



Tuesday, 1 December 2009

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

Dear Sir / Madam

**AUSTRALIAN ENERGY REGULATOR DRAFT DECISION ON ETSA UTILITIES'
REGULATORY RESET 2010-2015**

Spark Infrastructure advises that the Australian Energy Regulator (AER) has released its draft decision for the South Australian electricity distribution business ETSA Utilities in relation to the five year regulatory reset period which will apply to that company from 1 July 2010.

The full document can be found on the AER website at www.aer.gov.au

Consistent with the established regulatory process, ETSA Utilities will lodge a further submission to the AER in response to the draft decision by 14 January 2010. The AER is then expected to release its final decision by 30 April 2010.

Spark Infrastructure holds a 49% interest in ETSA Utilities, along with a 49% interest in Victorian electricity distribution businesses CitiPower and Powercor.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Alexandra Finley", with a large, sweeping flourish extending from the end of the signature.

Alexandra Finley
Company Secretary

AER draft determination for South Australian electricity distributor

The Australian Energy Regulator has issued its draft determination for South Australia's electricity distribution network service provider, ETSA Utilities, for the period 1 July 2010 to 30 June 2015.

ETSA Utilities' distribution network provides electricity to over 800 000 customers across a vast majority of the State.

The AER has approved significant increases in the revenue allowance for ETSA Utilities. The higher approved revenues result from the need to augment South Australia's electricity distribution network due to continuing economic growth, growth in population and energy use per customer, and real increases in the cost of labour and materials. In addition, ETSA Utilities will continue substantial programs to replace aging assets and undertake improvements to the security of supply such as the Adelaide central business district distribution network.

The approved revenue for ETSA Utilities is also higher as a consequence of higher capital costs resulting from the global financial crisis. The approved cost of capital for ETSA Utilities is around 1.4 percentage points higher than in the current regulatory period.

The AER has approved capital expenditure of \$1628 million (58 per cent more than the previous five years) and operating expenditure of \$1044 million over the five year period (38 per cent more than in the previous period).

AER chairman Steve Edwell noted that: "The AER had reduced the expenditure proposed by ETSA Utilities to ensure that only prudent and efficient costs would be recovered from customers, as required under the National Electricity Rules."

For example, the AER considers that the cost of providing network services, in terms of labour and materials, will rise at lower rates than those assumed by ETSA Utilities.

The AER approved capital expenditure is 28 per cent less and the operating expenditure is 11 per cent less than that proposed by ETSA Utilities.

The AER's final decision, to be made in April next year, will set the revenues that make up around 40 per cent of the typical residential customer's electricity bill.

Based on this draft determination, network charges for ETSA's customers would increase on average by 14 per cent in the first year of the regulatory period, followed by 6 per cent in subsequent years of the regulatory period, in nominal terms (see note below).

In terms of the average residential customer in South Australia, the draft determination would result in annual electricity charges rising by \$77 (around 5 per cent) in 2010-11 and by around \$40 (around 3 per cent) in subsequent years of the regulatory period, in nominal terms.

In response to the AER's draft decision, ETSA Utilities is expected to provide a revised regulatory proposal to the AER by 14 January 2010. Submissions on the AER's draft decision and the revised regulatory proposal are invited by interested parties and may be made by 16 February 2010. The AER will make its final decision by the end of April 2010.

Mr Edwell noted that in making its decision, the AER took into account advice from independent experts and submissions from interest parties. The documents will be available on the AER's website.

Distribution charges represent around 40 per cent of the total cost of supplying electricity to residential customers. Typically these customers do not see distribution charges in their electricity bills. Instead, the charges are included in tariffs charged by electricity retailers, such as AGL and Origin. The AER's final decision on distribution changes will be incorporated into retail tariffs from 1 July 2010 onwards.