the appointment of a new Chief Financial Officer from the consortium's bid team.

### **Operational summary**

The external environment in which TransGrid operates is facing increasingly significant and rapid changes. Additionally, the transfer of TransGrid to the private sector in December 2015 was a key milestone which required

additional focus on supporting employees to ensure ongoing engagement and productivity throughout the transition.

TransGrid's ongoing initiative to participate in competitive markets is consistent with its strategy to drive the business forward through growth and innovation. To enable its growth strategy, TransGrid diversified its business outside its regulated portfolio and, in 2015, introduced two new lines of business focused on infrastructure connections and telecommunications.

The acquisition of the 15.01% interest in TransGrid reached financial close on 16 December 2015 and consequently there were only 16 days of results in the reporting period. As a result, it is not possible to report on the financial performance of TransGrid in a meaningful way until 2016.

### **Safety and Workforce**

TransGrid promotes a positive culture of safety in which all employees are encouraged to actively manage their safety and the safety of others.

In 2015, TransGrid undertook a safety culture assessment engaging with employees from across the business to identify areas for improvement.



The risks associated with a high voltage electricity network and large infrastructure projects make it critical that safety commitments are delivered on without compromise. TransGrid's employee Lost Time Injury Frequency Rate (LTIFR) for 2015 was 1.9, which is low by industry standards. TransGrid's strong safety performance attests to its highly skilled and experienced workforce comprised of 1,019 qualified tradespeople, engineers, technicians, substation and transmission line designers, apprentices and cadets, administrators, professionals and managers.

### **Customer Service**

TransGrid works closely with its customers to plan, develop and manage the network and customer projects to ensure it meets their service expectations now and into the future.

In line with previous years, TransGrid's transmission network reliability in 2015 continued to exceed 99.999%. TransGrid continued to deliver strong customer service in 2015 with just 0.31 system minutes lost. Its ability to effectively maintain and operate its network, in addition to improvements to design standards and equipment procurement practices contributed to this outcome.

TransGrid's recent customer experience research recorded an increase to 74% from 71% in overall customer satisfaction.

### **Innovation**

TransGrid is working on a number of innovative ways to integrate new technologies into the grid and to provide new infrastructure solutions that deliver for its customers, community, shareholders and electricity consumers across the state.

#### **Network innovation**

TransGrid is exploring and implementing a range of non-network alternatives, where it is technically feasible and cost effective to do so. The focus in 2015 was to secure research agreements to investigate and integrate the application of demand management tools and technologies into its business operations and practices, achieve greater understanding of the demand management market, and promote information flows between relevant parties.

#### **iDemand**

Commissioned in November 2014, TransGrid's iDemand project is a research driven technological initiative aimed at developing methods for managing peak demand. The iDemand pilot system, located at TransGrid's western Sydney site, consists of a 400kWh battery and solar PV panels that can generate up to 100kW of solar generation capacity, and energy efficient LED lighting.

The system also has enough energy capacity to offset the equivalent of 40 households' load at peak times and can reduce the site's electrical demand by 50%. TransGrid has also developed an interactive web portal that shows live status updates of the system's energy flow, storage and consumption, and allows for the download of historical data to assist research in demand management.

To date, TransGrid has partnered with nine academic and research institutions to derive the most value from the installation.

#### **Renewable Energy Hub**

Approximately 70% of TransGrid's new formal connection agreements over the last two years came from renewable energy generators.

With funding from Australian Renewable Energy Agency (ARENA) and the NSW Office of Environment and Heritage, TransGrid is conducting a feasibility study and Knowledge Sharing Report into the potential for Renewable Energy Hubs.

The first of its kind in Australia, the Renewable Energy Hub concept will facilitate the connection of several renewable energy generators to the electricity grid, where capacity could otherwise be constrained. If proven feasible, the proposed model would provide a more cost-effective, scalable and flexible option for TransGrid customers in Northern NSW and potentially other locations around NSW.



### SA Power Networks

#### Environment and Sustainability

SAPN continued to successfully implement a number of environmental management and sustainability initiatives in 2015.

SAPN is a member of the ECO-Buy Program, which aims to increase the demand and use of sustainable products and services. The Program provides SAPN with resources and support to develop and improve its sustainable procurement. As part of this initiative, in 2015, SAPN commenced the development of a Sustainable Procurement Action Plan to incorporate environmental risk assessment processes and environmental criteria into key contracts for suppliers to the business.

The expanded recycling and resource recovery system continues to maintain significant improvement in the organisation's recycling rate. An estimated 62% of solid waste was sent for energy recovery, 28% for recycling and only 10% sent to landfill – a huge improvement on the 92% sent to landfill in 2009. SAPN's overall landfill diversion rate, across all sites and including other bulk/salvage waste materials, is approximately 74%.

In October, SAPN submitted its annual report under the Federal Government's National Greenhouse and Energy Reporting Scheme.

The Substation Oil Containment Working Group continued to improve the processes, systems and implementation of oil containment related works across the business. Risk assessments were conducted for a variety of high, medium and selected low risk oil filled assets and oil containment solutions were implemented where appropriate.

### Community

As South Australia's sole electricity distributor, SAPN has a significant role to play in the community, which is reflected through a diverse sponsorship and community support program.

In 2015 a variety of organisations benefited including:

- Adelaide Symphony Orchestra;
- Country Arts SA;
- Asthma SA;
- Trees 4 Life; and
- Operation Flinders (a world leading wilderness adventure program for young offenders and young people at risk).

One of SAPN's areas of focus is 'health and sport', encouraging an active community. With sponsorship of Contax Netball Club, Adelaide Bite Baseball Club, Lady Reds Soccer Club and the Mount Gambier Fun Run, SAPN is helping to promote participation in sport at elite levels, as well as encouraging the general community to incorporate movement into their daily lives.

SAPN also continues to actively support employees' participation in the South Australian community through the Employee Foundation. A number of key causes including the Cancer Council SA, Mary Potter Hospice and Hutt St Centre are included. Employees are also actively encouraged to volunteer or fundraise for causes about which they are passionate, and SAPN supports this through a policy of dollar matching up to \$5,000. This commitment continues to make a significant difference to a number of charities across the state.

### Victoria Power Networks Environment and Sustainability

CitiPower and Powercor have in place comprehensive structures for managing environmental impacts and risks. Compliance with environmental legislation and regulation is viewed as a minimum requirement.

VPN has an Environmental Management System (EMS) which is certified to the international standard ISO 14001. The EMS provides a framework for identifying and managing environmental issues and risks.

It has developed and implemented a whole-of-business environmental strategy which is complemented by a comprehensive communication strategy. VPN has an Environmental Steering Committee which is supported by employees with specific environmental responsibilities. All offices and depots also have a Site Environmental Representative and a number now have Green Teams – groups of employees with an interest in identifying and implementing environmental improvements.

CitiPower and Powercor are committed to minimising their environmental impact in addition to managing factors such as hazardous substances. The businesses also focus on key areas including material and resource efficiency, and recycling and waste.

The Climate Change Policy and Strategy seeks to manage the impacts of climate change on assets and operations, and to work to reduce



its contribution to climate change. These strategies have been embedded operationally within the VPN businesses, and greenhouse issues considerations now form part of business as usual activities and are overseen by the executive Environmental Steering Committee.

As a signatory to the Energy Supply Association of Australia's (ESAA) Sustainable Practice Framework, CitiPower and Powercor also report each year against the key indicators of the Framework.

CitiPower and Powercor continue to annually submit National Greenhouse and Energy Reporting to the Clean Energy Regulator in accordance with the National Greenhouse and Energy Reporting Act 2007.

### **Community**

CitiPower and Powercor have strong connections within the communities they serve. The businesses play an important role as an employer, supporting local communities, with a workforce of more than 2,000 employees across 14 locations – in many areas as a major employer creating jobs for people who want to live and work in regional Victoria. In addition to this, the CitiPower and Powercor networks

indirectly employ many hundreds of contractors, suppliers and business partners who fulfil a range of roles for the businesses.

The Business' Relationship Managers proactively engage large customers to ensure early involvement in supporting customers' changing and proposed energy needs supporting economic development across our operating network.

The CitiPower and Powercor networks also have strong links with the community through various partnerships, sponsorships and other support. Through the workplace giving scheme, employees contributed more than \$40,000 to a range of charities and organisations. CitiPower and Powercor take an active partnership approach to sponsorship in the communities serves.

In 2015, CitiPower and Powercor launched the inaugural Tour de Depot charity cycling series in Warrnambool, Mildura and Shepparton. The event raised \$175,000 which was donated to three local charities to make a meaningful difference in these local communities, reinforcing its contribution to the economic growth and prosperity of regional Victoria.

CitiPower and Powercor also sponsored a number of events in support of Country Fire Authority, as well as, continuing the strong commitment to the community and the environment through the partnership with Landcare Australia which supports such activities as revegetation projects and improvement of natural habitat.

### **TransGrid**

#### **Environment and Sustainability**

TransGrid contributed to several environmental and sustainability initiatives through partnerships and sponsorships in 2015.

TransGrid is committed to reducing its carbon footprint through sponsorship of the Deep Decarbonisation Project. A collaborative initiative convened under the auspices of the Sustainable Development Solutions Network and the Institute for Sustainable Development and International Relations, the project aims to show how individual countries can transition to a low carbon economy. Australia is one of 15 countries participating in the project, which is led by ClimateWorks Australia and the Australian National University. TransGrid is the only energy industry sponsor.

Environmental partnerships are another vehicle through which TransGrid demonstrates its environmental responsibility. GreenGrid is a partnership between TransGrid and Greening Australia that has been 'Bringing Life to Landscapes, Bringing Landscapes to Life' since 1997. GreenGrid has made tangible improvements to land, biodiversity, river health and sustainable production over a period of 17 years, achieving:

- Fencing, conserving or revegetating over 2,081 hectares of land;
- Propagating 332,670 native plants;
- Completing 488 kilometres of fencing to exclude stock from vegetation;
- Undertaking 2,287 kilometres of direct seeding; and
- Investing in a series of major projects such as Boorowa River Recovery, the Molong Grassy Woodland Community Restoration Project, Williamsdale Offset site, and more recently, Rivers of Carbon.

### Community

As a responsible business, TransGrid maintains a strong commitment to conducting its activities and services in a manner that protects its communities and the environment. This helps to achieve sustainable growth, deliver on stakeholder expectations and drive compliance with all relevant legislation, industry standards and codes of practice.

TransGrid services more than 3 million homes and businesses across NSW and actively engages with the communities, customers, employees, government and other stakeholders regarding potential environmental or cultural impacts associated with its plans and activities.

Additionally, TransGrid supports its stakeholders through various community and educational programs. At a grassroots level, the business provides support by contributing to a variety of local initiatives. Since 2012, TransGrid has delivered over \$200,000 to organisations through community partnerships programs, which help build lasting relationships with local

communities by investing in initiatives which support public safety and wellbeing, health and education and the environment.

TransGrid's education program, BeSafeKids focuses on teaching primary school students on the importance of staying safe around electricity. The business delivers a free program to schools covering the history of electricity and the importance of protecting the environment. TransGrid has reached over 400 students through BeSafeKids and this number continues to grow.

TransGrid is also a supporter of diversity programmes, to open pathways for all potential employees. At secondary level, it sponsored and participated in the University of Wollongong's annual Women in Engineering Summit in January 2015. Attended by 50 high school students from across the state, the Summit aims to encourage more women into engineering by providing female students the opportunity to meet with women in the industry and learn about their experiences.



## CORPORATE CONTACT DETAILS

Spark Infrastructure RE Limited (ABN 36 114 940 984) as the responsible entity for Spark Infrastructure Trust (ARSN 116 870 725)

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