



Thursday, 15 October 2020

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

Dear Sir / Madam

**Spark Infrastructure – Investor Roadshow Presentation October/November 2020**

Please find attached presentation in relation to Spark Infrastructure's Investor Roadshow - October/November 2020.

Yours faithfully,

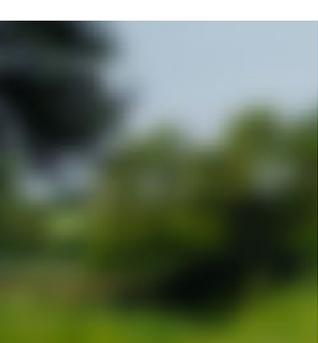
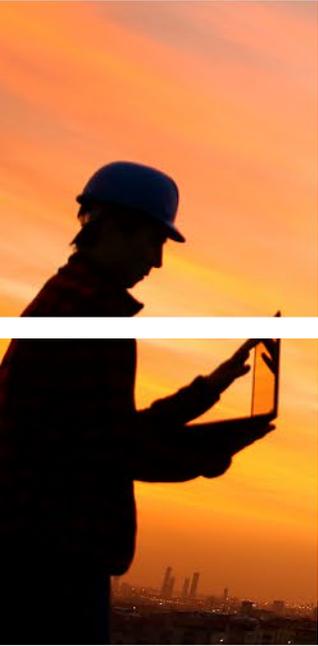
A handwritten signature in blue ink, appearing to read "Alex Finley".

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

# OCTOBER/NOVEMBER 2020 INVESTOR PRESENTATIONS

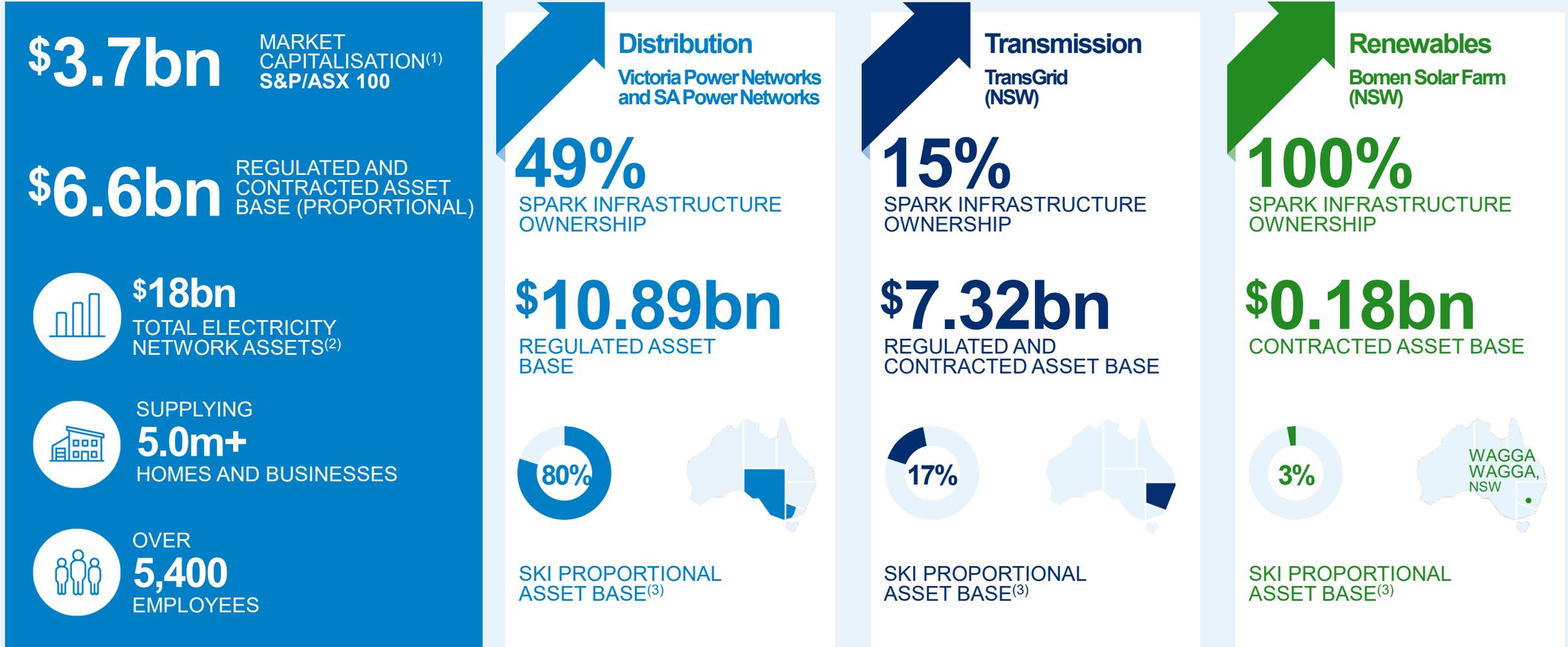


## INFRASTRUCTURE FOR THE FUTURE



# SPARK INFRASTRUCTURE – AT A GLANCE

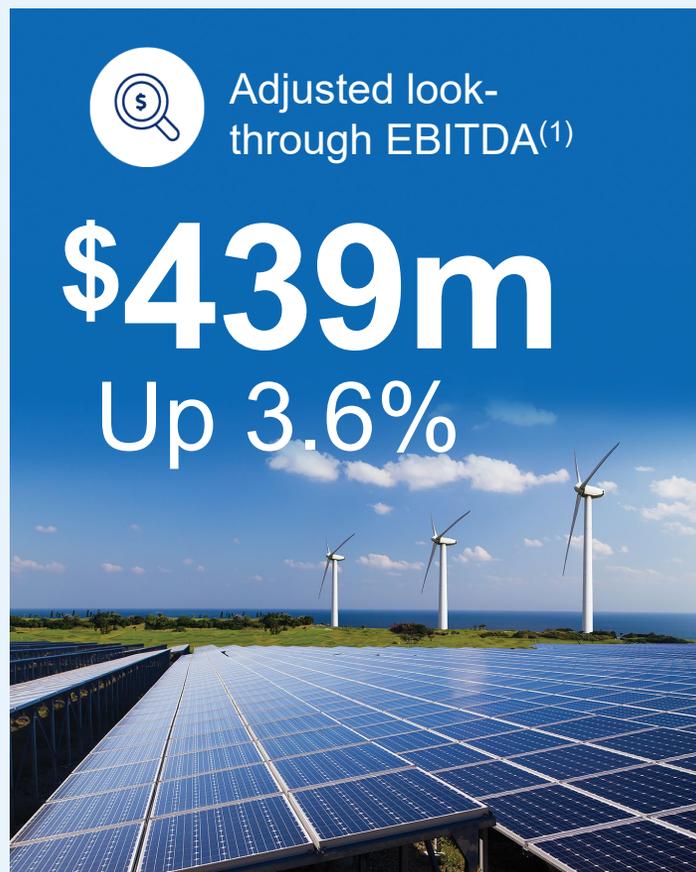
ASX-listed owner of leading essential services infrastructure



(1) As at 13 October 2020. Balance sheet and other information as at 30 June 2020 (2) Spark Infrastructure has proportional interests in \$18bn of total electricity network and contracted generation assets (3) Pro forma

# HY2020 RESULT SUMMARY AND DISTRIBUTION GUIDANCE

Robust cash flow from high quality network businesses



(1) On an aggregated proportional basis to Spark Infrastructure  
(2) Includes Bomen Solar Farm and TransGrid CAB on a proportional basis to Spark Infrastructure  
(3) Subject to business conditions  
(4) Represents increase in RCAB and Bomen Solar Farm acquisition and construction costs  
(5) Funds From Operations (FFO)/ Net debt on a look-through basis  
(6) From balance as at 30 June 19

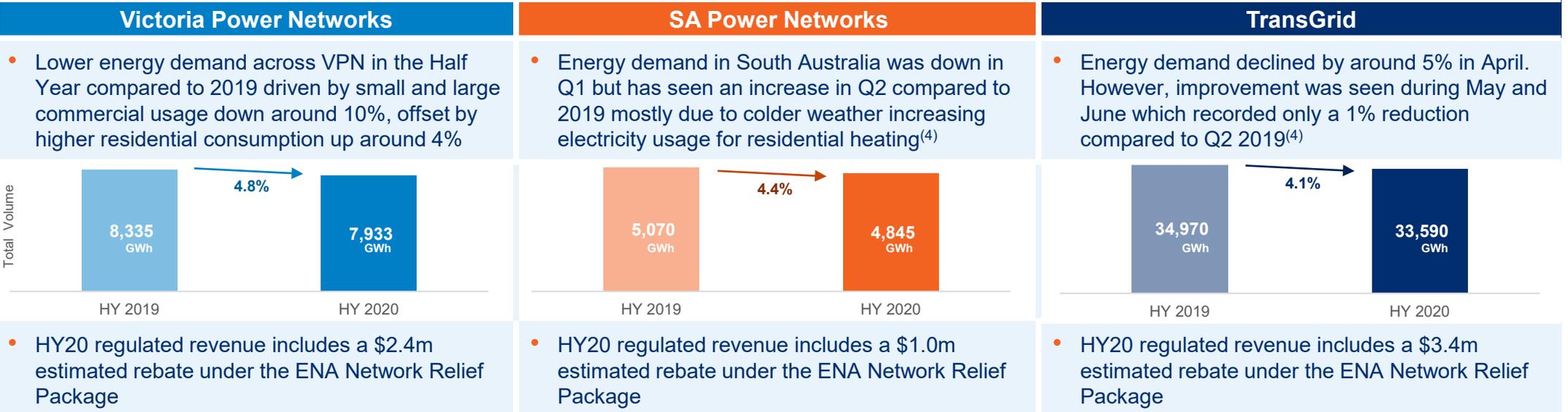
# COVID-19 UPDATE – HY2020

Focusing on health and safety of employees while maintaining essential services to customers

## Network Relief Package

- Support to customers affected by COVID-19<sup>(1)</sup> through Energy Networks Australia (ENA) Network Relief Package<sup>(2)</sup> announced at the beginning of April
- For customers impacted by COVID-19, the Network Relief Package waives network charges for residential customers of small retailers and small business customers and defers payment of network charges for residential customers of large retailers for the period 1 April 2020 and to 30 June 2020
- Estimated aggregate cost to VPN, SAPN and TransGrid of ~\$7m (at 100%)
- In August, the AEMC made a preferred rule to enable some retailers to defer the payment of network charges for customers subject to payment plans, hardship arrangement or deferred debt arrangement for the period August 2020 to February 2021 for up to 6 months. Retailers will pay interest on deferred charges
- Victorian businesses have voluntarily extended a modified Network Relief Package consistent with the AEMC rule (does not require the payment of interest) to 31 January 2021<sup>(3)</sup>

## Business Impact



(1) Small business customers who consume less than 40MWh per annum (based on 2019) and use less than 25% of historical average consumption for the period. Residential customers not in arrears or receiving government benefits before 1 March 2020 but are after 1 April 2020  
 (2) <https://www.energynetworks.com.au/miscellaneous/covid-19-electricity-and-gas-network-relief-package/>.  
 (3) <https://www.energynetworks.com.au/news/media-releases/2020-media-releases/energy-networks-extend-customer-support/>  
 (4) AEMO, Quarterly Energy Dynamics Report Q2 2020 - Market Insights and WA Market Operations

# STRONG BALANCE SHEET & LOW REFINANCING RISKS

	Rating (S&P / Moody's)	Undrawn Debt	Drawn Debt	Average Interest Rate	Total Debt Facilities		Next Maturity	
					Amount	Avg. Maturity	Amount	Date
<b>VPN<sup>(1)</sup></b>	A- / n/a	\$335m	\$4,737m	3.6% <sup>(5)</sup>	\$5,072m	4.9 years	\$425m	August 2021
<b>SAPN<sup>(1)</sup></b>	A- / n/a	\$225m	\$3,322m	4.1% <sup>(5)</sup>	\$3,547m	6.4 years	\$53m	June 2022
<b>TransGrid<sup>(1)</sup></b>	n/a / Baa2 <sup>(2)</sup>	\$568m <sup>(3)</sup>	\$5,955m <sup>(3)</sup>	3.5% <sup>(5)</sup>	\$6,523m <sup>(3)</sup>	4.6 years	\$1,550m <sup>(4)</sup>	June 2021
<b>Corporate<sup>(1)</sup></b>	n/a / Baa1	\$220m	\$180m	2.3%	\$400m	2.7 years	\$400m	February 2023

- Substantial undrawn and committed facilities
- Investment grade credit ratings
- Access to multiple sources of debt
- Long-weighted average maturities
- Minimal short-term refinancing requirements

Latest raisings:

- TransGrid inaugural A\$600 million of medium-term notes – September 2020
- Victoria Power Networks raising of HKD744 million of 5-year fixed rate notes – September 2020

(1) All figures at 100%. As at 30 June 2020

(2) Relates to the TransGrid Obligor Group

(3) Relates to TransGrid Obligor Group and TransGrid Services

(4) This amount includes \$365m undrawn debt at 30 June 2020

(5) Average interest rate is calculated based on finance charges (less non-cash credit valuation hedge adjustments) divided by average gross debt in the period

# INNOVATION AND REGULATION

INDUSTRY AND BUSINESS CONSIDERATIONS

# INVESTMENT IN INNOVATION

Building resilient networks for future generations



## Victoria Power Networks

### Solar Enablement Program

- This program represents a \$93m investment over five years that will enable most customers to connect their 5kVa solar PV system and ensure 95% of customers are able to export to the grid
- This program would remove solar constraints where it is economic to do so – that is where the benefits to customers outweigh the costs – and assist customers where it is not
- The AER's Draft Determination accepted the program in principle but has deferred some of the investment to later periods

### LiDAR Lab

- VPN has established a new LiDAR processing lab to perform vegetation inspection, focused on identifying multi-circuit clearance breaches. Through automated modelling, the inspection needs to be accurate to within 5cm, as such the models have been rigorously audited to provide assurance to the business and maintenance teams
- The LiDAR Lab project will see all LiDAR services moved in-house by 2021 to improve quality, minimise risks, reduce work hours and reduce costs



## SA Power Networks

### Upgrade Low Reliability Feeders

- SA Power Networks have pursued a program to upgrade low reliability feeders in their worst performing parts of the network. This program was not required under the National Electricity Rules (NER) and was originally rejected by the AER in their draft determination
- Following further consultation with the Consumer Consultative Panel the program gained unanimous consensus and the upgrade was accepted in the AER's Final Determination based on the significant stakeholder support

### Solar-Sponge Tariff

- South Australia has the highest per capita level of rooftop solar. SAPN has created an innovative tariff structure for residential customers. This tariff offers a lower network charge during the middle of the day when solar output is highest, to encourage shifting of electricity use to those times
- Raising demand for grid supplied electricity in the middle of the day can help manage voltage issues and thermal overloads associated with low demand, while shifting demand away from the evening peak that can put heavy strain on the network

# INVESTMENT IN INNOVATION

Facilitating the energy transition for future generations



## TransGrid

### Multi-spectrum Inspections

- TransGrid has recently implemented an advanced targeted asset inspections program using combined photographic, infrared (IR) and ultraviolet (UV) cameras to identify issues which are outside of the visual spectrum and in a single flight
- This aids in identifying issues which can't be detected from visual inspection alone and allows repairs to be planned in advance of a failure, driving pro-active and optimal asset management while reducing network risks

### Communication Network Upgrades

- A multi-year strategy has been created to deploy advanced communications infrastructure (MPLS-TP). This new network is envisaged to better enable data intensive inter-substation communications, support increasing needs for advanced cyber and physical security systems, and enable faster more reliable wide-area enterprise traffic solutions
- Upon completion in 2023 TransGrid will become the leader among Australian Transmission Network Service Providers (TNSPs) as the first to integrate protection-signaling across a Carrier Ethernet system

## Bomen Solar Farm



### Bifacial Solar Panels

- Bomen Solar Farm became the first major project completed in Australia to install bifacial modular panels which produce up to 20% more output, delivering higher efficiencies and lower levelised costs of electricity (LCOE) when compared to monofacial panel technologies
- The technology is one of the most recent innovations in the industry which utilises the direct sunlight on the face of the panel whilst also picking up reflected sun from the ground received on the rear side of the panels

### Community Partnership Programs

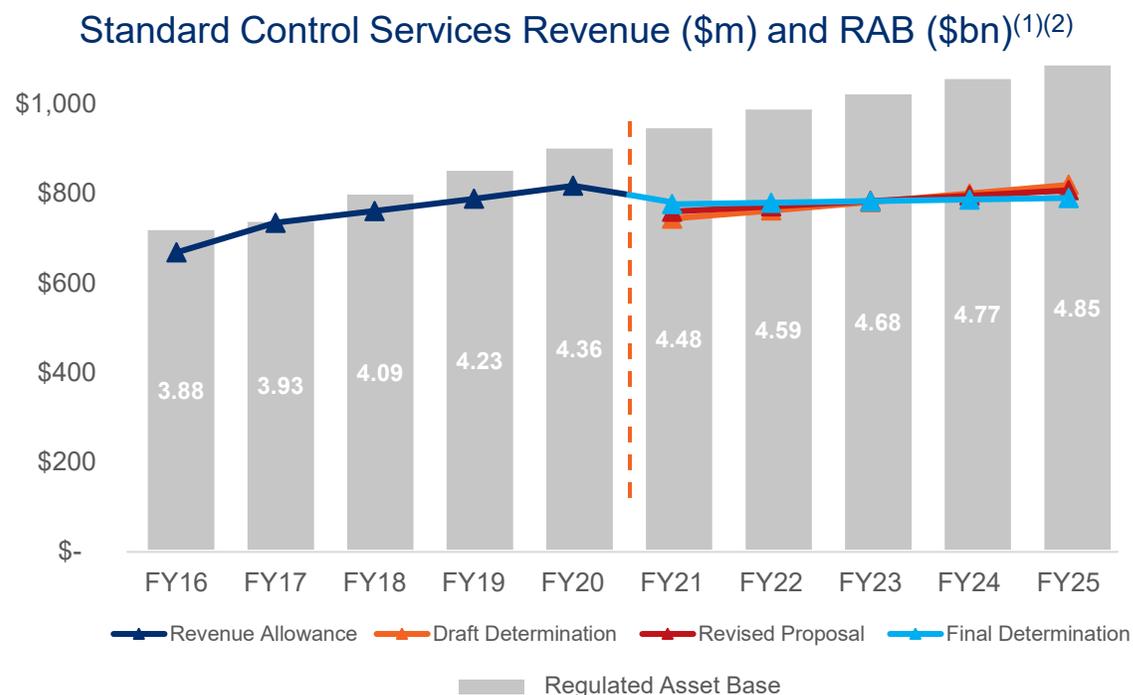
- In partnership with Westpac, Spark Infrastructure has established a community fund to invest \$1 million over ten years to support youth education and local biodiversity and vegetation programs
- \$350,000 of these funds will be used to undertake a revegetation program to enhance biodiversity in the proximity of the Bomen precinct. It is anticipated planting would occur during the winter months of 2021/22 and would include between 40,000 and 50,000 plants

# SAPN 2020-25 FINAL REGULATORY DETERMINATION

The AER Final Determination establishes revenue certainty until 2025

Regulatory proposal metric	2015-20 Allowance <sup>(1)</sup>	2020-25 Draft Determination <sup>(2)</sup>	2020-25 Revised Proposal <sup>(2)</sup>	2020-25 Final Determination <sup>(2)</sup>
Capex (\$2019-20)	\$2,011m	\$1,247m	\$1,693m	\$1,596m
Opex (\$2019-20)	\$1,375m	\$1,473m <sup>(3)</sup>	\$1,470m	\$1,470m
WACC	6.17%	4.95%	4.79%	4.75%
Risk-free Rate	2.96%	1.32%	0.96%	0.90%
Inflation	2.50%	2.45%	2.36%	2.27%
Gamma	0.4	0.585	0.585	0.585
Revenue (Nominal)	\$3,769m	\$3,905m	\$3,933m	\$3,914m

The Final Determination is in line with expectations with improved capex and inflation outcomes



The majority of SA Power Networks' Revised Proposal was accepted by the AER in the Final Determination released on 5 June 2020

(1) AER Final Decision 2015-2020, October 2015 updated to \$2020 (2) AER Final Decision Overview, June 2020.(3) AER Draft Decision Overview, October 2019.

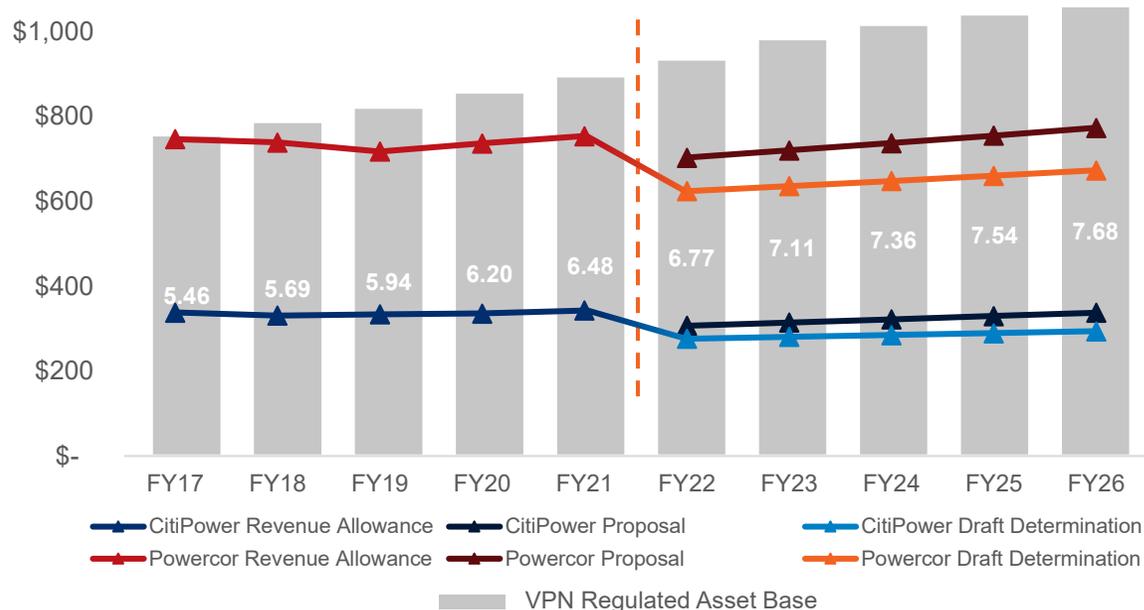
# VPN 2021-26 REGULATORY DRAFT DETERMINATION

Final Risk-free Rate to be updated prior to the final determination in April 2021

Regulatory proposal metric	2016-20 CitiPower Allowance <sup>(3)</sup>	2021-26 CitiPower Proposal <sup>(3)</sup>	2021-26 CitiPower Draft Det. <sup>(3)</sup>	2016-20 Powercor Allowance <sup>(3)</sup>	2021-26 Powercor Proposal <sup>(3)</sup>	2021-26 Powercor Draft Det. <sup>(3)</sup>
Capex (\$2020-21)	\$564m	\$847m	\$567m	\$2,032m	\$2,139m	\$1,561m
Opex (\$2020-21)	\$460m	\$563m	\$463m	\$1,315m	\$1,501m	\$1,321m
WACC	6.37%	4.82%	4.59%	6.37%	4.82%	4.59%
Risk-free Rate	2.94%	1.32%	0.93%	2.94%	1.32%	0.93%
Inflation <sup>(7)</sup>	2.32%	2.40%	2.37%	2.32%	2.40%	2.37%
Gamma	0.4	0.585	0.585	0.4	0.585	0.585
Revenue (Nominal)	\$1,520m <sup>(4)</sup>	\$1,604m	\$1,425m	\$3,284m <sup>(4)</sup>	\$3,650m	\$3,242m

## Growth in VPN RAB ~18.6% based on Draft Determination

Standard Control and Metering Revenue (\$m)<sup>(1,2,3,6)</sup> and RAB (\$bn)<sup>(5)</sup>



Lower revenue reflects reduction in Risk-free Rate; Inflation adjustment under review by AER

(1) CitiPower, Regulatory Proposal 2021-2026, 31 January 2020 (2) Powercor, Regulatory Proposal 2021-2026, 31 January 2020 (3) AER Draft Determination, September 2020 (4) (\$2020-21)  
 (5) RAB values from AER Draft Determinations, September 2020 (closing values) (6) AER: CitiPower – Final Decision 2016-2020 updated to \$2021 and AER: Powercor – Final Determination 2016-2020 updated to \$2021  
 (7) Inflation forecasting methodology expected to change in final decision

# INFLATION – AER REVIEW OF REGULATORY TREATMENT

- Regulatory treatment of inflation affects returns and indexation to regulatory asset base (RAB)
- Anomaly identified in current regulatory treatment, exacerbated in the current low inflation for longer environment, means that Network Service Providers are not receiving return stipulated in AER's Rate of Return Instrument
  - Anomaly is not sustainable and not in best interests of consumers as networks seek to evolve to support the transition to lower emissions through increased renewable generation
- AER has released draft position which reduces weighting (previously 80%) of anchoring of inflation forecast to mid-point of RBA's target range (ie 2.5%) and instead enables it to better reflect market expectations of inflation, and changes to expectations, particularly in this low inflation environment
  - Draft position is to retain RBA forecast for first two years and then adopt linear glide-path to RBA's target range of 2.5% by year 5
  - AER has outlined that proposed change would reduce forecast of inflation adopted in Victorian draft determinations from 2.37% to 1.95%
- Any change to AER's regulatory treatment of inflation is expected to apply to Victoria Power Network's final determination for period commencing 1 July 2021
- Final position is expected by end of 2020

# STRATEGY AND GROWTH

DELIVERING GROWTH FOR THE FUTURE

# STRATEGIC VISION AND PRIORITIES

## OBJECTIVE

Delivering long-term value through capital growth and distributions to Securityholders from our portfolio of high-quality, long-life essential services infrastructure businesses

*By building sustainable businesses and harnessing their evolving growth potential we will continue to create long-term value for Securityholders*

## BUSINESS MODEL

### Value Enhance

Managing our portfolio for performance and organic growth through efficient investment

### Value Build

Developing adjacent business platforms

### Value Acquire

Growing through disciplined acquisitions



ELECTRICITY NETWORKS



RENEWABLE ENERGY



ELECTRICITY STORAGE



GAS NETWORKS / GAS STORAGE



WATER NETWORKS / WATER STORAGE

# AUSTRALIA'S ENERGY MARKET IS IN TRANSITION

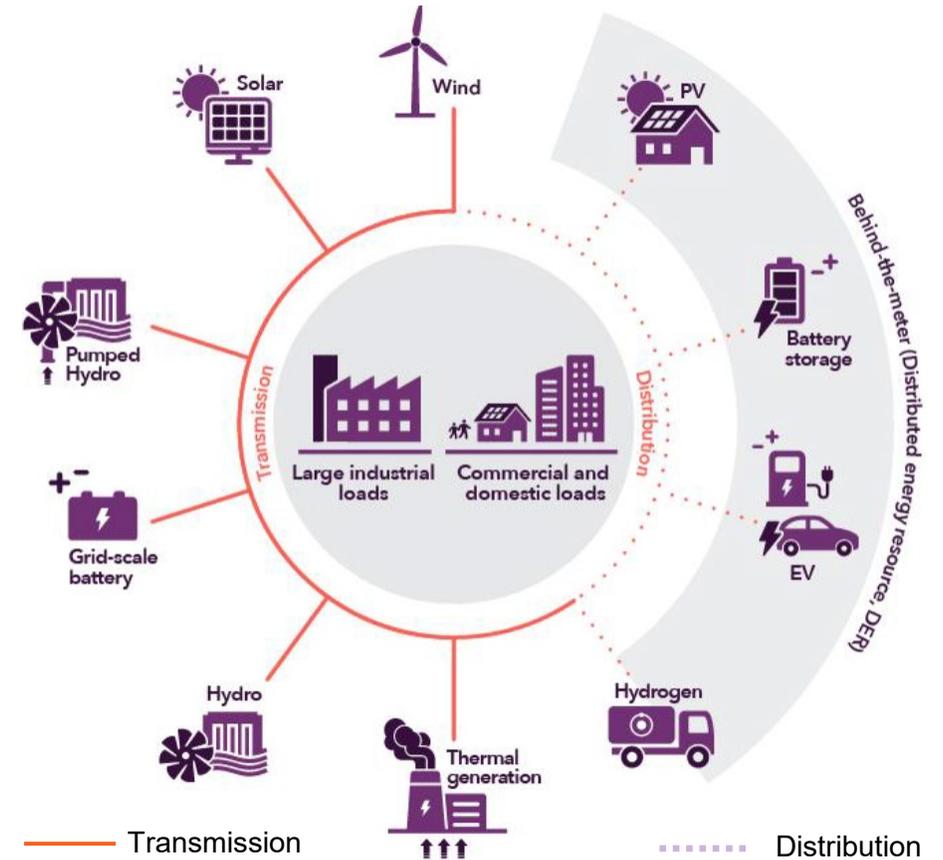
The Australian Energy Market Operator's (AEMO) 2020 Integrated System Plan (ISP) was released in July 2020 and identifies nationally significant and essential investments in the electricity system and outlines the forecast installed capacity requirements for generation

## Key market requirements in the 2020 ISP<sup>(1)</sup>

- Around 18 transmission projects including 10 in NSW, representing direct opportunities for TransGrid with a combined estimated capital cost of approximately \$13bn<sup>(2)</sup>
- Targeted grid investment needed to balance resources across States and unlock Renewable Energy Zones (REZs)
- Over 26 GW of new grid-scale renewables is needed to replace approximately 15 GW or 63% of Australia's coal-fired generation by 2040
- 6-19 GW of new dispatchable resources are needed in support to firm up the inherently variable nature of distributed and large-scale renewable generation
- Rooftop solar expected to more than double (to ~25 GW), supplying up to 22% of total energy by 2040

(1) Optimal development path  
 (2) AEMO's modelled cost estimates in the 2020 ISP

## Networks are critical enablers of the market's transition

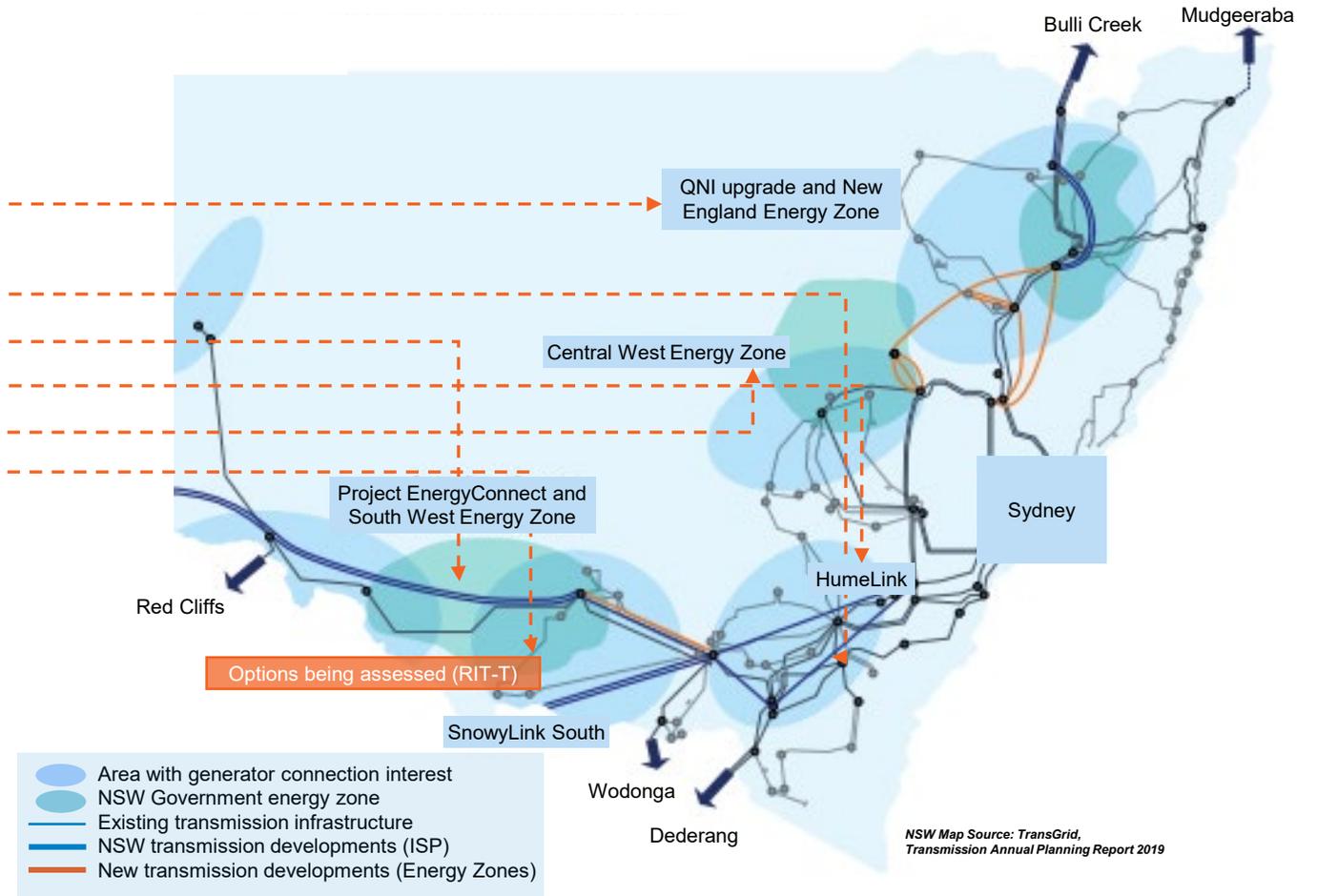


Source: AEMO, 2020 Integrated System Plan

# TRANSGRID OPPORTUNITIES

From mid-2020 under the National Electricity Rules there is a requirement to progress the regulatory process and preparatory work for actionable ISP projects

TransGrid Network Opportunities	AEMO ISP 2020 Modelled Cost	Delivery Target <sup>(1)</sup>
<b>2018-2023 capex allowance</b>	<b>\$1.2bn</b>	<b>N/A</b>
<b>Committed</b>		
QNI Minor	<sup>(2)</sup> \$0.2bn	2021-22
<b>Actionable</b>		
VNI Minor	<sup>(3)</sup> \$0.1bn	2022-23
Project EnergyConnect (PEC)	<sup>(4)</sup> \$2.0bn	2024-25
HumeLink	<sup>(3)</sup> \$2.1bn	2025-26
Central-West Orana REZ Transmission Link	\$0.7bn	2024-25
VNI West (Kerang Route) <sup>(4)</sup>	<sup>(3)</sup> \$2.4bn	2027-28
<b>Total</b>	<b>\$7.3bn</b>	
<b>Preparatory Activities Required</b>		
QNI Medium & Large	\$3.3bn	2032-33 to 2035-36
New England REZ Network Expansion	<sup>(5)</sup> \$1.3bn	2030s
North West NSW Network Expansion	<sup>(6)</sup> \$0.9bn	2030s
<b>Total</b>	<b>\$5.4bn</b>	
<b>Total ISP Modelled Projects</b>	<b>\$12.9bn</b>	



(1) AEMO 2020 ISP (2) Contingent Project Application (CPA) Approved 28 April 2020 (3) RIT-T process underway (4) CPA process commenced 9 October 2020. (5) Includes combined costs for Stage 1 & 2 (6) Includes combined costs for Stage 1,2 & 3

# PROJECT ENERGYCONNECT - UPDATE

## Contingent Project Application (CPA)

- Project EnergyConnect Final CPA lodged – public consultation commenced on 9 October 2020
- TransGrid has confirmed the forecast capital cost of the NSW component of the project to be \$1.91 billion. ElectraNet has also confirmed the forecast capital cost of the SA component to be \$471m
- If approved by the AER, PEC will deliver a range of benefits for consumers including lower electricity prices, improved energy security and job creation for regional communities. PEC is forecast to reduce the total average annual residential electricity bill in NSW by up to \$64 and an average of \$100 in SA per annum<sup>(1)</sup>
- The 900km line will take approximately two years to complete, create 1,500 jobs during construction - most in regional NSW - inject \$4 billion into the domestic economy as well as facilitate further investment in and of the connection of renewable energy generation in NSW and SA



## AEMC Rule Change

- TransGrid has also submitted a rule change request to the Australian Energy Market Commission (AEMC) to support delivery of the project
- The rule change, which is specific to TransGrid, proposes a participant derogation to the National Electricity Rules to effectively remove indexation of the RAB for large Actionable ISP Projects, e.g. for PEC and Humelink
- Due to the significant size of these projects relative to the existing RAB, the rule change will ensure its financeability by better matching revenues and financing costs for each project
- Under the current regulatory framework without the rule change (i.e. if indexation remained), recovery of revenue would be deferred until later in the project's life which would have significantly adverse impacts on credit metrics, debt funding capacity and the cost of debt. The rule change will not increase the cost to customers over the life of the project
- Final determinations and rule change decision expected by late 2020

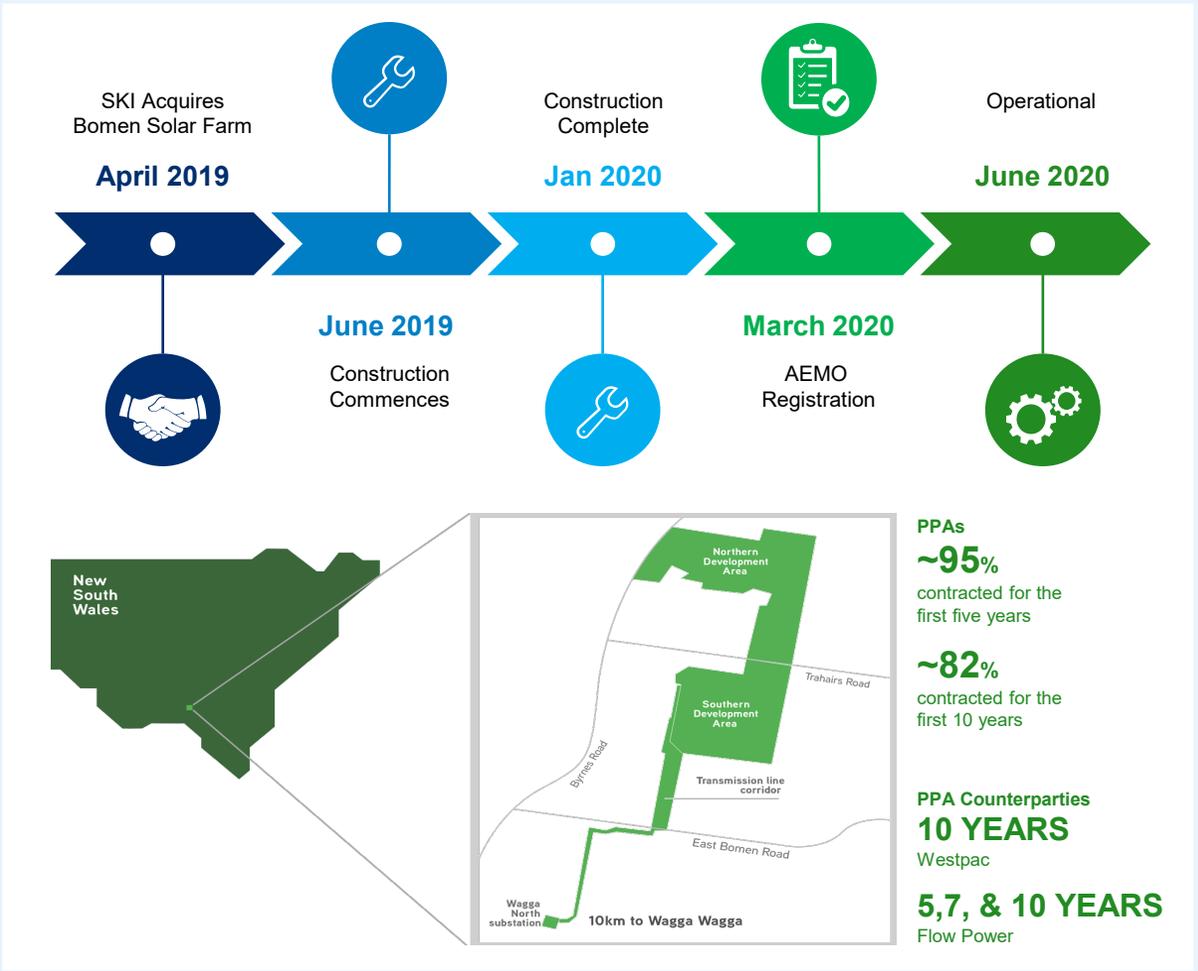
(1) See Contingent Project Applications from TransGrid and ElectraNet at [aer.gov.au](http://aer.gov.au), <https://www.projectenergyconnect.com.au>

# RENEWABLES – BOMEN SOLAR FARM

Our first investment is now operational – with construction completed under budget. Despite COVID-19 affecting commissioning, hold point testing has been completed and the farm has been operational and able to export 100% of generation since mid-June 2020

Project Snapshot	
Capacity	~120.5 MW <sub>DC</sub> (~100 MW <sub>AC</sub> )
Total cost at completion	~\$180m <sup>(1)</sup> (~\$8m under budget)
Expected Revenue (P50)	~\$13.5m p.a. for first 5 years <sup>(2)</sup>
Gearing	~70%
O&M and Asset Management	Beon Energy Solutions (Beon) and RES

- ### Key Success Factors
- ✓ Strong partnerships with Beon (EPC and O&M), TransGrid (Connection), Westpac (PPA 1) and Flow Power (PPA 2)
  - ✓ Optimised design to add an additional 0.5MW<sub>DC</sub>
  - ✓ Construction delivered under budget by Beon and TransGrid
  - ✓ Strong grid location with robust MLF and no system strength issues identified
  - ✓ Provided around 200 jobs during construction with a focus on local jobs and supporting local businesses
  - ✓ Community focus - in partnership with Westpac, established a fund to invest \$1 million over ten years in community initiatives



(1) Includes purchase of land, construction costs, construction of dedicated transmission line and capitalised interest during construction  
 (2) Average annual revenue considering PPA agreements, loss factors and plant output on P50 forecast

# RENEWABLES – OPPORTUNITIES

Spark Infrastructure is uniquely positioned to provide solutions for a sustainable future by investing in adjacencies that are complementary to the existing portfolio businesses

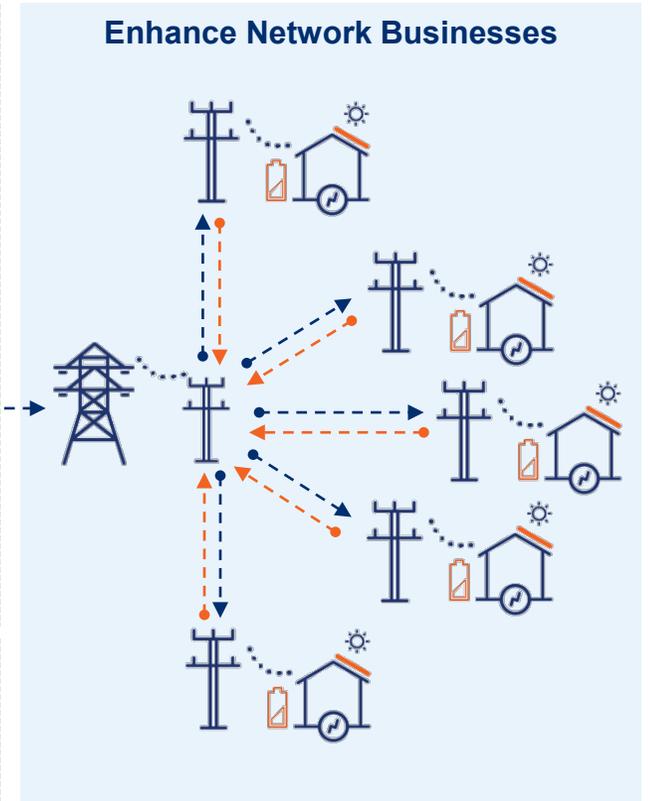
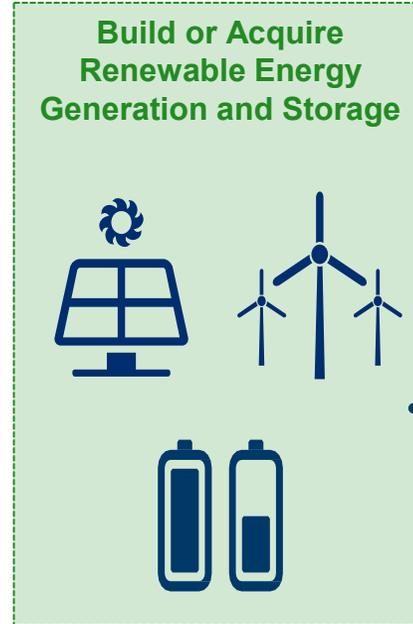
## Core Investment Areas

Solar	Wind	Storage
-------	------	---------

- |  |   |  |
|--|---|--|
| <ul style="list-style-type: none"> <li>&gt;15GW forecast installed capacity between 2022-2042 in the NEM<sup>(1)</sup></li> </ul>  | <ul style="list-style-type: none"> <li>&gt;16GW forecast installed capacity between 2022-2042 in the NEM<sup>(1)</sup></li> </ul> | <ul style="list-style-type: none"> <li>~13GW installed capacity forecast between 2022-2042 in the NEM<sup>(1)</sup></li> </ul> |
| <ul style="list-style-type: none"> <li>Evaluating further opportunities for Bomen Solar Farm (including storage), particularly arising from the Wagga Wagga Special Activation Precinct</li> <li>Exploring greenfield development projects in the NEM (wind, solar and storage)</li> <li>Seek to work with our asset companies wherever possible</li> <li>Objective is to build a diversified renewables platform</li> </ul> |   |  |

## Other Investment Areas under Consideration

Renewable Energy Zones	Green Hydrogen	Virtual Power Plants
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(1) AEMO's 2020 ISP Central Scenario (DP1)

# SUSTAINABILITY

Our ownership of long-life, high performing essential services infrastructure businesses enables us to ensure sustainable policies and practices are adopted through robust governance, risk management and operational performance oversight

## Climate Change

Embedding policies and strategies that drive tangible changes through asset management, network design and procurement

## Resource Management

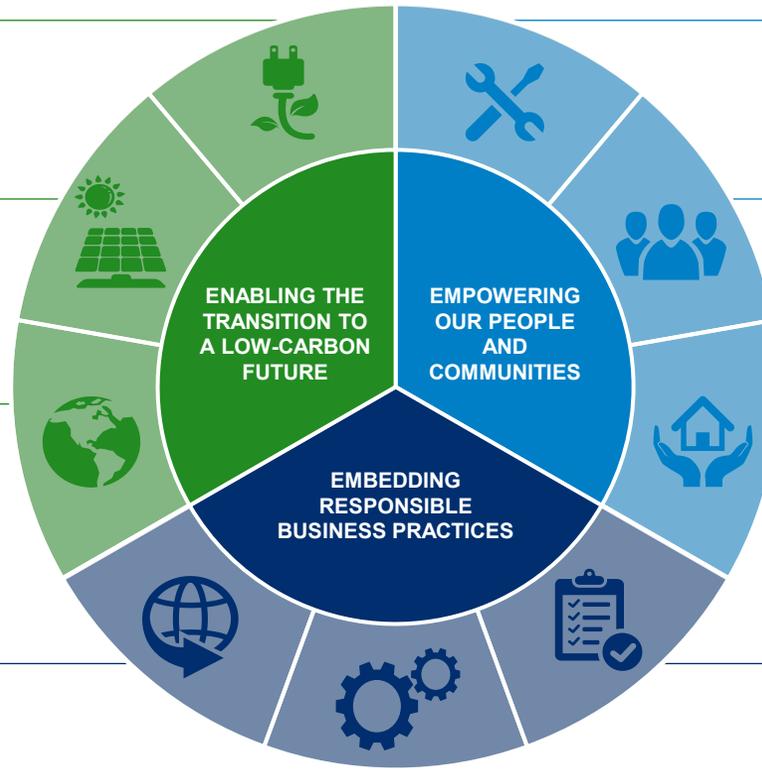
Growing and innovating business solutions to support and enable energy transition while reducing waste

## Environmental Protection

Minimising negative impacts on the environment by ensuring the highest standard of management practices are embedded and compliance standards are maintained

## Corporate Governance

Maintaining an effective governance and decision making structure through representation on the Board and Committees of the portfolio businesses



## Health, Safety and Wellbeing

Fostering a safety culture across all investment companies and integrating systems that support both employees and contractors

## People

Committed to delivering a strong inclusive values-based culture that promotes diversity and enables all employees to thrive and be successful

## Customers and Community

Enabling safe, reliable and affordable electricity supply to our customers and contributing to the development of our communities by investing in initiatives that make a lasting positive impact

## Risk Management

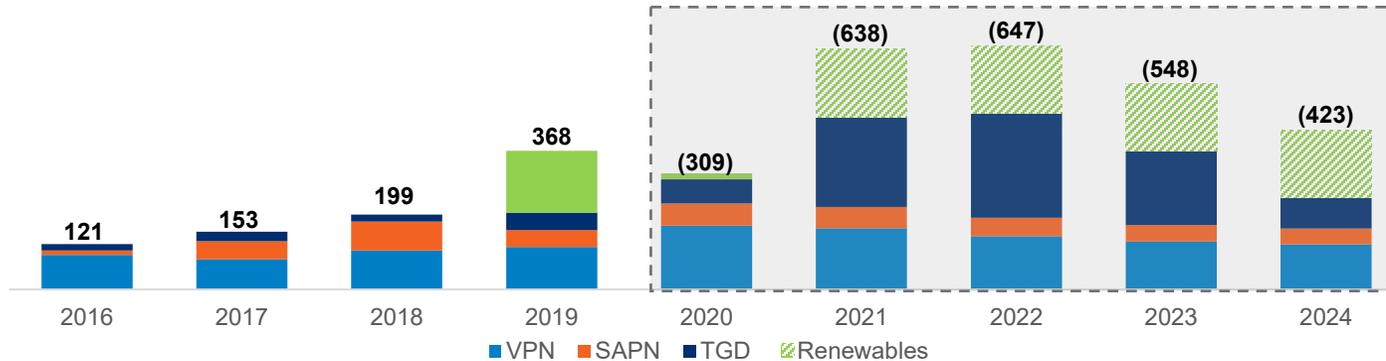
Ensuring effective identification of material risks and putting in place an adequate and effective risk management and internal control system

## Financial Management

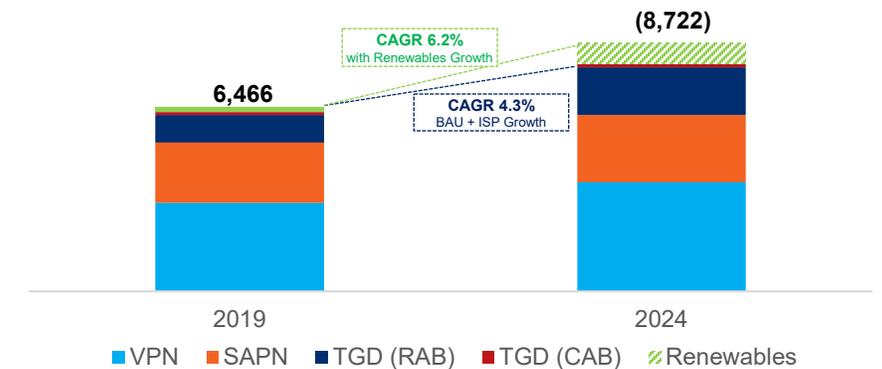
Maintaining a balanced portfolio where earnings will be supported by growth in the underlying assets of the businesses and through sustainable investment in high value unregulated opportunities

# CAPITAL PIPELINE - FULLY FUNDED

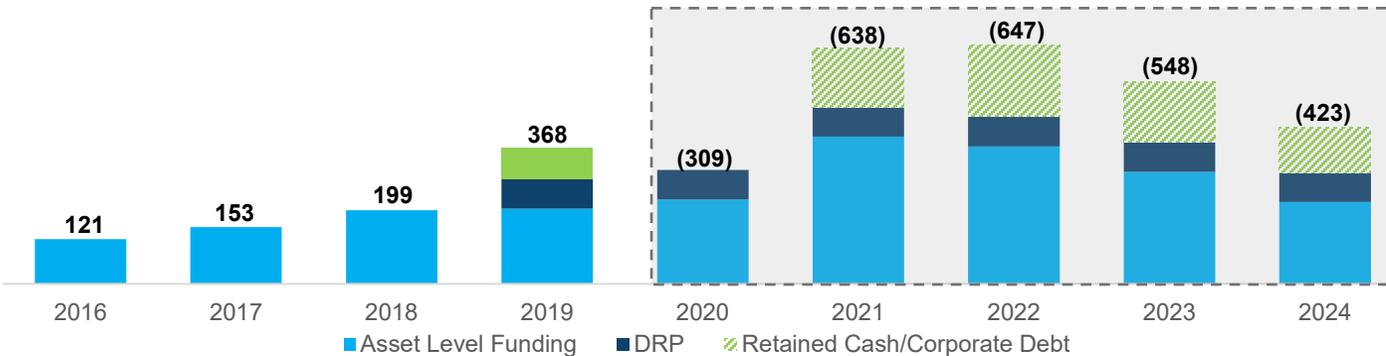
**Indicative Growth Capex**  
(Proportionate \$m)



**Indicative RCAB**  
(Proportionate \$m)



**Indicative Funding**  
(Proportionate \$m)



- RAB growth supported by AEMO’s 2020 ISP + VPN/SAPN regulatory submissions
- Contracted growth supported by AEMO ISP
- Pursuing renewable development opportunities
- Growth fully funded through DRP and debt capacity
- Spark Infrastructure committed to investment grade ratings

(1) SAPN values derived from SA Power Networks Final Determination – differential of annual opening RAB value vs closing RAB value, adjusted for SKI Financial Year  
 (2) VPN values based on CitiPower and Powercor Regulatory Proposals submitted 31 January 2020 – differential of annual opening RAB value vs closing RAB value, adjusted for SKI Financial Year  
 (3) Renewables growth equivalent to capex investment of 1 x Bomen Solar Farm (~\$180m) per year in 2021-2024  
 (4) TransGrid includes regulatory RAB growth with QNI Minor and VNI Minor, indicative connections of c5.5GW and allowances of c\$4.0bn for Project EnergyConnect and HumeLink (based on AEMO 2020 Modelled Costs)

# CLOSING REMARKS

DELIVERING GROWTH IN ASSET BASE WITH SUSTAINABLE YIELD

# OUTLOOK AND DISTRIBUTIONS

Delivering strong growth and sustainable yield into the future

## Outlook & Key Activities

- SAPN (June 2020) and VPN (April 2021) regulatory determinations deliver revenue certainty for next 5 years
- Growth agenda for regulated and contracted assets at TransGrid is substantial, supported by AEMO's 2020 ISP; PEC CPA and rule change request decisions expected by end 2020
- Organic RCAB CAGR growth expected over the next 5 years of over 4% p.a.
- Well positioned and disciplined approach for further opportunities in contracted renewables and storage
- Substantial balance sheet capacity and on-going DRP expected to be sufficient to fund growth pipeline, whilst maintaining investment grade rating
- Will retain strongly defensive qualities, e.g. regulated assets to continue to exceed 85% of total assets
- Other inorganic opportunities will be assessed on highly selective and disciplined basis
- Continue safe and reliable operations in COVID-19 environment; maintain robust balance sheet and strong support from debt markets
- VPN tax appeal was heard by the Full Federal Court on 21 August, timing of decision unknown but estimated to be late 2020
- All remaining historical taxes paid to remove downside risk and minimise potential ATO interest costs

## Distribution guidance

- Reconfirmed distribution guidance for FY20 of at-least 13.5cps (2H20 at least 6.5cps), subject to business conditions
- Distributions expected to be covered by look-through net operating cash flows
- DRP to remain in operation, to fund growth pipeline

Delivering Yield and Growth in difficult conditions, and investing in the transition to a lower-carbon environment for future generations

# APPENDIX

# KEY METRICS

## Distributions, RAB, credit metrics and gearing

### SECURITY METRICS

Market price at 13 October 2020	\$2.13
Market capitalisation	\$ 3.7 billion

### DISTRIBUTIONS

HY 2020 actual	7.00cps
Comprising:	
- Loan Note interest	3.50cps
- Tax deferred amount	3.50cps
2020 Guidance	13.50cps

### CREDIT RATINGS

Investment portfolio credit ratings	SA Power Networks: A- Victoria Power Networks: A- TransGrid: Baa2 <sup>(4)</sup>
Spark Infrastructure level credit rating	Baa1

### SPARK INFRASTRUCTURE \$m

Total RAB and CAB (Spark Infrastructure share)	6,601
Gross debt at Spark Infrastructure level	180

### SA POWER NETWORKS \$m

RAB <sup>(1)</sup>	4,372
Net debt	3,225
Net debt/RAB	73.8%

### VICTORIA POWER NETWORKS \$m

RAB <sup>(1)</sup> (including AMI)	6,520
Net debt	4,666
Net debt/RAB	71.6%

### TRANSGRID \$m

RAB <sup>(1)</sup>	6,589
CAB <sup>(1)(2)</sup>	728
RCAB <sup>(1)(2)</sup>	7,317
Net debt <sup>(3)</sup>	5,836
Net debt/RAB <sup>(4)</sup>	87.4%
Net debt/RCAB <sup>(3)</sup>	79.8%

(1) June 2020 estimate (2) Includes WIP/partially completed assets and investment property

(3) Net Debt is calculated using gross debt less cash and adjusted for prescribed revenue over/(under) collection and includes TransGrid Services

(4) Relates to TransGrid Obligor Group

# TAX LITIGATION AND EFFECTIVE TAX RATE

## Federal court judgement was that gifted assets and cash contributions should be treated as assessable income

Context

- In February 2019, the Federal Court handed down its judgement with effect that assets transferred to VPN from customers (i.e. gifted assets) should be treated as assessable income to VPN; and for assets constructed by VPN whereby the customer contributes to the cost of construction of such assets, the cash contribution should be treated as assessable income
- VPN subsequently appealed both matters to the Full Federal Court, with the appeal heard on 21 August 2020. The timing of when a decision will be handed down is unknown but is estimated to be late 2020

Spark Infrastructure Impact

The impact to Spark Infrastructure was recognition of a \$68.8m tax liability in respect of 2015-18, this amount was paid in full in two tranches in 2019 and 2020. The below table sets out the tax liabilities for the whole Spark Infrastructure group to date along with the timing of payment of liabilities:

	2015	2016	2017	2018	2019	HY2020	Total
Tax Liability - payable	14.8	17.4	19.7	16.9	37.9	6.1	113.0
Tax Paid - cash flow	-	-	-	-	38.7	74.3	113.0

- Should decision be upheld by Full Federal Court, Spark Infrastructure will continue to be a taxpayer on a go forward basis
  - Effective cash tax rate approximately 14% of distributions from 2020
  - Future distributions will contain franking credits to the maximum extent possible, expected from March 2021 Distribution onwards. Spark Infrastructure has paid tax to date of \$113.0m
- Should VPN be successful on either or both matters:
  - Effective cash tax rate on a go forward basis expected to reduce by approximately 6% in the short term until reinstated tax losses are recouped
  - If successful on both matters, circa \$87m of prior year tax payments re SAPN/SIH2 are expected to be recovered (subject to any appeal to the High Court)
  - Other impacts not expected to be material: if tax deferred at VPN level (expected but short-term timing only), Spark Infrastructure will pay tax on incremental unfranked dividends received

Normalised Tax	1HY	2HY	Total
2019 Tax Liability	19.0	19.0	37.9
2018 Tax Liability	8.5	8.5	16.9

Spark Infrastructure Underlying Tax Paid per Cash Flow Reconciliation	
<b>Total Tax Paid per Statutory Cash Flow</b>	<b>74.3</b>
Less Historical Tax Paid (2015-18)	(34.4)
Less Tax Instalments Paid in Relation to 2020	(6.1)
Add 2019 Tax Liability Paid in 2019	4.2
Less H2 2019 Tax Liability	(19.0)
<b>Underlying 6 Months Tax Paid in relation to 2019</b>	<b>19.0</b>

# NETWORK BUSHFIRE UPDATE

Not expected to have a material impact upon the businesses

## SA Power Networks

- South Australia experienced a number of fires between mid-November 2019 and late January 2020. Across those fires the damage to electricity infrastructure has been estimated between \$5m-\$10m
- SA Power Networks regulatory determinations includes cost pass throughs for “natural disaster events” which covers bushfires; however they will not be applying for the cost pass through for network damages as it is calculated as a return on capex, not on the value of the damage itself
- A class action claim has been filed against SA Power Networks in relation to the Yorke Peninsula fire
- SAPN will have increases in liability insurance premiums which will be met by the 2020-25 revenue allowance

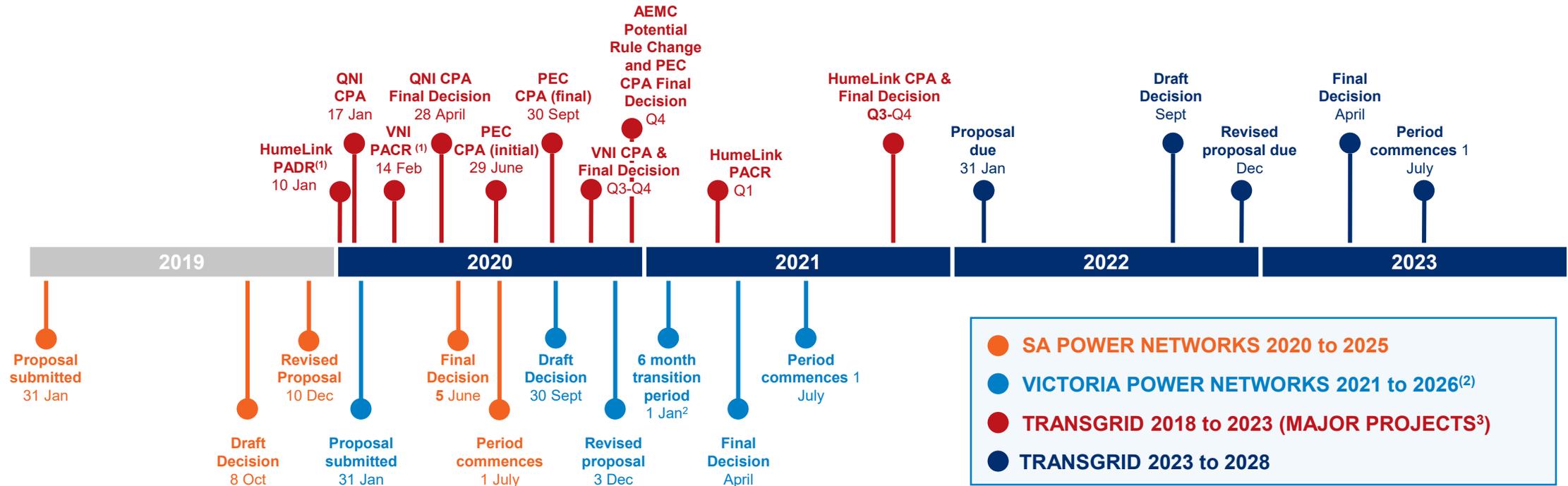


## TransGrid

- Damage was recorded to assets in the northern and southern parts of NSW with interruptions also recorded on the Queensland to NSW interconnector (QNI) and the Victoria and NSW Interconnector (VNI)
- TransGrid’s regulatory determination includes cost pass throughs for “natural disaster events” which covers bushfires
- The National Electricity Rules (NER) require that the event must meet a materiality threshold being 1% of the maximum allowed revenue (MAR) for the relevant year (the threshold is therefore \$7.6m for TransGrid)
- TransGrid expects to meet the threshold and have requested and received approval from the AER for an extension of time from 90 to 180 business days from the end of the fires (2 March 2020) to submit the application. This means TransGrid have until 13 November 2020 to lodge the application

# REGULATORY TIMELINES

Determinations for SA Power Networks and Victoria Power Networks will incorporate lower returns from the AER's 2018 decisions on the Rate of Return Instrument (RORI) and tax, but revenue will be certain for the five-year regulatory periods



## Regulatory processes to support delivery of Major Projects are underway in 2020

(1) The Regulatory Investment Test Transmission (RIT-T) and contingent project application (CPA) processes are expected to occur throughout 2020 and 2021 (2) 6 month transition period will occur between 1 January 2021 and 30 June 2021 as a result of the Victorian Government decision to change the regulatory period cycle to a 1 July commencement date. A 5 year regulatory period will commence from 1 July 2021 (3) Revenue will be adjusted in the current regulatory period to incorporate the AER's decisions on CPA's – Dates subject to change.

# DISCLAIMER AND SECURITIES WARNING

**Investment company financial reporting** - Adjustments are made to distribution and transmission revenues to defer/accrue for amounts in excess of/under the regulated revenue cap to reflect that these amounts will be returned to/recovered from electricity consumers in future periods via adjustments to tariffs.

The financial reporting is based on TransGrid's special purpose financial statements for the year ended 30 June 2020 and half year ended 31 December 2019. Results have been adjusted by Spark Infrastructure to reflect the 6-month period to 30 June 2020.

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