



Monday, 8 December 2014

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

Dear Sir / Madam

**INVESTOR DAY PRESENTATION – SA POWER NETWORKS**

I enclose the presentation to be delivered on 8 December 2014 at the Spark Infrastructure Investor Day hosted by SA Power Networks.

The briefings will be webcast live from 9.30am Adelaide time (10.00am AEST) and will subsequently be available for replay on the Spark Infrastructure website at [www.sparkinfrastructure.com](http://www.sparkinfrastructure.com).

Yours faithfully,

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

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

# A TIME FOR QUALITY



Investor Day - SA Power Networks  
Monday, 8 December 2014

# PRESENTATION AGENDA

- 1. INTRODUCTION**  
Rick Francis, Managing Director & CEO – Spark Infrastructure
- 2. REGULATORY PROPOSAL 2015-2020**  
Sean Kelly, GM Corporate Strategy – SA Power Networks
- 3. STRATEGIC OVERVIEW**  
Rob Stobbe, CEO – SA Power Networks
- 4. HY June 2014 OPERATIONS UPDATE**  
Darren Smith, CFO – SA Power Networks
- 5. UNREGULATED OPERATIONS UPDATE**  
Rob Snowdon, GM CaMS – SA Power Networks

# INVESTMENT PROPOSITION

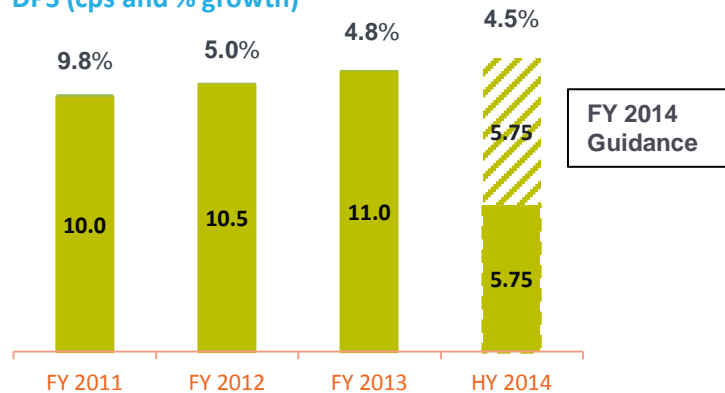
Focus on generating opportunities to create and capture value



- ▶ Quality asset portfolio providing strong cashflows, RAB growth and increasing equity share
  - Strong RAB growth of 7-8% CAGR across 2010-2015
  - Prudent asset level gearing moving towards 75% Net debt to RAB by end 2015
  - SAPN and VPN have benchmarked well against peers; their history of out-performance against regulatory benchmarks enhances their credibility with AER
- ▶ Alert to opportunities to grow and diversify the portfolio consistent with long-held investment mandate
  - Well positioned to participate in further industry consolidation and the proposed privatisation of NSW and Queensland electricity distribution and transmission network assets, applying usual discipline and rigour
  - Interest in DUET Group is yield accretive and strategically significant
- ▶ Steady growth in distributions to securityholders remains a key priority
  - FY 2014 Distribution guidance of 11.5cps (4.5% growth on FY 2013)
  - Distribution growth guidance of 3-5% for 2015
  - Long term distribution guidance for 2016-2020 will be provided when greater clarity around regulatory resets for SAPN and VPN is available

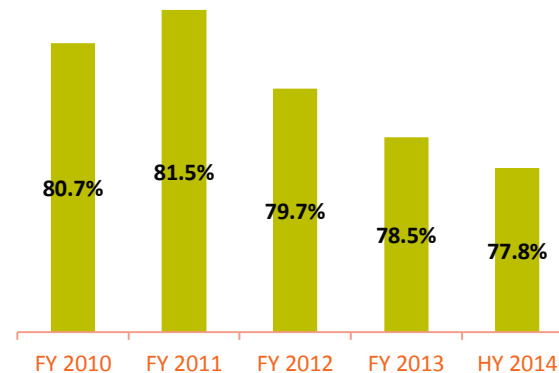
# A PROVEN TRACK RECORD OF DELIVERING

DPS (cps and % growth)



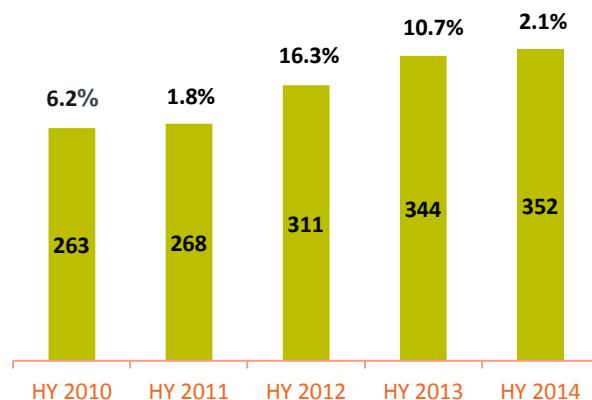
*"3-5% growth p.a. to 2015"*

Net Debt to RAB (%)

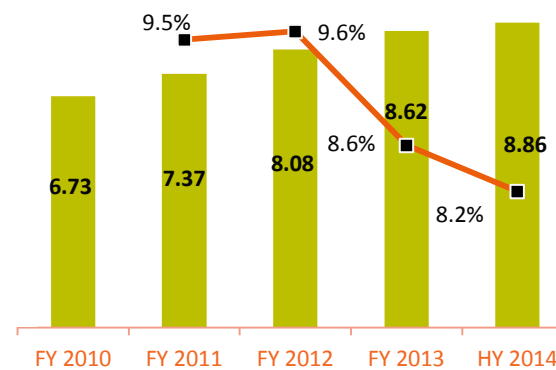


*"Targeting 75% by 2015 in the Asset Companies"*

EBITDA (\$M) (Excl customer contributions) (49% basis)



RAB and RAB rolling CAGR<sup>1</sup> (\$bn and %)



*"7-8% CAGR<sup>1</sup> to 2015"*

Notes:

1. Compound Annual Growth Rate

# STRATEGIC OVERVIEW

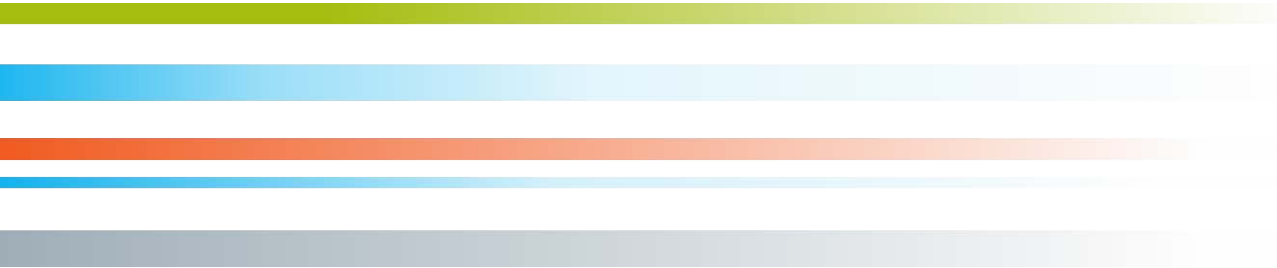
## DELIVERING NOW AND INTO THE FUTURE

- ▶ SA Power Networks and Victoria Power Networks (CitiPower and Powercor) are performing strongly and benchmarking well against peers – this is significant in the AER’s review of regulatory submissions
- ▶ Revenue caps to apply from the start of the next 5-year regulatory periods, i.e. no volume risk going forward
- ▶ SAPN and VPN focussed on business development and evolution in response to changes in operating environment and technology
- ▶ SA Power Networks lodged regulatory submissions on 31 October 2014; Victoria Power Networks will lodge its submission by 30 April 2015
  - Capital expenditure requirements are expected to be driven by asset replacement, network hardening and technology requirements rather than by network growth;
  - Substantial engineering and consumer support for SAPN proposal
- ▶ Spark Infrastructure and its co-shareholders (Cheung Kong Infrastructure and Power Assets Holdings) will jointly approve 5-year business plans for the Asset Companies in the second half of 2015. Amongst other matters, these plans will address:
  - Financing of growth capital expenditure
  - Gearing levels in the Asset Companies
  - Cash distributions to the shareholders

# OTHER SIGNIFICANT MATTERS

- ▶ Interest in DUET Group
  - Comment on recent equity raising
  - Variation of the terms of some of the derivative contracts
  
- ▶ ATO audits into Asset Companies
  - Spark Infrastructure and the Asset Companies remain engaged with the ATO on the various remaining matters and will update the market at the appropriate time
  
- ▶ Electricity network privatisations
  - Comments in relation to potential lease privatisation processes in NSW and Queensland

# Questions







**SA Power Networks**

# **Regulatory Proposal 2015 - 20**

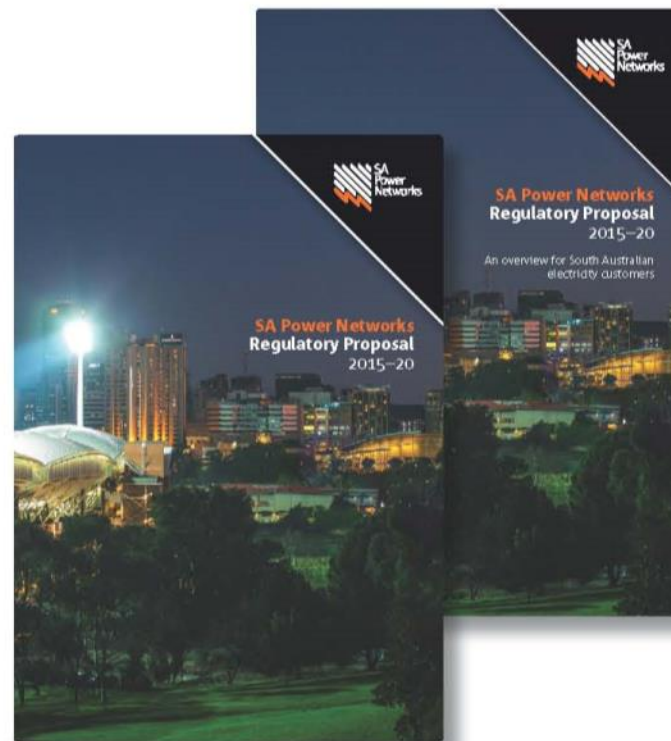
**December 2014**

**Sean Kelly, General Manager Corporate Strategy**

# Outline

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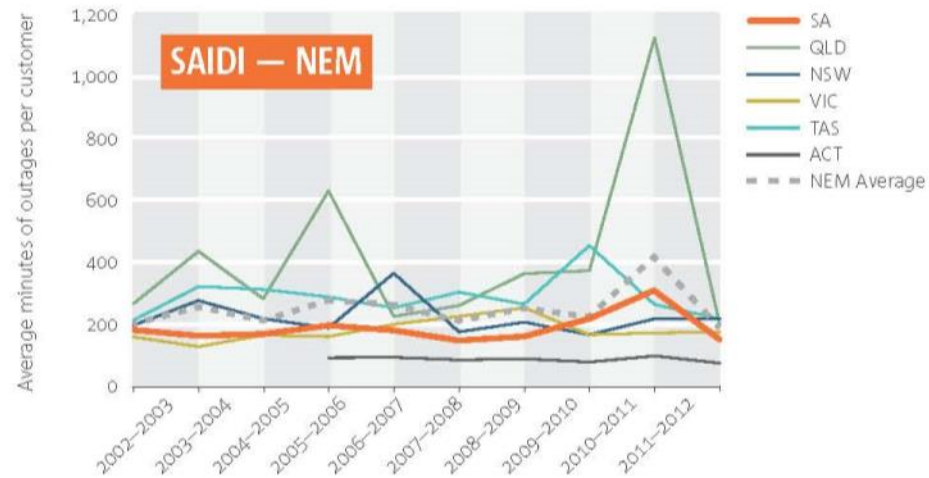
- SA Power Networks' Performance
- Regulatory Proposal 2015–20



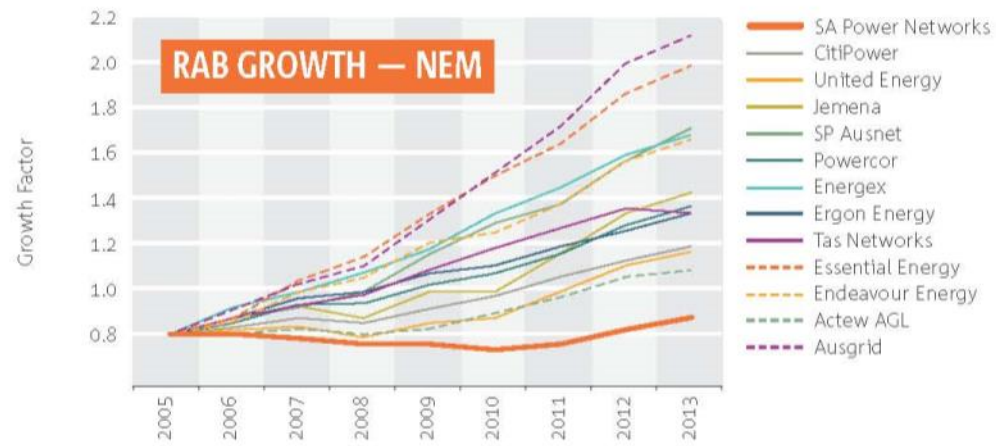
# Our Performance



Reliability better than  
NEM average



Prudent Expenditure  
(steel plating)

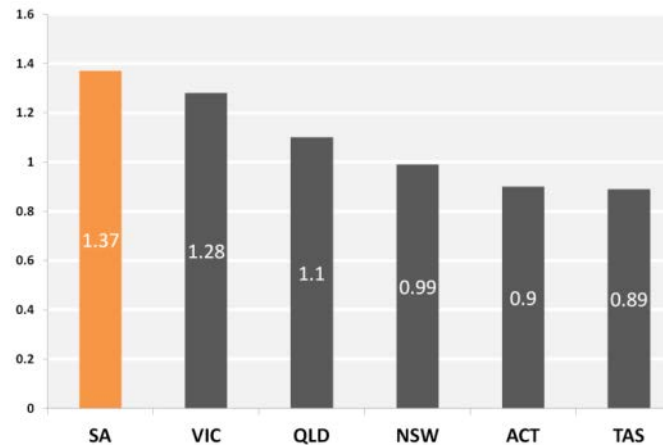


# Our Performance



SA most productive on a state by state basis

## MTFP - NEM

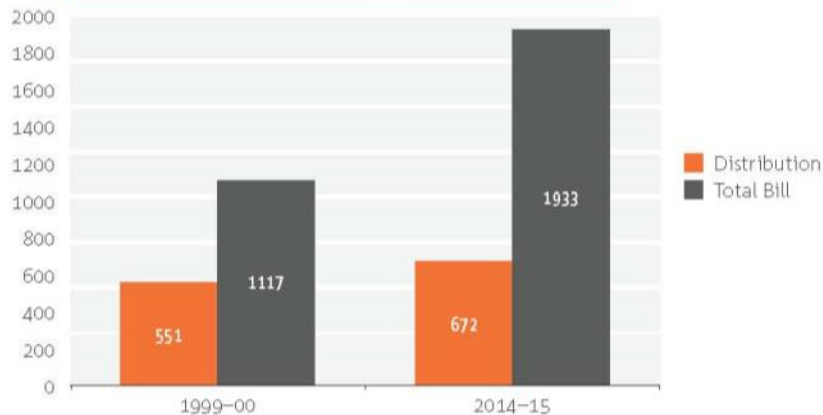


Source: AER, "Electricity distribution network service providers Annual benchmarking report", November 2014

Portion of bill decreased (from 49% to 35%)

15% of total bill increase (\$121 of \$816)

## DISTRIBUTION CHARGES — 5MWh pa

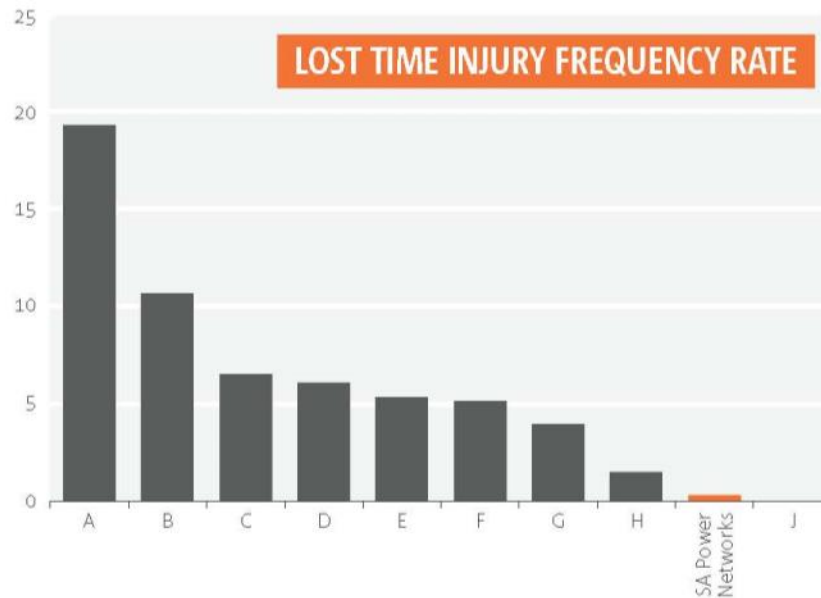




# Our Performance



Community and Employee safety are paramount  
(Currently > 750 days without an LTI)



SOURCE: ENA ENERGY SUPPLY  
INDUSTRY OHS PERFORMANCE  
REPORT 2012/13

# Talking to Customers

TALKINGPOWER



I would like to see further workshops run in this fashion.



I'm looking forward to seeing our feedback and ideas incorporated.



I enjoyed the collaboration of this workshop



The workshop met my expectations



Strongly Agree Agree Not Sure Disagree

SOURCE: STAGE TWO WORKSHOPS — DELOITTE WORKSHOP FEEDBACK

## Stage 2 Workshops:

"The feedback was excellent. Great to see that these workshops are put to good use and taken seriously."

**Resident, Regional**

"All opinions and ideas from the last workshop were used. All questions answered."

**Resident, Regional**

# What Customers Have Said



## Some of what was said

### Top 3 community safety and reliability initiatives



**1**  
Inspecting, maintaining  
and upgrading the network



**2**  
Bushfire prevention activities



**3**  
Hardening the network  
against lightning and storms

## On-line Survey

2,883 respondents

## Other significant findings



**88%**

Were satisfied  
with their  
current level  
of network  
reliability



**76%**

Indicated  
fit-for-setting  
substation  
facades will have  
visual benefits



**78%**

Supported the  
installation of  
a smart meter  
in their home  
or business



**90%**

Supported  
continuous supply  
of power to CFS  
Bushfire Safer  
Places



**86%**

Said  
undergrounding  
the network would  
result in visual  
improvements



**61%**

Said their customer  
experience would  
be better if they  
knew more about  
SA Power Networks

## Customer-driven initiatives include:

	Capex	Opex (stepΔ)
Bushfire risk reduction including CFS Bushfire Safer Places	\$222m	—
Undergrounding/Relocation of assets for Road safety	\$78m	—
Cost-reflective capacity tariffs	\$76m	\$69m
Vegetation management	—	\$32m

# Proposal Overview



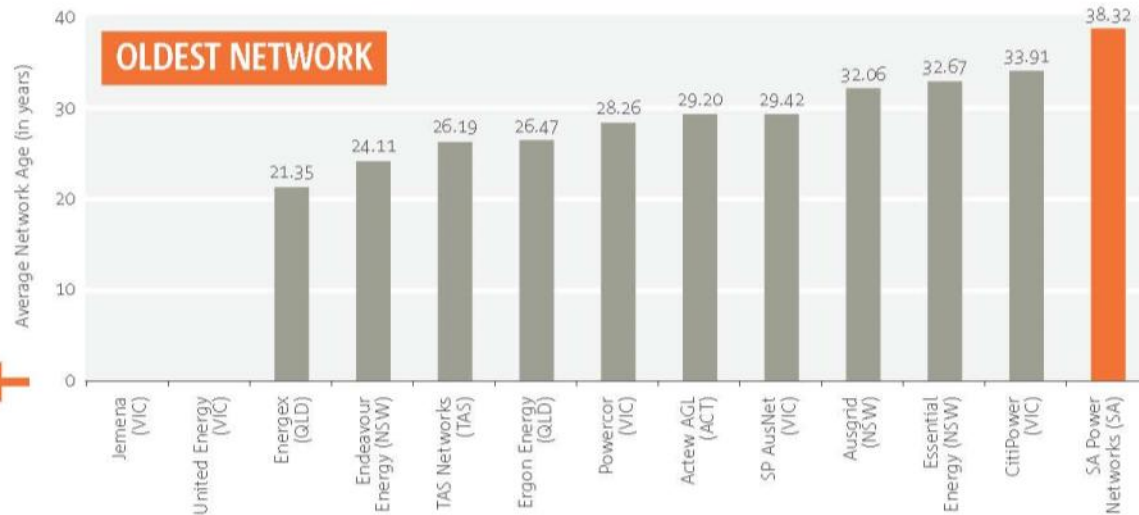
June 2015 \$	Final Proposal
<b>Capex</b>	<b>\$2.53 B</b>
<b>Opex</b>	<b>\$1.64 B</b>
<b>WACC</b>	<b>7.62%</b>
Equity	10.45%
Debt	5.74%
<b>Tax</b>	<b>\$408 M</b>
<b>Incentives (net)</b>	<b>\$12 M</b>
<b>Prices for standard control services</b>	
Year 1	4.30% real reduction
Years 2–5	No real increase
Average \$14 nominal increase p.a. for residential	
<b>Revenue</b>	<b>\$4,598 M</b>



# Capital Expenditure - Replacement



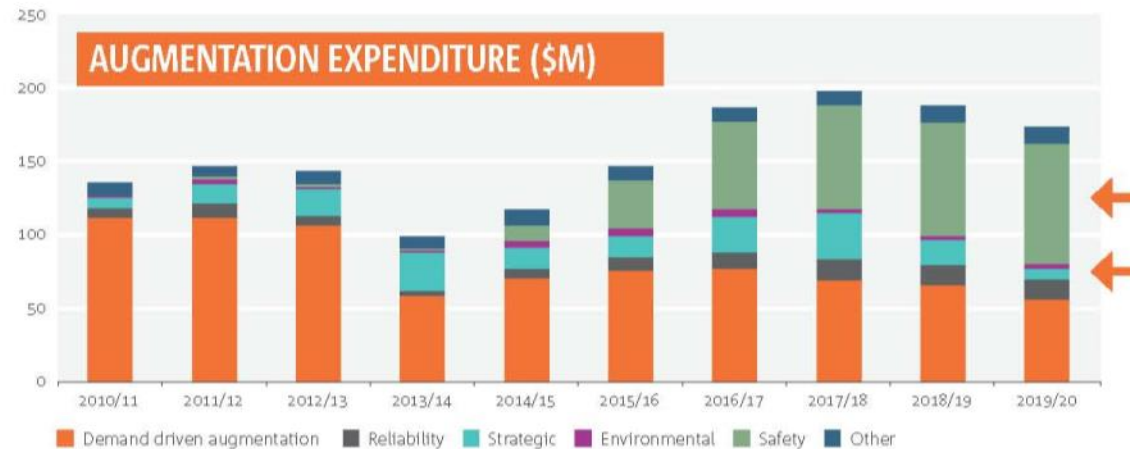
	Total
<b>Replacement</b>	<b>792.0</b>
<b>Augmentation</b>	<b>884.0</b>
<b>Connections</b>	
Customer connections (gross)	718.0
Customer contributions	(528.5)
Customer connections (net)	189.4
<b>Non-network</b>	<b>620.1</b>
<b>Total SCS expenditure forecast (net)</b>	<b>2,485.5</b>



# Capital Expenditure - Augmentation



	Total
Replacement	792.0
Augmentation	884.0
Connections	
Customer connections (gross)	718.0
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Customer connections (net)	189.4
Non-network	620.1
Total SCS expenditure forecast (net)	2,485.5



SAFETY	Description	\$M
<b>Bushfire mitigation program</b>	Based on the outcomes of the VBRC and PBST, a new program to manage the increasing risk of bushfires starting from our infrastructure in high bushfire risk areas and to provide secure power supply to Bushfire Safer Places	220.1
<b>Substation fencing and security</b>	Long term program to remediate inadequate substation security fencing and security systems	11.7
<b>Substation earthing</b>	Long term program to remediate unsafe substation earthing systems	7.3
<b>Substation lighting</b>	Long term program to remediate substation lighting to ensure safe substation access for our workforce	2.4
<b>CBD fault level control</b>	Completion of the program to remediate dangerous fault levels on our 11kV CBD network	0.5
<b>Road safety program</b>	A new program to address road safety hazards from our power lines in high risk locations	77.5
<b>Total</b>		<b>319.5</b>

STRATEGIC	Description	\$M
<b>Kangaroo Island undersea cable</b>	Replacement of the aged Kangaroo Island undersea cable	47.2
<b>Network control</b>	Continuation of our long term program to extend SCADA to our country substations and targeted high voltage redosers and sectionalisers for operational requirements	27.4
<b>Network monitoring</b>	A new program to install communications modules in targeted smart ready meters to enable a two way network	16.1
<b>Asset condition monitoring</b>	Continuation of our long term program to extend the CBRM methodology to the following asset classes: ground level switchgear, underground cables, protection and control, redosers and sectionalisers	6.0
<b>NER compliance</b>	Undertaking load shedding as required and ensuring protection clearing times are compliant	1.8
<b>Total</b>		<b>98.5</b>

# Capital Expenditure – Non-Network



	Total
Replacement	792.0
Augmentation	884.0
<b>Connections</b>	
Customer connections (gross)	718.0
Customer contributions	(528.5)
Customer connections (net)	189.4
<b>Non-network</b>	620.1
<b>Total SCS expenditure forecast (net)</b>	<b>2,485.5</b>

IT Expenditure	Total
IT Recurrent expenditure	126.0
IT Non-Recurrent expenditure	181.9
Business change expenditure	45.8
<b>Total IT expenditure</b>	<b>353.7</b>

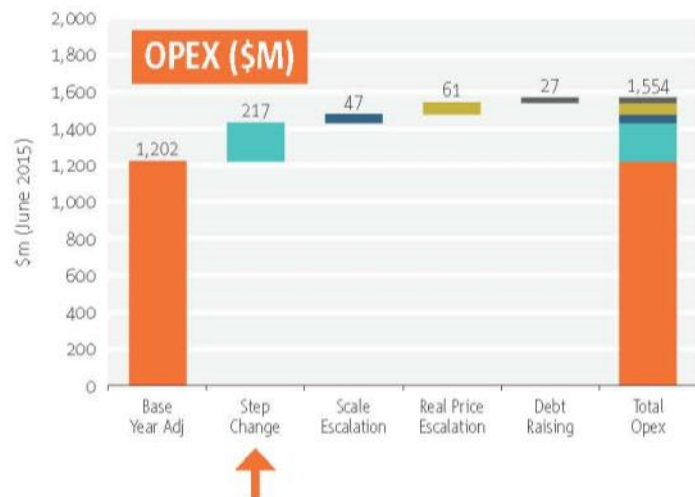
Property expenditure	Total
Land expenditure	1.0
Buildings expenditure	107.3
Easements expenditure	3.2
<b>Total</b>	<b>111.6</b>

Vehicle expenditure	Total
Vehicle replacement	113.8
New fleet	25.6
Safety initiatives	6.6
In-Vehicle Management System	3.0
Vehicle weight compliance	3.6
<b>Total vehicles</b>	<b>146.0</b>

IT Non-Recurrent
CIS OV and CRM
Enterprise AM
Tariffs & meters
RIN reporting

Buildings
Seaford depot
Angle Park North
Marleston North

# Operating Expenditure



## Step changes

	June 2015 (\$m)	2015/16	2016/17	2017/18	2018/19	2019/20	Totals
→ Legal and regulatory		15.5	16.9	23.7	25.0	23.9	<b>105.0</b>
→ Capital program Impacts		10.3	16.3	16.7	13.8	12.5	<b>69.6</b>
→ Customer driven initiatives		10.7	9.0	8.2	7.1	6.6	<b>41.6</b>
Financing related matters		(0.6)	(0.2)	0.2	0.5	0.7	<b>0.6</b>
<b>Total</b>		<b>35.9</b>	<b>42.0</b>	<b>48.8</b>	<b>46.4</b>	<b>43.7</b>	<b>216.8</b>

## Legal and regulatory

June 2015 (\$m)	Totals
Asset inspections	<b>42.1</b>
Workplace health and safety	<b>12.9</b>
Energy laws and regulations	<b>48.6</b>
Environmental management	<b>1.4</b>
<b>Total</b>	<b>105.0</b>

## Customer-driven

June 2015 (\$m)	Totals
Vegetation management	<b>31.9</b>
Customer services	<b>4.3</b>
Community safety	<b>5.4</b>
<b>Total</b>	<b>41.6</b>

# Rate of Return



Parameter	2010 – 15 Determination	NSW Draft Decision	Proposal
Measurement period	Mar – Apr 2010	Sept –Oct 2014	August 2014
Term of risk free rate	10 year	10 year	10 year
Credit Rating	BBB+	BBB+	BBB
Nominal risk free rate	5.89%	3.55%	3.43%
MRP	6.50%	6.50%	7.72%
Equity Beta	0.8	0.7	0.91
Gearing level	60%	60%	60%
<b>Gamma</b>	0.25	0.4	0.25
<b>Nominal post – tax cost of equity</b>	<b>11.09%</b>	<b>8.10%</b>	<b>10.45%</b>
<b>Nominal pre – tax cost of debt</b>	<b>8.87%</b>	<b>6.51%</b>	<b>5.74%</b>
<b>Nominal Vanilla WACC</b>	<b>9.76%</b>	<b>7.15%</b>	<b>7.62%</b>

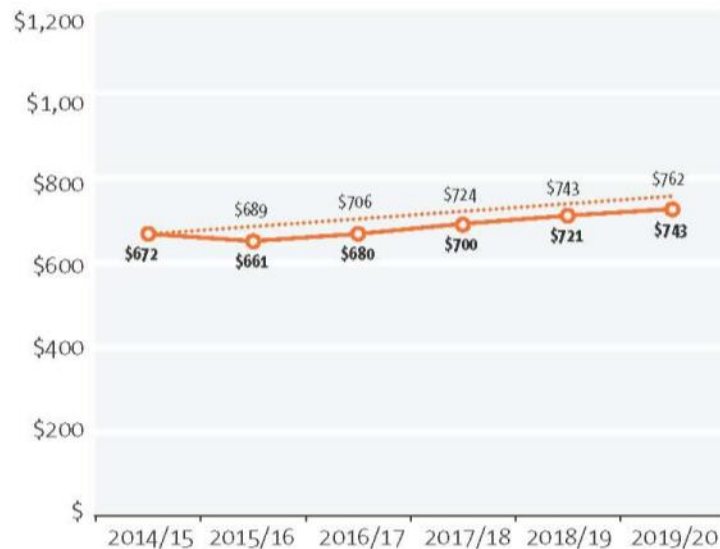


# Price Paths

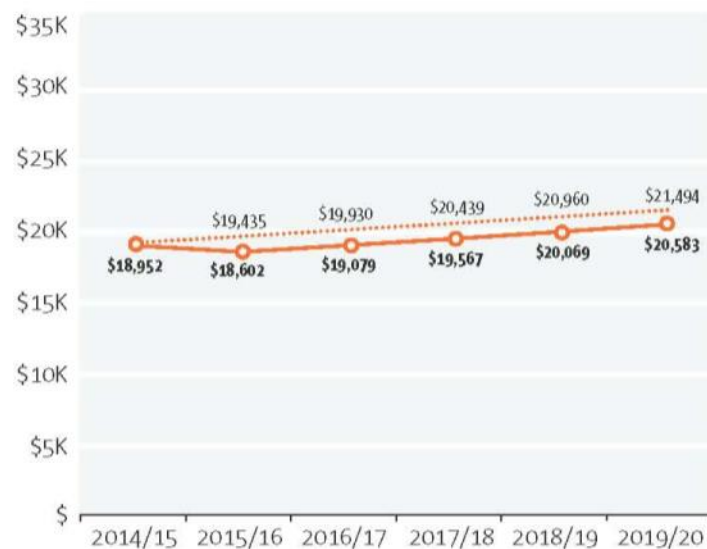


The increase in our network charges will have less than a 1% impact on the total electricity bill for the average residential customer. This is because our charges, which are around one third of the total bill, are forecast to increase by less than CPI (2.55%).

## Residential 5MWh pa [Nominal \$pa excl. GST]



## Weighted Average Business Customer [Nominal \$pa excl. GST]



- 40% 10 MWh pa customer (on business single rate tariff)
- 40% 100 MWh pa customer (on business-2 rate tariff)
- 20% 1000 MWh pa customer (on LV demand tariff).



# LOOK, IT CAN BE DONE



Memo to all utility companies  
as SA Power Networks caps  
price rises below inflation



### MILES KEMP EXCLUSIVE

SA POWER Networks is capping price increases to below inflation for five years, putting pressure on other utility companies to

follow suit. The sole distributor of electricity in South Australia says it has heeded community concern about rising energy costs.

**CONTINUED PAGE 6**



# Next Steps - Key dates

Milestones	Dates
Regulatory Proposal submitted to AER	31 October 2014
AER Public Forum on SAPN Regulatory Proposal	10 December 2014
Preliminary Determination	30 April 2015
New Regulatory period commences	1 July 2014
Revised Proposal lodged	2 July 2015
Final Determination	31 October 2015



# Questions



[www.sapowernetworks.com.au](http://www.sapowernetworks.com.au)



**SA Power Networks**

# **Strategic Overview**

**December 2014**

**Rob Stobbe, Chief Executive Officer**

# Agenda

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- Business overview
- Operating environment
- Performance
- Industry Transformation





# Business overview

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# State of South Australia



- Geography
  - 984,000 sq kms
  - 12.7% of Australia's total area
  - Vast plains, with over 80% less than 300 metres above sea level
- Population
  - State: 1.65million, Adelaide: 1.28 million
- Climate
  - Australia's driest state
  - Adelaide rainfall 585mm pa
  - Hot summers
- Economy
  - Key industries – manufacturing, business services, health care, construction, public admin, agriculture
  - Growth sectors – mining, defence, renewable energy





# Our history

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- ETSA Utilities established in 1946 as a vertically integrated, state-owned electricity utility
- Massive growth phase through 1950s and 60s (Thomas Playford era)
- Corporatised, down-sized and disaggregated during 1990s
- Privatised in 1999, distribution assets purchased by Cheung Kong Group
- Spark Infrastructure purchased 49% in 2005, listing on ASX
- 14 years of regulated activities
- Re-brand in September 2012 to SA Power Networks

# Our roles



- **Sole distributor in South Australia**

- Maintain safety and reliability of the network
- Extend and upgrade the network
- Construct and maintain public lighting
- Meter data collector and data provider
- Facilitate connection of Solar PV

- **Key statistics (as at 31 December 2013)**

- Regulated Asset Base           \$3.6bn
- Customers                         839,819
- Network Availability           99.97%
- Electricity Distributed         10,803 GWh
- Peak Demand                    2,886 MW
- Network Route Length        87,999km
- Number of Employees         2,169





# Operating environment

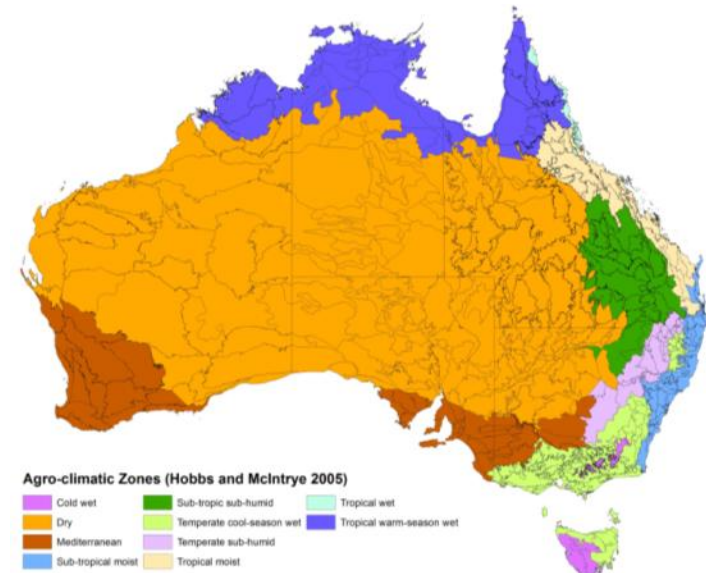
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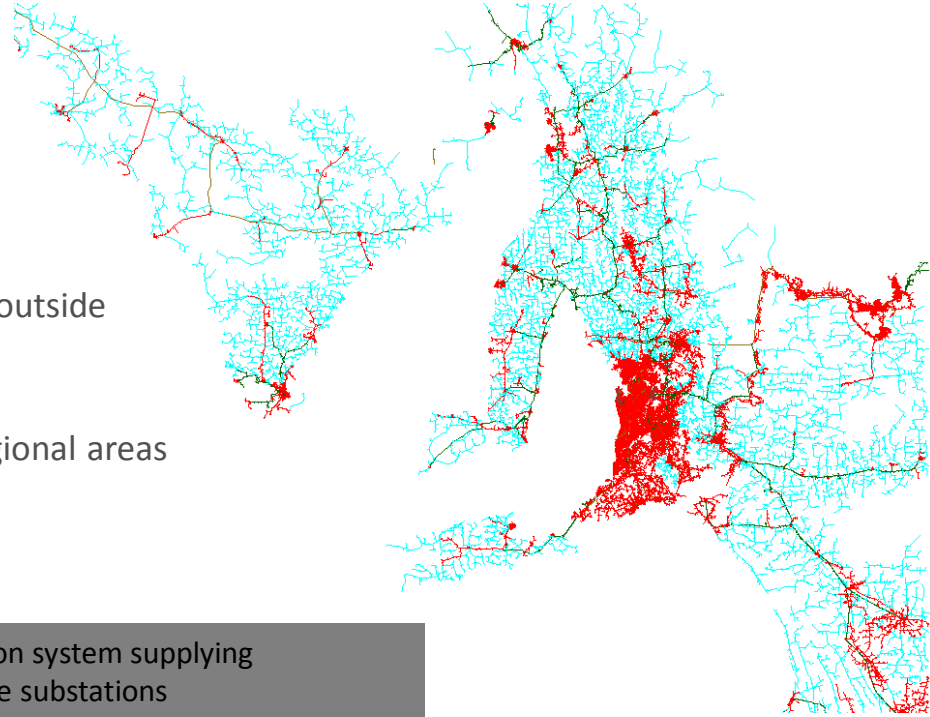
# Network operating environment



- Hot and dry climate
  - > 90% of homes air conditioned
  - 'Peaky' network demand profile
- Widely dispersed customers
  - Lowest customer density relative to other NEM states
  - More assets per customer
- Extreme bushfire threats
  - High focus on bushfire risk management
  - Legislative power to disconnect electricity to prevent fire starts



# Network infrastructure



- 70% of assets supply 30% of customers outside Adelaide Metropolitan area
- Long and radial network structure in regional areas
- Average age of network assets 38 years

## 66kV and 33kV

Sub-transmission system supplying and linking zone substations

## 3-phase 11kV feeders

Urban and higher density rural areas

## 1-phase 19kV SWER

Remaining rural and remote areas (30% of network)

## 230V

Standard low voltage customer supply



# Performance

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# SA Power Networks in 2014

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- Continued to meet most key financial targets and obligations
- Underlying reliability performance maintained
- Remained the Australian leader in ensuring the safety of our employees and the community (over 750 days without a Lost Time Injury; previous record 565 days)
- Completed lodgement phase of 2015 reset project including extensive stakeholder engagement
- Benchmarked as the most efficient distribution on a state by state comparison

# SA Power Networks in 2014

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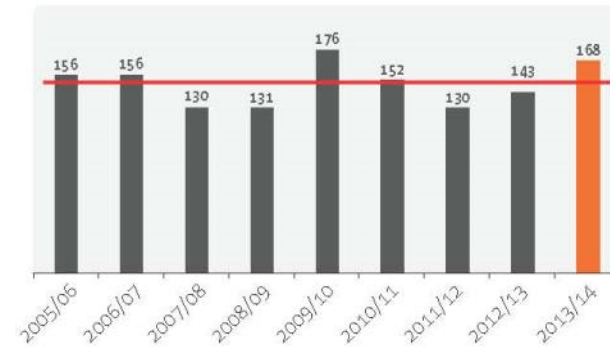
- Continued implementation of business improvement initiatives
- Maintained a positive profile with customers, the media and other stakeholders
- Continued development of business opportunities identified through Strategic Choices program
- Continuing to be a key partner for NBN in SA and growing in NT and VIC
- Continued development of our leaders
- 90% of key initiatives included in 2014 Strategic Plan on track or completed

# Network

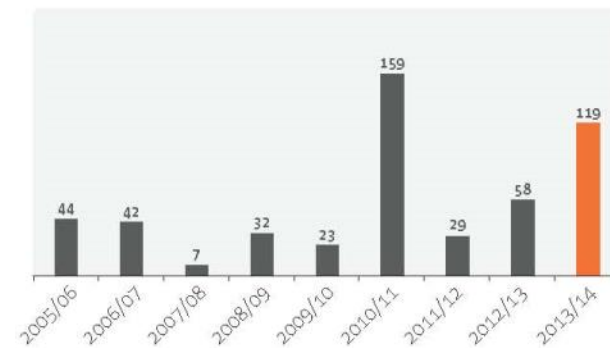


- 2013/14 performance was impacted by major storm activity in July, September, December, January, February and June
- No underlying issues
- SPS performance for 2013/14 was unfavourable by (\$8.9m) predominantly as a result of extreme weather events
  - Customer Service \$0.1m
  - Reliability (\$9m)
- Cumulatively during the regulatory period from 1 July 2010 to 30 June 2014 the SPS performance is significantly positive ~\$23m

Reliability (average minutes without supply excluding significant weather events)



Reliability (average minutes without supply due to significant weather events)



NOTE: FOR THE 2013/14 REGULATORY YEAR A SIGNIFICANT WEATHER EVENT WAS RECORDED WHEN THE DAILY STATE SAIDI EXCEEDED 5.63 MINUTES.

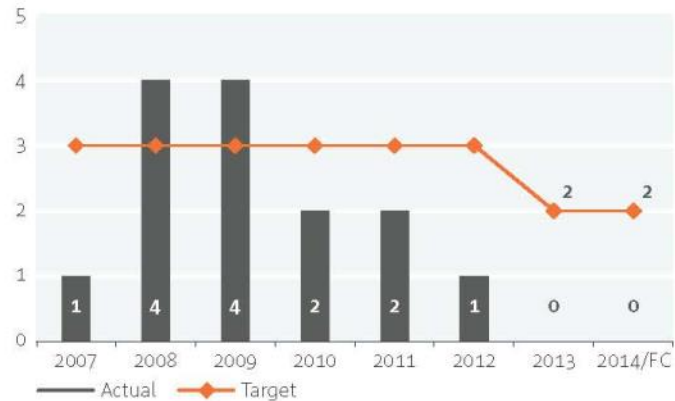


# Safety

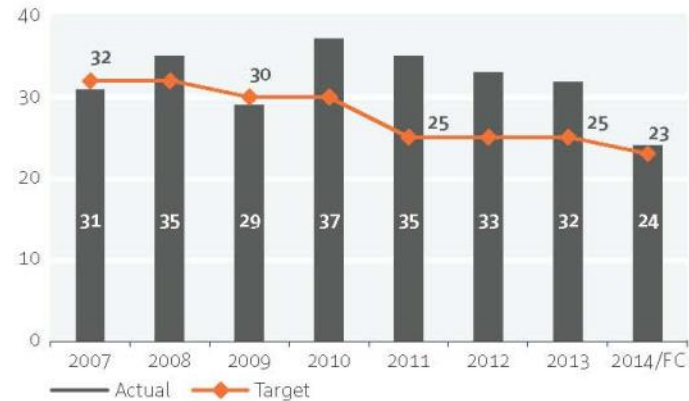


## Over 750 days without a Lost Time Injury

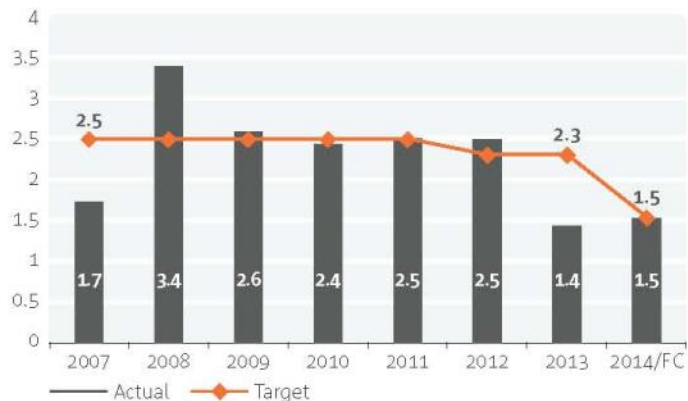
Number of Lost Time Injuries



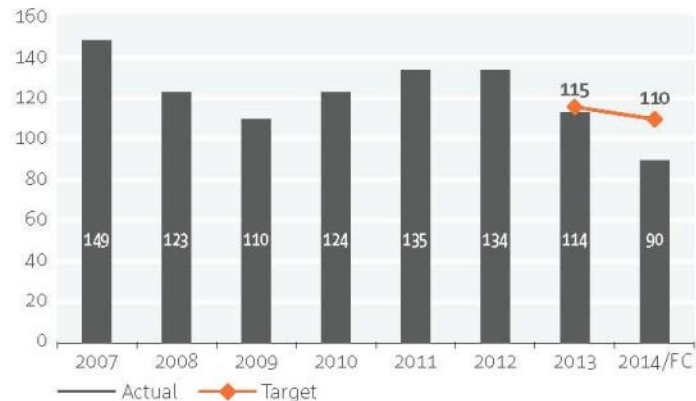
Number of Medical Treatment Injuries



Frequency of Switching Incidents  
(per 1,000 switching sheets)



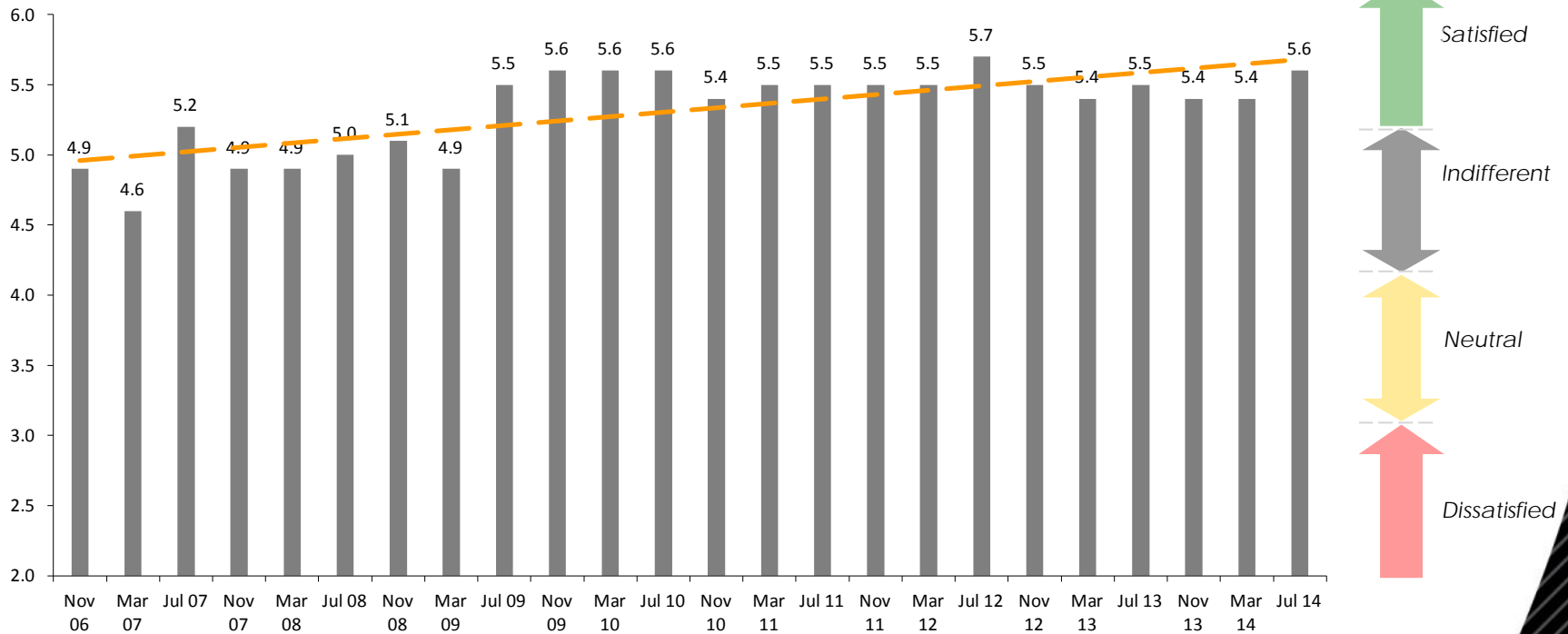
At Fault Driving Incidents



# Service quality



Combined Satisfaction Index







# Industry Transformation

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# THE ENERGY LANDSCAPE IS CHANGING

Our work is preparing energy markets for consumer-driven transformation

Structural and technological change means we need resilient and adaptive frameworks to face the future.

Consumers, energy companies and investors must have confidence that energy market frameworks will evolve appropriately.



Energy is an input to almost every product and service. There is a strong link between the performance of the energy market and the productivity of the broader economy.



The gas market is adjusting to an historic structural shift in natural gas supply and demand, following the establishment of the east coast liquefied natural gas export industry.

A sound environment for investment is important to attract capital for existing participants and new infrastructure.



Integrated policy outcomes are most likely when all affected parties are consulted and decisions are transparent.



## CHOICES FOR PEOPLE

The choices people make about how they use energy drives investment in, and development of, the sector.



## POSSIBLE SERVICES

Access to detailed consumption data



Weekly power bills on smartphones



Off peak charging of electric vehicle



Time of use pricing options



Battery storage



On and off-grid options for local generation



Switch retailers faster



Price-sensitive, remotely controlled appliances



## COMPETITIVE SUPPLIERS

Offering new energy products and services



## NEW TECHNOLOGY

This will enable more efficient operation and management of networks.



## POWER OF CHOICE

We are making new rules to implement our Power of Choice reforms. This work is developing the energy market to meet consumer needs over the next 15-20 years in three key areas:



Consumer information

so people can choose the products and services that are right for them.



Tech-savvy innovations

so the market can open up to new metering and technology options.



Poles and wires reform

so networks provide cost reflective prices which consumers can use to make decisions about how they consume energy.

# Strategic Framework



## Performing while Repositioning

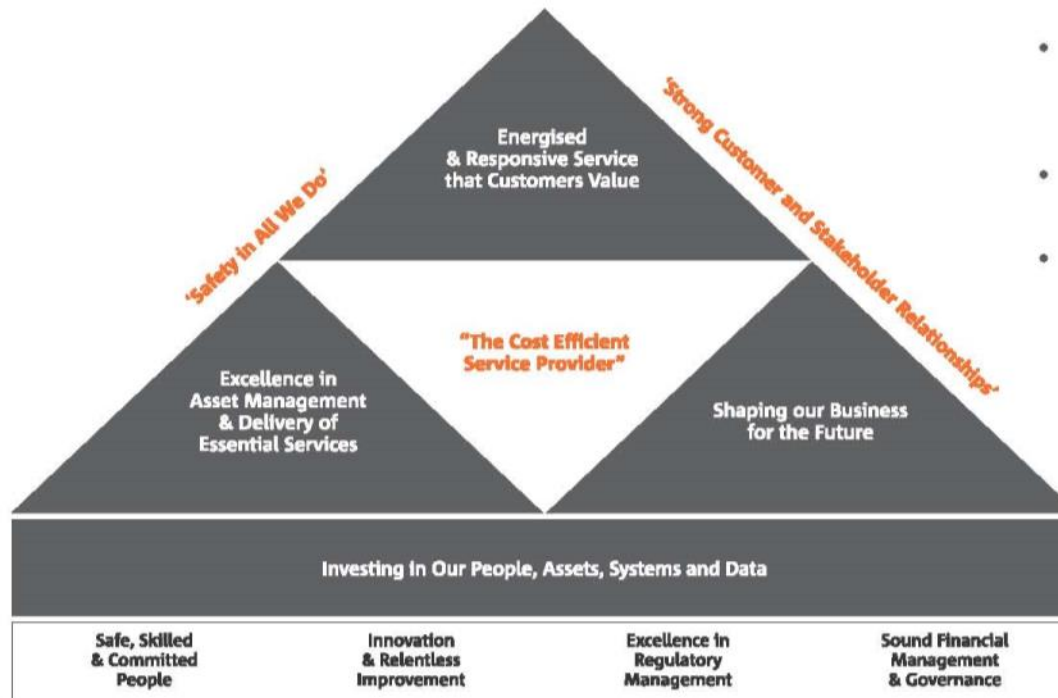
**Strategic Intent**  
(Our purpose)

**Business Drivers**  
(Things that guide  
our day to day actions)

**Core Areas of Focus**  
(Key outcomes  
we must deliver on)

**Foundations**  
(The building blocks  
that enable us to deliver)

### A Leader in Electricity Distribution and Infrastructure Services in Australia



**'Working and Leading as a United, Energetic and Highly Skilled Organisation'**

### Previous Core Areas of Focus

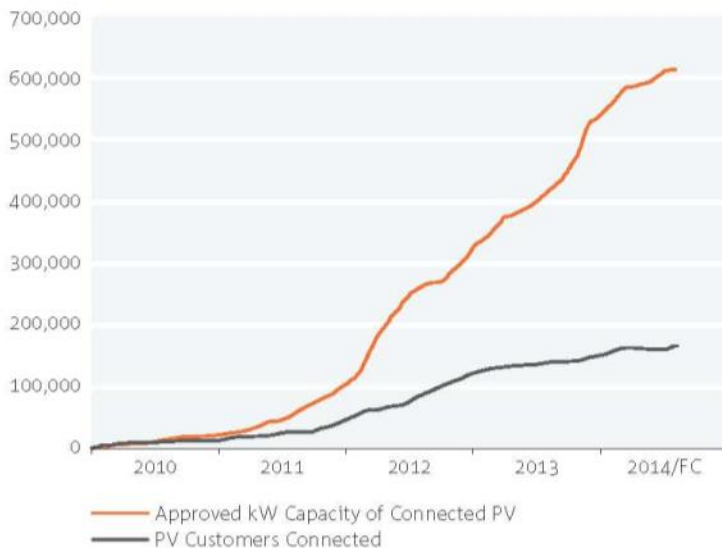
- Energised and Responsive Customer Service
- Excellence in Asset Management and Delivery of Services
- Growth Through Leveraging our Capabilities
- Investing in our People, Assets and Systems

# Industry Change – New Technologies

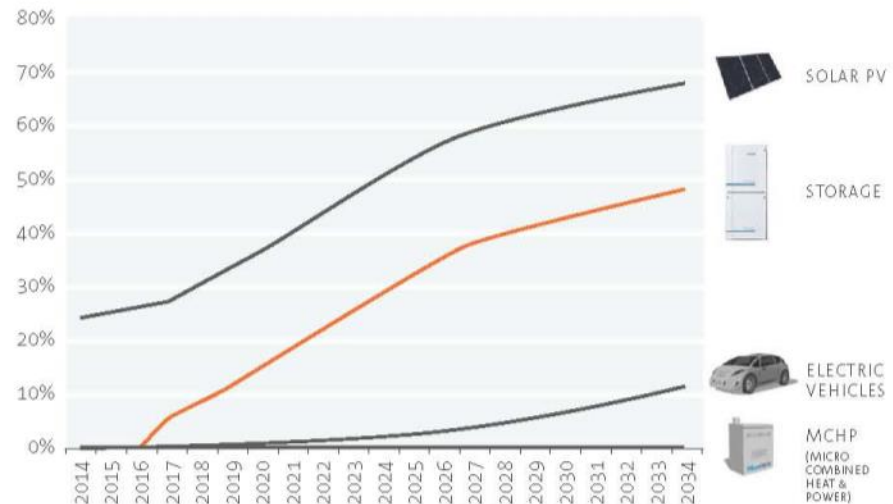


- Dramatic uptake of distributed energy resources
- Future Operating Model forecasts significant additional uptake

Solar PV connections to SA Power Networks' distribution network



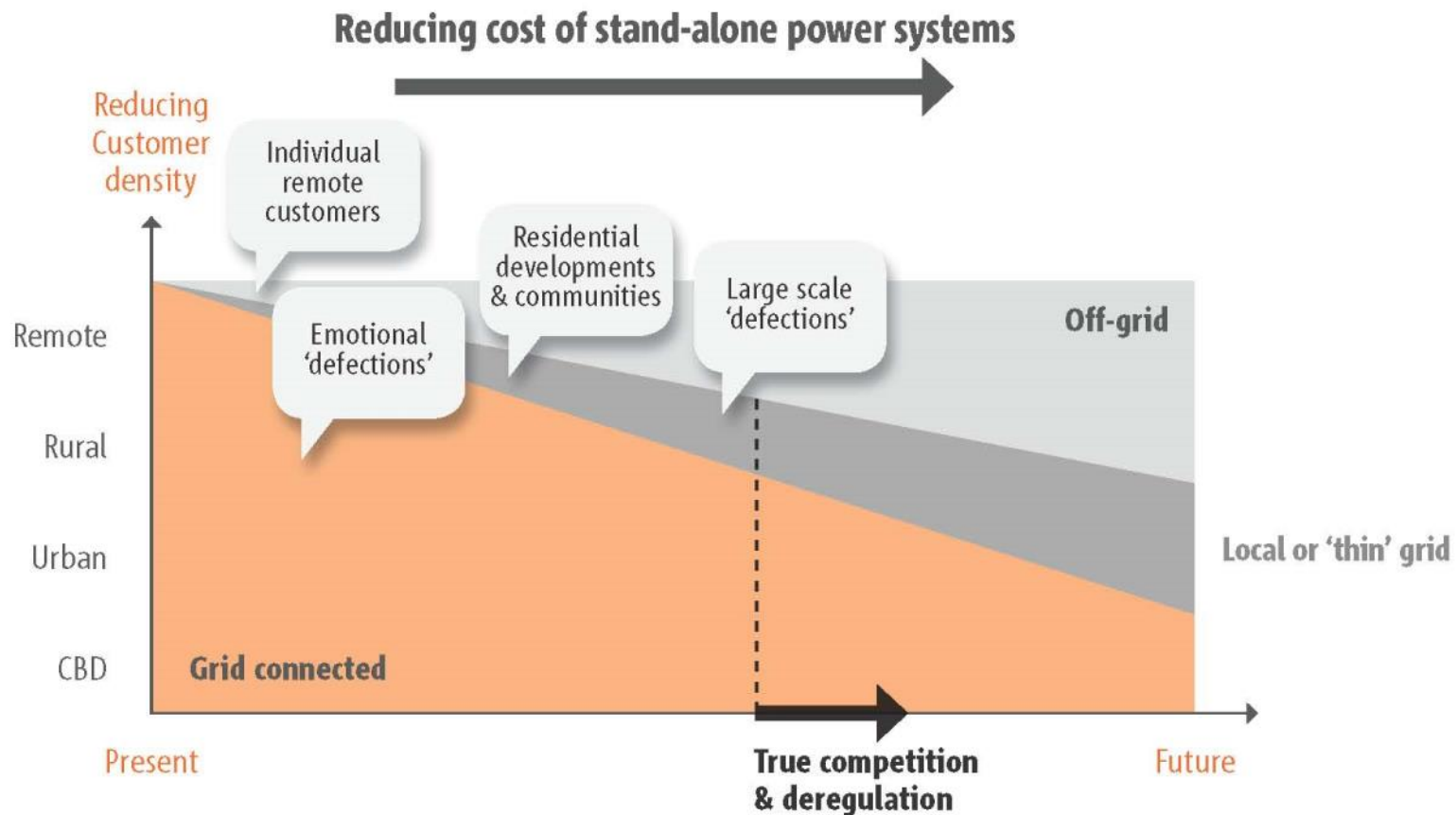
Forecast SA Distributed Energy Resource penetration



- Solar PV on 1 in every 4 homes in SA, in line with predictions made in the Future Operating Model
- AGL has a strategy to push a million households fully or partially off-grid by 2020 (solar power, batteries and smart meters)



# The economics



- **Performing while repositioning**

Drive further cost efficiencies while becoming part of the 'solution' → Strategic Choices

# Summary

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- Sound performance over the past year and over the current regulatory period
- SA Power Networks most efficient distributor by AER benchmarking on state by state basis
- Industry facing change, which we will continue to respond by “Performing while Repositioning” as outlined in our Strategic Plan



# Questions



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**SA Power Networks**

# **Half Year Operations Update**

**December 2014**

**Darren Smith, Chief Financial Officer**

# FINANCIAL HIGHLIGHTS HY 2014

## DELIVERING NOW AND INTO THE FUTURE



### Delivering solid improvements half on half<sup>1</sup>

- Total revenue<sup>2</sup> of \$520.1 million – up 2.4%
- Distribution revenue of \$439.5 million – up 5.0%
- Operating costs of \$160.0 million - up 6.5%
- EBITDA<sup>2</sup> of \$360.0 million – up 0.7%

### Regulated Assets with stable cash flows

- Current Regulatory Asset Base (RAB) of \$3.8 billion (Spark share \$1.9 billion)
- Net Capital Expenditure for HY2014 of \$151.9 million<sup>1</sup>

### Strong balance sheet with enhanced flexibility

- Net debt to RAB at HY2014 of 75.5%
- Strong investment grade credit rating of A- (S&P) / A3 Moody's

- Business performed strongly during heatwave conditions early in the period
- Regulatory proposal for the 2015-20 regulatory control period submitted
- Volumes have fallen vs prior period, and continue to fall short of regulatory forecasts. However, move to revenue cap will remove volume risk in the next regulatory period (from July 2015)

1. Spark infrastructure holds 49% interest in SA Power Networks (SAPN), results shown on a 100% basis

2. Excludes customer contributions and gifted assets

# HY 2014 - Financial (100% results)



Financial	HY 2014 \$m	HY 2013 \$m	Change %
Regulated revenue - DUOS	439.5	418.6	5.0
Semi-regulated - other	18.3	21.3	(14.1)
Unregulated revenue	62.3	67.8	(8.1)
<b>Total revenue (ex customer contributions)</b>	<b>520.1</b>	<b>507.7</b>	<b>2.4</b>
Customer contributions incl gifted assets	41.3	43.5	(5.2)
Total revenue	561.3	551.2	1.8
Cash operating costs	(160.0)	(150.2)	6.5
<b>EBITDA (ex customer contributions)</b>	<b>360.0</b>	<b>357.5</b>	<b>0.7</b>
EBITDA	401.3	401.0	0.1
<b>EBITDA ex customer contributions margin</b>	<b>69.2%</b>	<b>70.4%</b>	<b>-1.2%</b>
Total Capex (net)	151.9	183.2	(17.1)

## Revenue Growth of 2.4%:

- CPI-X increase from July 2013 of 9.67%<sup>1</sup>, however no STPIS benefit or penalty was booked in the period;
- Semi-regulated revenue reflects lower asset relocation activities;
- Reduced unregulated revenues reflect lower Electranet spending, partly offset by higher NBN revenues (\$10.2m of revenue HY2014, (HY2013: \$3.9 million))

## Operational costs up 6.5%:

- Underlying operating costs were lower in HY, however results impacted by abnormal events;
- Vegetation management up \$7.3m to \$17.3m, spend in line with regulatory allowance including additional pass through. Costs of \$39.8m resulting from approval of pass through application for additional costs for 2012/13 – 2014/15. Pass through recoveries only from 1 July 2014 (revenue not yet recognised);
- GSL costs up \$6.9m primarily due to January and February severe weather events; offset by
- Lower CaMS related costs

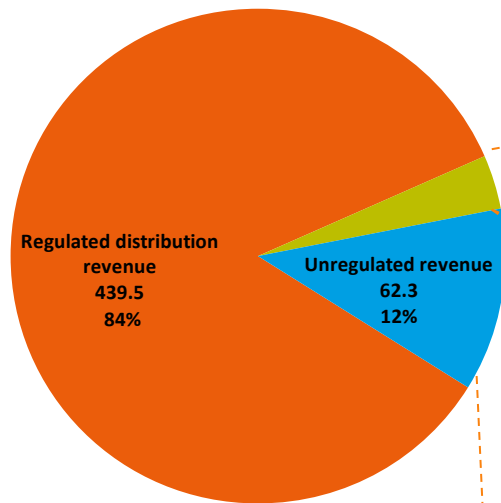
1. Excluding adjustments for recovery of STPIS, PV and Q-factor and other immaterial adjustments



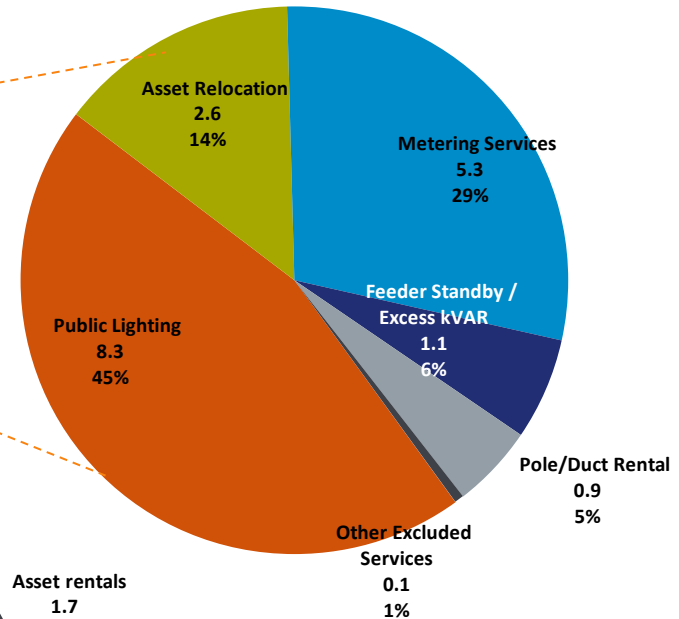
# HY 2014 - Revenue Breakdown



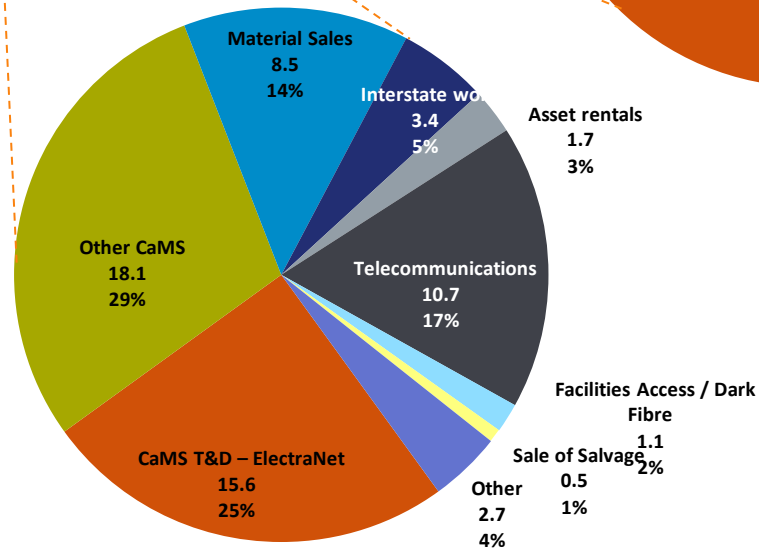
Total revenue



Semi-regulated revenue excl customer contributions



Unregulated revenue



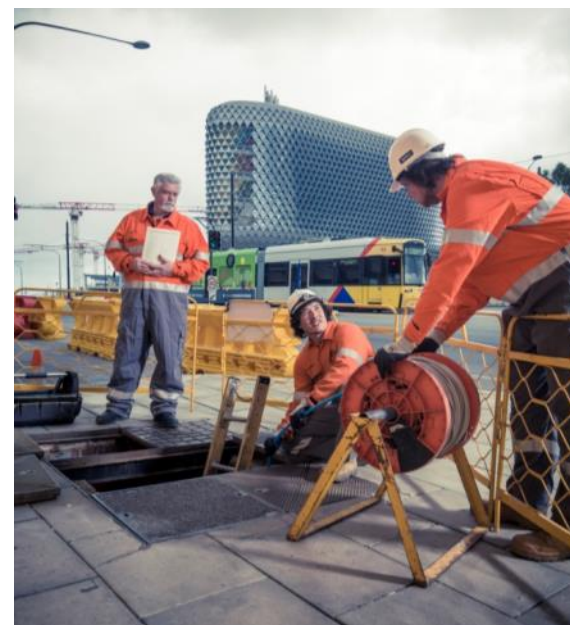


# HY 2014 - Revenue Breakdown (100% figures)

Semi-regulated revenues	HY 2014 \$m	HY 2013 \$m	Variance \$m
Public Lighting	8.3	8.1	0.2
Asset Relocation	2.6	4.6	(2.0)
Metering Services	5.3	5.2	0.1
Feeder Standby/ Excess kVAR	1.1	1.2	(0.1)
Pole/Duct Rental	0.9	1.5	(0.6)
Other Excluded Services <sup>1</sup>	0.1	0.7	(0.6)
<b>Total<sup>2</sup></b>	<b>18.3</b>	<b>21.3</b>	<b>(3.0)</b>

Un-regulated revenues	HY 2014 \$m	HY 2013 \$m	Variance \$m
Construction and Maintenance Services (CaMS) T&D - Electranet <sup>3</sup>	15.6	27.0	(11.4)
Other CaMS	18.1	21.9	(3.8)
Material Sales	8.5	7.1	1.4
Interstate Work	3.4	3.7	(0.3)
Asset Rentals	1.7	1.7	0.0
Telecommunications <sup>4</sup>	10.7	2.8	7.9
Facilities Access / Dark Fibre	1.1	1.2	(0.1)
Sale of Salvage	0.5	0.6	(0.1)
Other	2.7	1.8	0.9
<b>Total</b>	<b>62.3</b>	<b>67.8</b>	<b>(5.5)</b>

1. Includes profit/loss on asset disposals
2. Does not include Alternative Control Services (ACS) revenue, which is reported as part of DUOS revenue
3. Decline driven by reduced Electranet spending following on from their regulatory reset
4. Includes NBN related revenue (\$10.2m)



## Unregulated revenues –

- CaMS revenues benefiting from NBN contract, but have and will continue to be impacted by the lower levels of Electranet activity, particularly major projects



# HY 2014 - Capital expenditure (100%)



Capital Expenditure	HY 2014 \$m	HY 2013 \$m
Growth Capex	71.1	104.2
Maintenance Capex	80.8	79.0
<b>Total</b>	<b>151.9</b>	<b>183.2</b>
change vs pcp (\$)	-17.1%	



	Maintenance Capex Spend		Regulatory Depreciation		Less inflation uplift on RAB <sup>1</sup>		Net regulatory depreciation	
	HY 2014 \$m	HY 2013 \$m	HY 2014 \$m	HY 2013 \$m	HY 2014 \$m	HY 2013 \$m	HY 2014 \$m	HY 2013 \$m
SA Power Networks	80.8	79.0	114.3	104.9	(49.1)	(20.6)	65.2	84.3
Spark 49% Share	39.6	38.7	56.0	51.4	(24.1)	(10.1)	31.9	41.3

1. Adjusted for CPI 'true up' in HY 2013 (1.25% actual vs 1.92% estimate) and in HY 2014 (1.46% actual vs 1.56% estimate)

# HY 2014 - Operational (100% results)



Operational	HY 2014 \$m	HY 2013 \$m	Change \$m	Change %
Customer numbers	843,121	836,365	6,756	0.8
Employee numbers <sup>1</sup>	2,228	2,117	111	5.2
Network availability	99.94%	99.97%	-	(0.03)
Volume Sold (GWh)	5,380	5,531	(151)	(2.7)

## Robust network and ability to respond to major events –

- January heatwave: 5 days of 42C+, 2 thunderstorms, 2 Major Event Days (MEDs), 300 personnel available during the day
- February 3 windstorm: 700 outages (incl 370 wires down). More than half of affected customers restored by early afternoon

## Service Target Performance Incentive Scheme (STPIS) –

- Cumulatively during the regulatory reset from 1 July 2010 to 30 June 2014 the performance is significantly positive (~\$23m)
- Performance for the last regulatory year (2013/14) impacted by adverse weather events
- 2012/13 regulatory year: ~\$13m recovered from 1 July 2014
- 2013/14 regulatory year: ~\$9m *penalty* deferred to 1 July 2016

## Health, Safety and Environment –

- No Lost Time Injuries (LTIs), Safety certifications maintained. Superior Rating received under the Workcover Self Insurance Standards

## Solar PV - ~168k installations at the half year – (~141k 30 June 2013)

- PV is shifting peak but also helping reduce stress on the network during heatwaves

1. Approximately 50% of the growth in employee numbers relates to unregulated activities (largely NBN) and ~15% is the new intake of apprentices

# Electricity sales volumes



Electricity Sales Volumes	Quantity (GWh)		
	HY 2014	HY 2013	Variance
Residential/Domestic	1,565	1,647	(5.0%)
Hot Water	274	267	2.6%
Small Business	2,795	2,865	(2.4%)
Large Business	681	688	(1.0%)
Unmetered	65	64	1.6%
<b>Total</b>	<b>5,380</b>	<b>5,531</b>	<b>(2.7%)</b>
(Residential solar penetration)	22.60%	19.20%	+3.4%

## Sales Volumes –

- Decline in volumes continues to be driven primarily by residential customers
- Actual volumes down 4.8% on regulatory allowances for the 2013-14 year

## Revenue recovery –

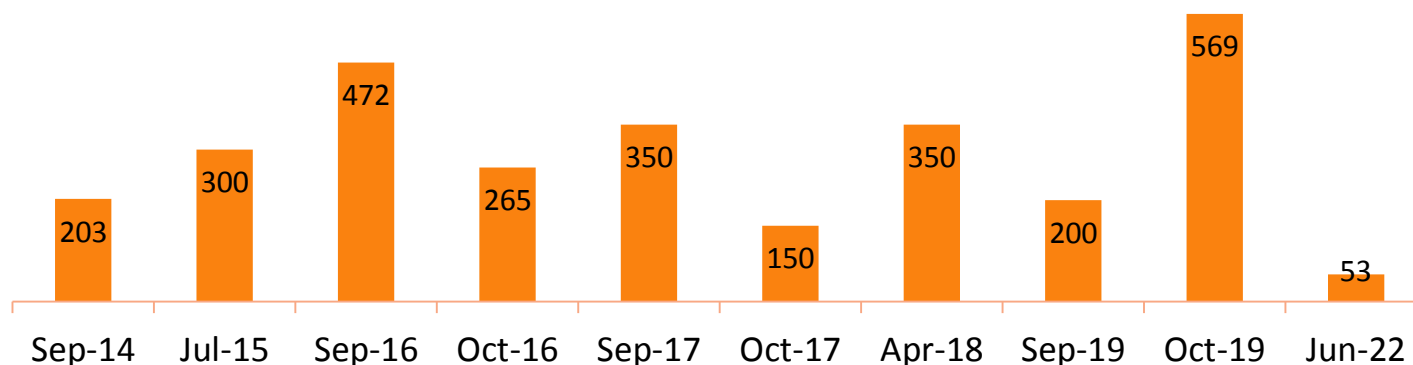
- AER has confirmed the move from a price cap to a revenue cap. Revenue cap will remove volume risk in the next regulatory period

Regulatory allowances v Actual Sales (GWh)	Regulatory year (June year end)						Cumulative average actual to date (Cumulative average annual forecast change)
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	
Actual Volume	<b>11,504</b>	<b>11,249</b>	<b>11,019</b>	<b>11,025</b>	<b>10,652</b>		
(AER forecast volume)	(11,555)	(11,618)	(11,422)	(11,264)	(11,194)	(11,194)	
Growth in actual %		<b>-2.2%</b>	<b>-2.0%</b>	<b>0.1%</b>	<b>-3.4%</b>		<b>(-1.9%)</b>
(Growth in AER Forecast %)		(+0.5%)	(-1.7%)	(-1.4%)	(-0.6%)	(0.0%)	(-0.6%)

# Debt position at 30 June 2014 (100% basis)



## SA Power Networks - Capital Markets Debt (\$m 100%)



SA Power Networks placed a US\$370 million USPP in May 2014, with two tranches of US\$185 million (8 and 12 year maturities). US\$50 million of this was received as at 30 June 2014, with the balance in September 2014.

Debt position - 30 June 2014	\$m
RAB	3,775
Net Debt	2,849
Net Debt/RAB	75.5%
Rolling 12 Month ICR <sup>1</sup> (x net interest)	3.5 x

1. Calculated as: EBITDA ex customer contributions and gifted assets / net interest expense



# Privately owned network assets set the standard

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*“...the rationale for the government ownership of electricity network businesses no longer holds...the evidence appears to suggest that state owned enterprises are less efficient than their private sector peers. The best remedy is privatisation.”*

***‘Electricity Network Regulatory Frameworks Inquiry Report’***

***Productivity Commission – 26 June 2013***

SA Power Networks benchmarked as one of the most reliable, efficient and safe network business in Australia

✓ **Reliability** – Network availability 99.94%

✓ **Safety** – In HY 2014 SA Power Networks recorded zero Lost Time Injuries (LTIs)

✓ **Efficiency** – consistent outperformance of regulatory benchmarks and allowances, regulatory allowances have not been overspent since being privatised

✓ **Consumer Engagement** – Delivering industry leading programs which have been praised by consumer groups and held up by the Australian Energy Regulator as best practice examples for others to follow

# Questions



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**SA Power Networks**

# **Unregulated Operations Update (CaMS)**

**December 2014**

**Rob Snowdon, General Manager  
Construction and Maintenance Services (CaMS)**

# Agenda

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- Background
- Performance 2006 – 2014
- Business Structure
- Key Projects and Works
- Business Development



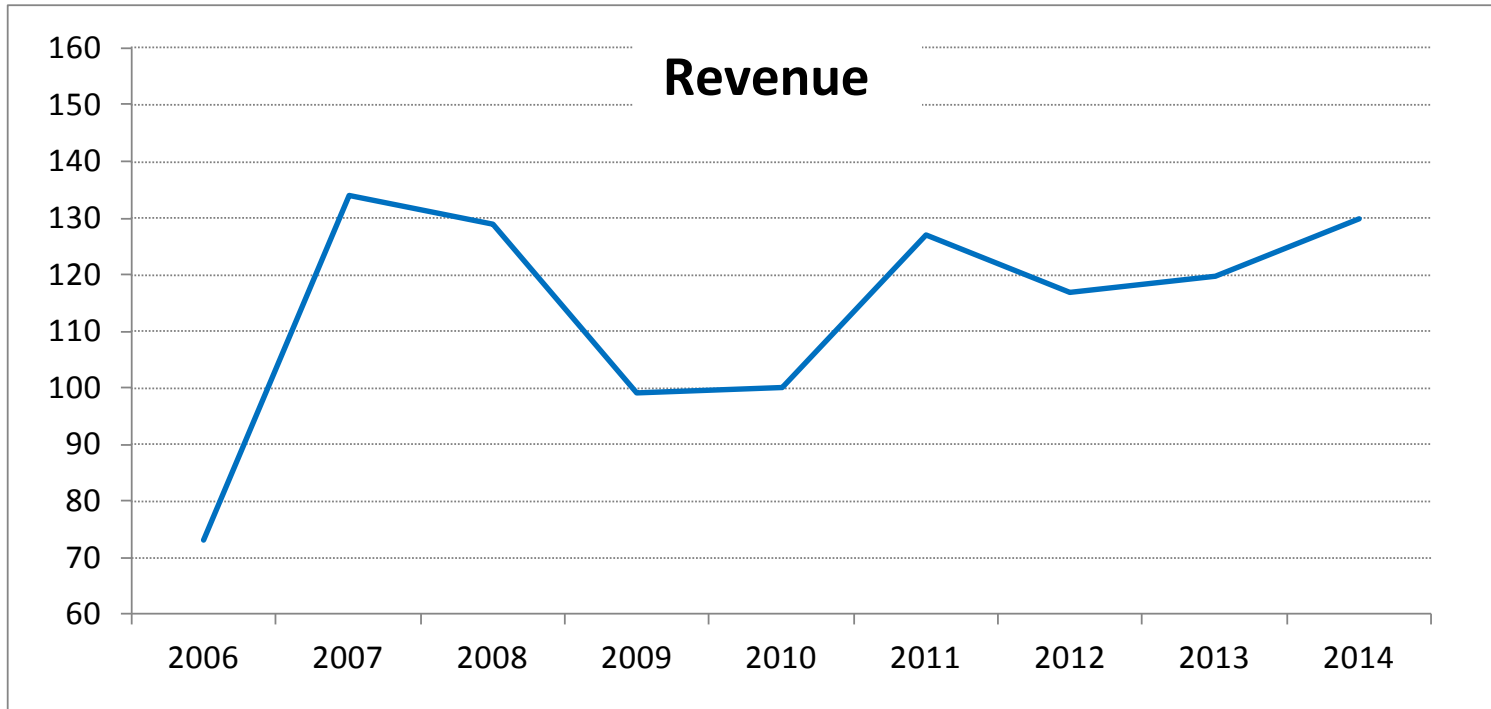
# CaMS Background

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- Construction & Maintenance Services (CaMS)
- Stand-alone business unit, with corporate services support
- Focus on unregulated revenues
- 2014 Revenue \$130m (surpassed \$1bn revenue 2006 - 2014)
- Long relationship with ElectraNet, maintenance contract in place, key supplier in construction projects
- Secured NBNCo Tier 1 status in SA
- Depots in Olympic Dam, Geelong and Darwin
- SA and NT focus for growth

# Performance



- Organic Growth (4% trend to 2014)
- 752 days LTI free (as at 1 December 2014)

# Business Structure



## NBN & Telecommunications

- NBN Design
- NBN Construction
- Telecommunications (eg Nextgen, Telstra)

\$40m FY F/C  
\$10.7m HY2014

## Major Projects

- ElectraNet Projects
- SA Projects
- National Projects
- Transmission Engineering

\$30m FY F/C  
\$15.6m HY2014

## Projects & Maintenance

- ElectraNet Maintenance
- Metering & NATA
- HV Testing

\$24m FY F/C  
\$12.4m HY2014

## National

- Material Sales
- Victorian Operations
- Underground Residential Development (URD)
- Olympic Dam
- Northern Territory
- Remote areas
- Public Lighting

\$36m FY F/C  
\$18.9m HY2014

## Commercial & Governance

- Safety
- Finance
- Legal, Procurement, Contract Admin
- Quality, Environment
- Human Relations



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# Business Units



# NBN & Telecommunications

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**2014 Revenue \$40m (full year estimate)**

## **Current Status:**

- Contract executed July 2013
- First design and first construction contract issued Nov 2013
- 20 design and construction projects received to date
- Completed 14 design projects
- 380 Personnel (144 Employees, 236 Contractors), including Civil, hauling, stringing, splicing, customer connect
- Locations include: Modbury, Prospect, Port Elliot and Gawler

# NBN & Telecommunications (cont'd)

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## Current Status:

- Contract 3 years (30 June 2016) with two extension for 1 year each
- Fibre to the Premise (FTTP); Local Network; Distribution Network; 300,000 Customers
- Excludes customer connections
- Re-negotiate Schedule of Rates in July 2015
- Current Monthly Program: 2 x design Fibre Service Area Modules (FSAM), 2 x construction FSAM

## Next 3 – 6 Months:

- NBNCo trials of Fibre to the Node (FTTN)
- Introduction of Multi Technology Mix (MTM)
- FTTP roll-out expected to continue at present levels (>4% nationally)
- Master Agreement being considered to replace current contract
- Continuous on-boarding of contractors (i.e. steady state of work)

# NBN & Tel (cont'd)



Vac truck assisting in pit clearing



Open pit with fibre cable hauled through it



Aerial hauling in MOD-02



Fibre Distributing Hub



Trench cutting prior to laying new conduit



# NBN & Tel (cont'd)



On the outside



FTTN Cabinet

On the inside



<http://bit.ly/1995iY9>

Node



NBN Warehouse - Wingfield

# NBN & Tel (cont'd)

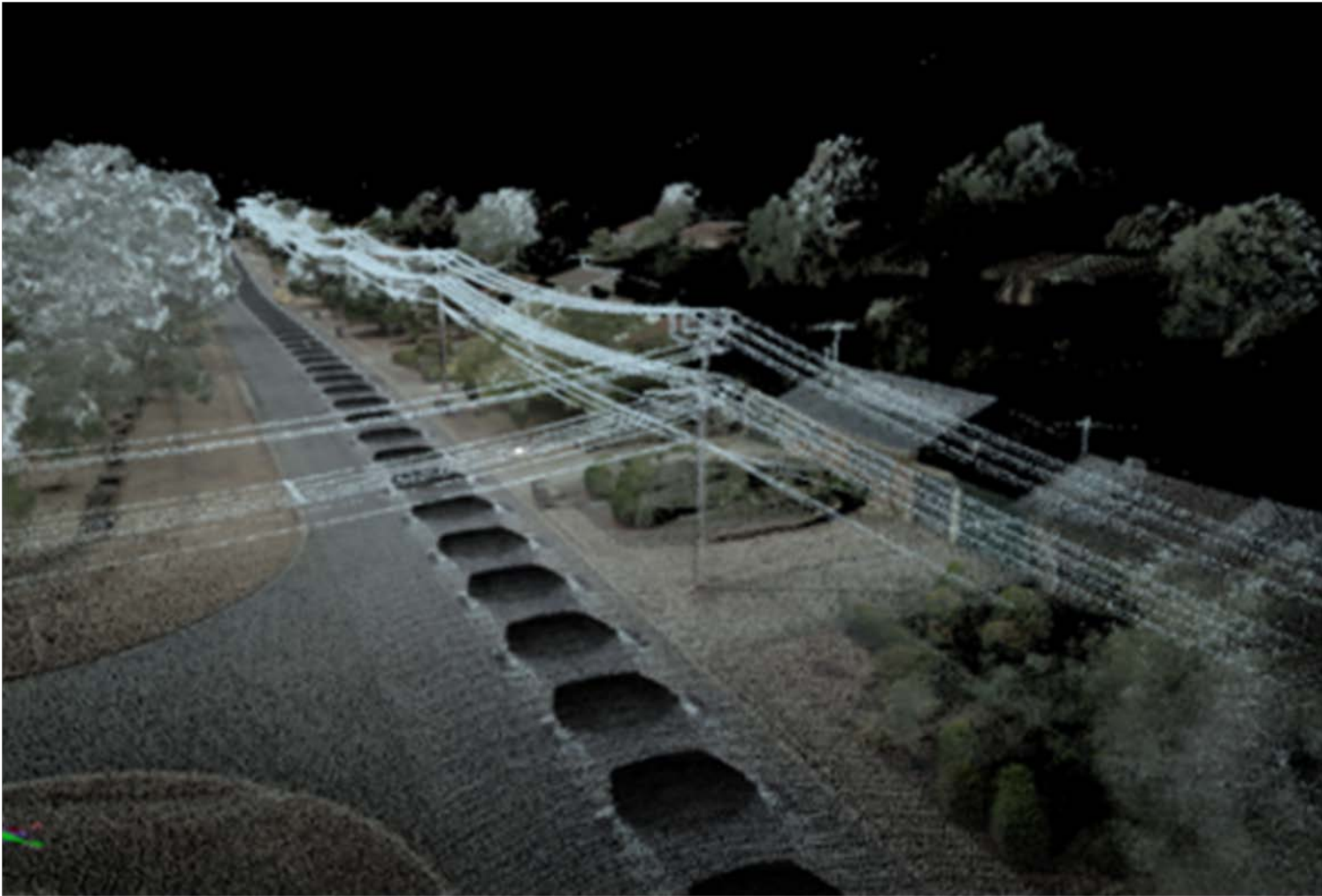


Hauling blocks designed by  
SAPN



## NBN & Tel (cont'd)

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Lidar Image



# Major Projects

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## Major Projects

**2014 Revenue \$30m (full year estimate)**

### Comments:

- Low growth opportunities predicted over next 24 months
- Customers focusing on opex not capex
- “central corridor” (SA & NT) strategy will assist to fill gap
- NBN contract covered shortfall in major capex projects
- Potential for mining opportunities to expand >2017
- Non-traditional opportunities (e.g. contestable metering)

# Major Projects (cont'd)



## Cultana Substation

- Augmentation of two substations and the corresponding 132kV and 275kV transmission lines
- 195,000 man hours, 1100 inductions, LTI and medical treatment injury free
- Completion in October 2014



# Major Projects (cont'd)

## Torrens Island Power Station (TIPS)

- Upgrade of three HV switchyards
- 100,000 plus hours with only one minor medical treatment injury
- Completion early 2015





# Major Projects (cont'd)



## Other Projects

- Optical Ground Wire (OPGW) installation
- Bald Hills wind farm connection
- Darwin Tunnels cable replacement



# Projects & Maintenance

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## Projects & Maintenance 2014 Revenue \$24m (full year estimate)

- Consists of two functional areas:
  1. High Voltage Substation and Transmission Line Maintenance
  2. Metering and Calibration
- Activities including maintenance of transformers, circuit breakers, protection systems, transmission lines, metering, asset inspection and calibration of major plant and equipment
- Major clients include Transmission Network companies, mining companies, and Local Government Councils



# National

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## National Operations

**2014 Revenue \$36m (full year estimate)**

- Depots in Geelong, Darwin and Olympic Dam
- Underground Residential Development (URD) construction
- Material Sales
- Remote Areas construction and maintenance
- Lighting solutions
- Customers include Transmission and Distribution Network companies, mining companies, civil contractors





# National (cont'd)



## Growth Areas

- Contestable metering
- Energy services
- Public Lighting
  - LED lighting upgrades
  - Lighting solutions
- Micro-grids



# Business Development

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## Other

- Opportunities for maintenance and construction projects associated with:
  - Utilities
  - Mining & Resources
  - Smarter technology and networks
  - Renewable Energy



# Questions



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# FOR FURTHER INFORMATION

## Please contact

Mario Falchoni

General Manager, Investor Relations and Corporate Affairs  
Spark Infrastructure

P: + 61 2 9086 3607

F: + 61 2 9086 3666

[mario.falchoni@sparkinfrastructure.com](mailto:mario.falchoni@sparkinfrastructure.com)