ASX & SGX-ST Release

20 March 2018

TO: ASX Limited
Singapore Exchange Securities Trading Limited

AusNet Services Investor Day Presentation

Enclosed is an announcement made by AusNet Services which is provided for the information of AusNet Services Holdings Pty Ltd noteholders.

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Company Secretary

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Please find attached the presentation to be made at the AusNet Services Investor Day today.

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2018 Investor Day

20 March 2018

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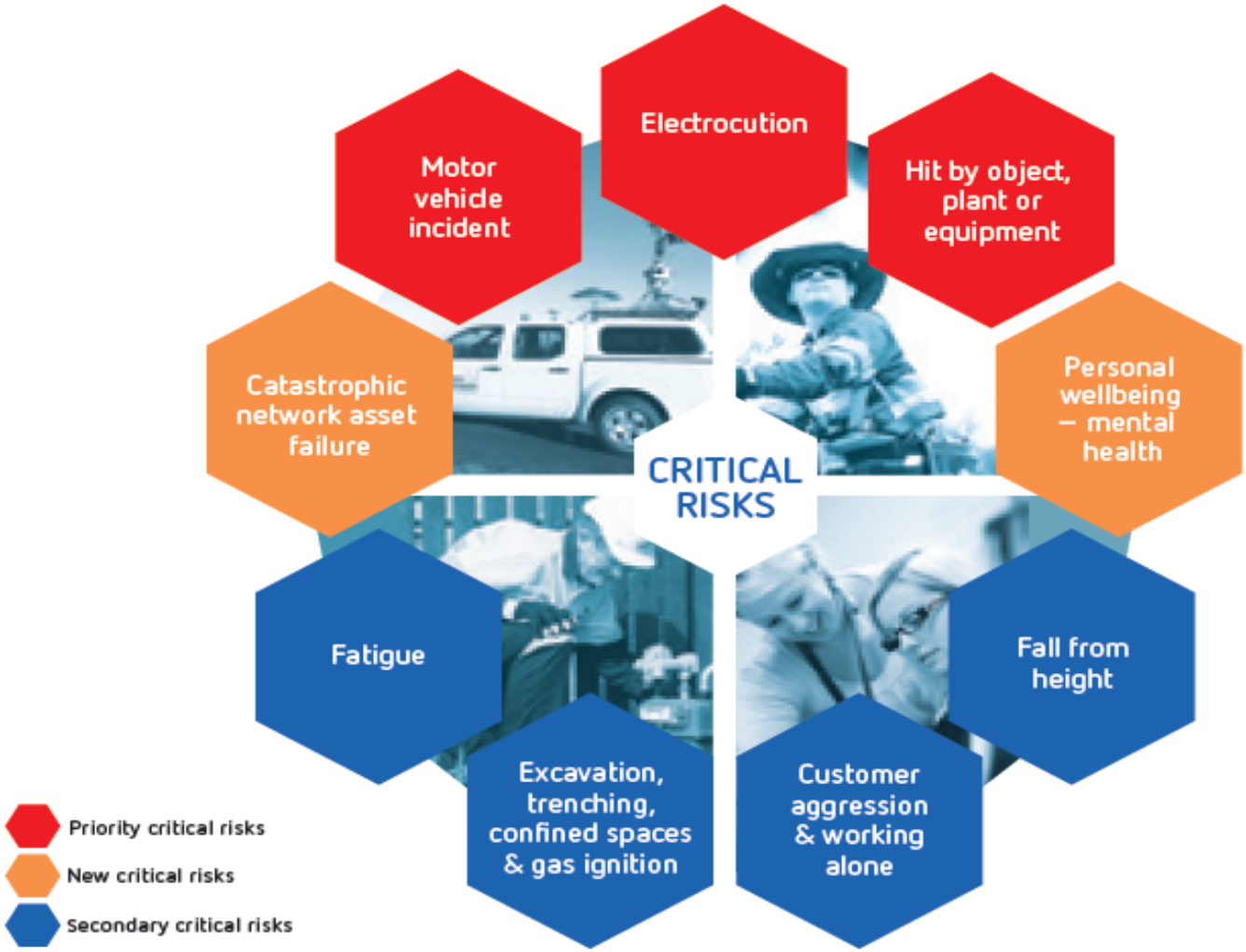
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Agenda

- Introduction
- Safety
- Corporate Strategy Overview
- Regulated Energy Services
- Energy Security Board
- Australian Energy Regulator
- Commercial Energy Services

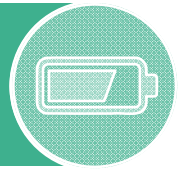
HSEQ Critical Risk Program



Corporate Strategy Overview

Nino Ficca, Managing Director

Megatrends are changing our industry

	Today	Future
Decarbonisation 	▸ 86% thermal generation[1] ▸ PV rooftop penetration 21%[2]	▸ Renewables backed by dispatchable capacity and storage solutions ▸ PV saturation
New business models emerging 	▸ Emerging technologies to allow consumer trading (P2P) ▸ Early stage adoption of AI to optimise networks	▸ Established platforms to integrate Behind the Meter generation with smart home appliances ▸ Active P2P trading by prosumers
New industry entrants 	▸ Financial institutions with established utility holdings and Technology start-ups	▸ Global technology companies managing energy platforms, e.g. Amazon
Increasing customer choice 	▸ Emerging solutions for distributed generation and storage ▸ Affordability	▸ Adoption of cheaper smart home and energy solutions and products
Market intervention 	▸ Opex benchmarking ▸ Political debate on energy prices	▸ Policy-driven limitations on price growth ▸ Risk of asset interventions

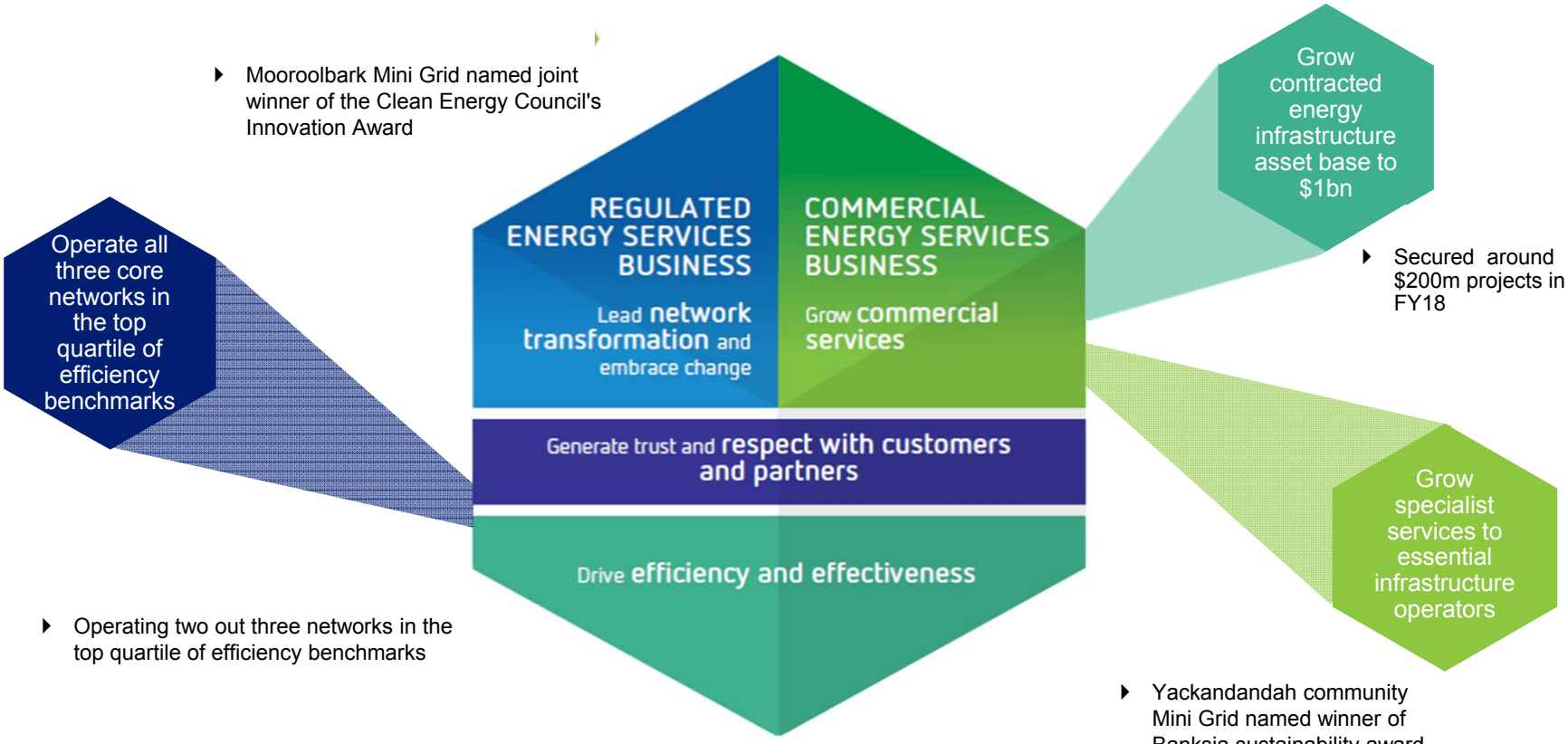
(1) FY17 NEM generation (AER)

(2) Penetration of suitable rooftops, April 2017, reneweconomy.com.au

Focus 2021

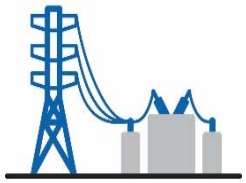
FY18 marks year two of our five year strategy

Build a portfolio of high performing and sustainable Regulated and Commercial Energy Services businesses



Strategic priorities

Transmission



1. **Strengthen our network in Western Victoria** to enable more generators to connect
2. Execute **summer preparedness** to manage the portfolio

Distribution



1. **Simplify and remove costs**
2. **Operationalise new distributed energy solutions**
3. Drive improvements in customer **satisfaction**
4. Improve **reliability and safety**

Gas



1. **Increase network utilisation** and establish a path forward for **alternate fuel options**
2. **Focus on value and efficiency** to maintain top quartile position
3. **Influence uptake of gas** and **improve customer satisfaction**

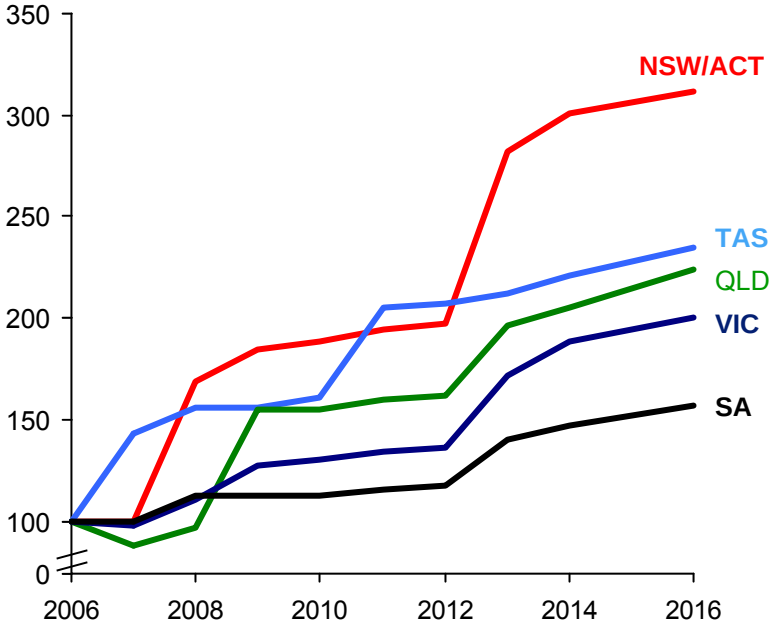
CES



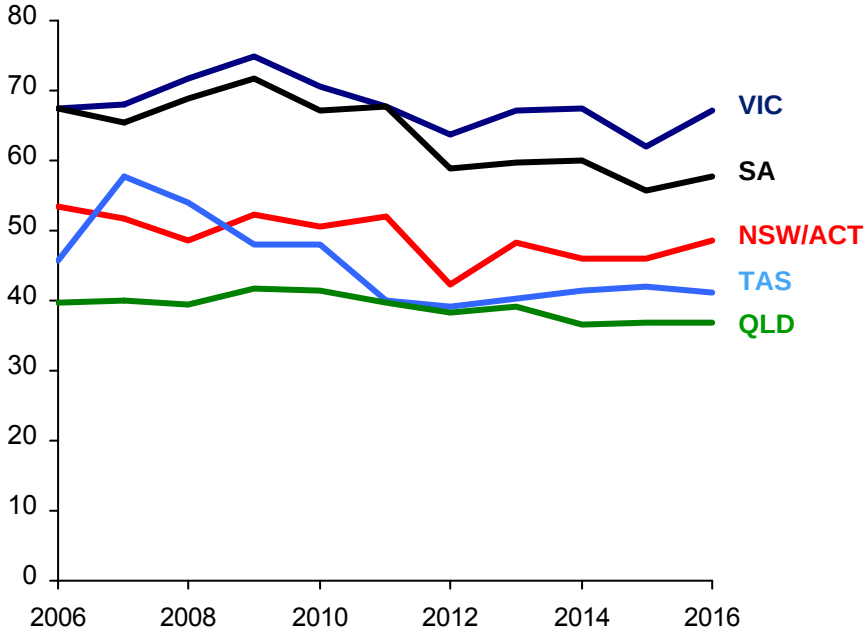
1. **Grow contracted asset** base via utility scale connections, renewable generation infrastructure
2. Develop and **grow commercial, industrial & community asset base and platform solutions**
3. Participate in **new market investments** and partnerships

DNSP RAB's have increased, with utilisation highest in Victoria

DNSP RAB growth (Index)



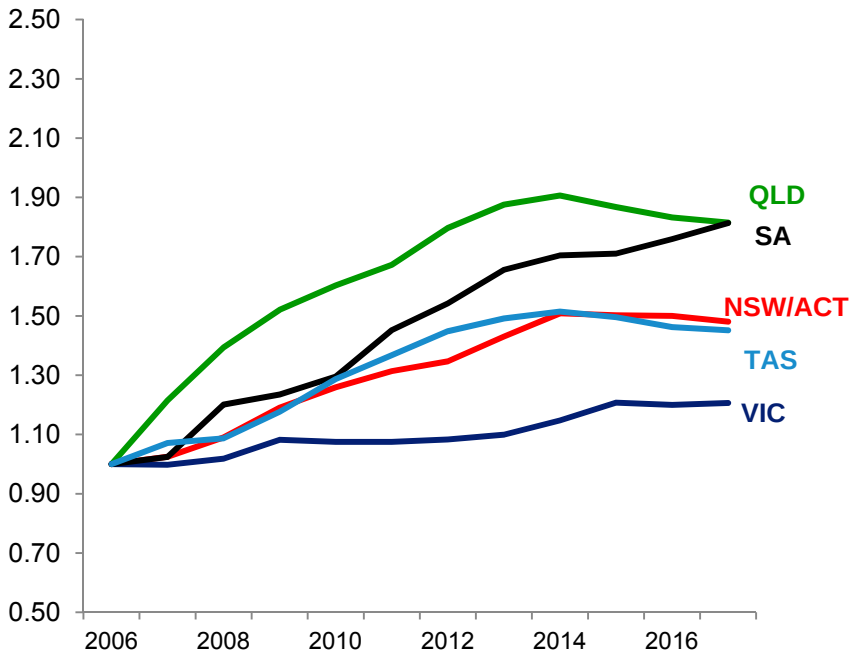
DNSP Utilisation (%)



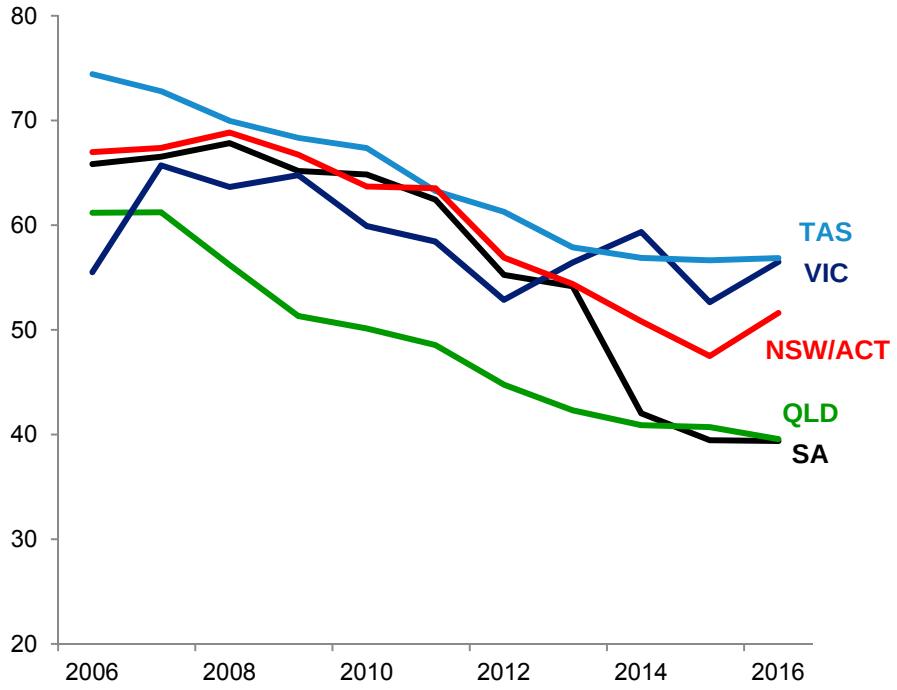
Source: Victorian Electricity Network Businesses Submission to the ACCC Retail Electricity Pricing Inquiry, AER State of the Market Reports 2007–17

TNSP RAB's have increased less, with utilisation amongst the highest in Victoria

TNSP RAB Growth
(Index)



TNSP Utilisation
(%)

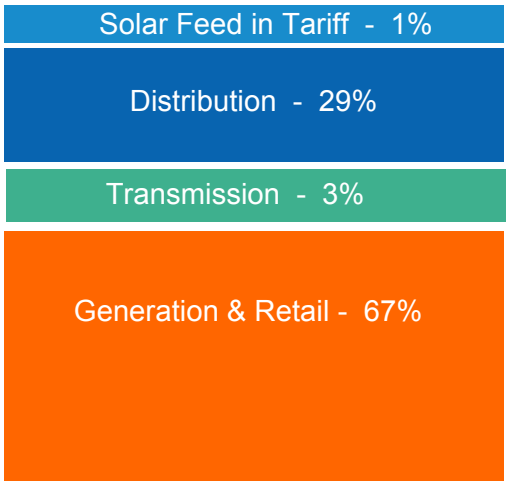


Source: TNSP Economic Benchmarking RIN data (2006-16) and AER Draft TNSP Network Performance Report (13/02/2018), Partially As-incurred RAB. Index based on $real 2017 Closing RAB values

Network contribution to customer bills

- Around one third of a typical customer bill in AusNet Services electricity distribution network is comprised of network costs.
- AST will be the first Australian utility business to trial a new process that places customers at the heart of developing our expenditure plans.
- The new process involves the establishment of a Customer Forum which will form part our 2021-25 regulatory proposal, prior to AER submission.

Breakdown of typical customer bill in AusNet Services Electricity Distribution Network (2018)

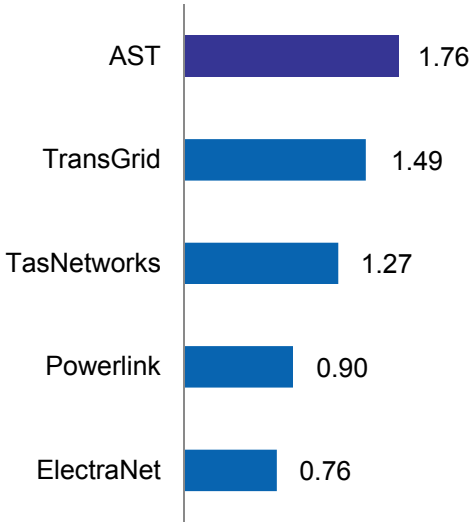


Note: Chart is based on standard retail offers (NEE11) AGL, Energy Australia and Origin Energy and average annual consumption of 4299.25KWh (block 1 3912.32kWh and block 2 of 386.93kWh).

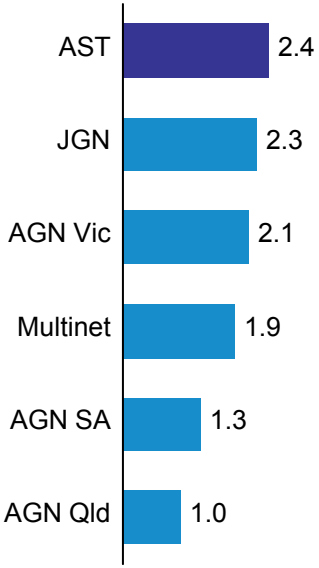
AST is focused on efficiency improvements

Opex partial factor productivity

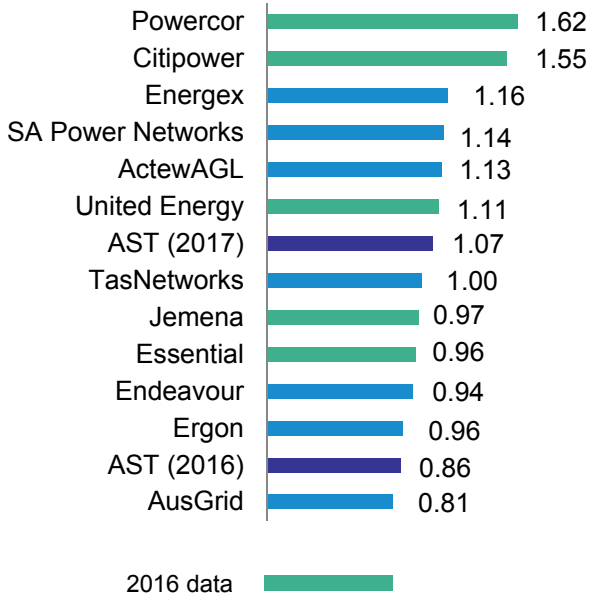
Electricity Transmission (2017 estimate)



Gas Distribution (2016)



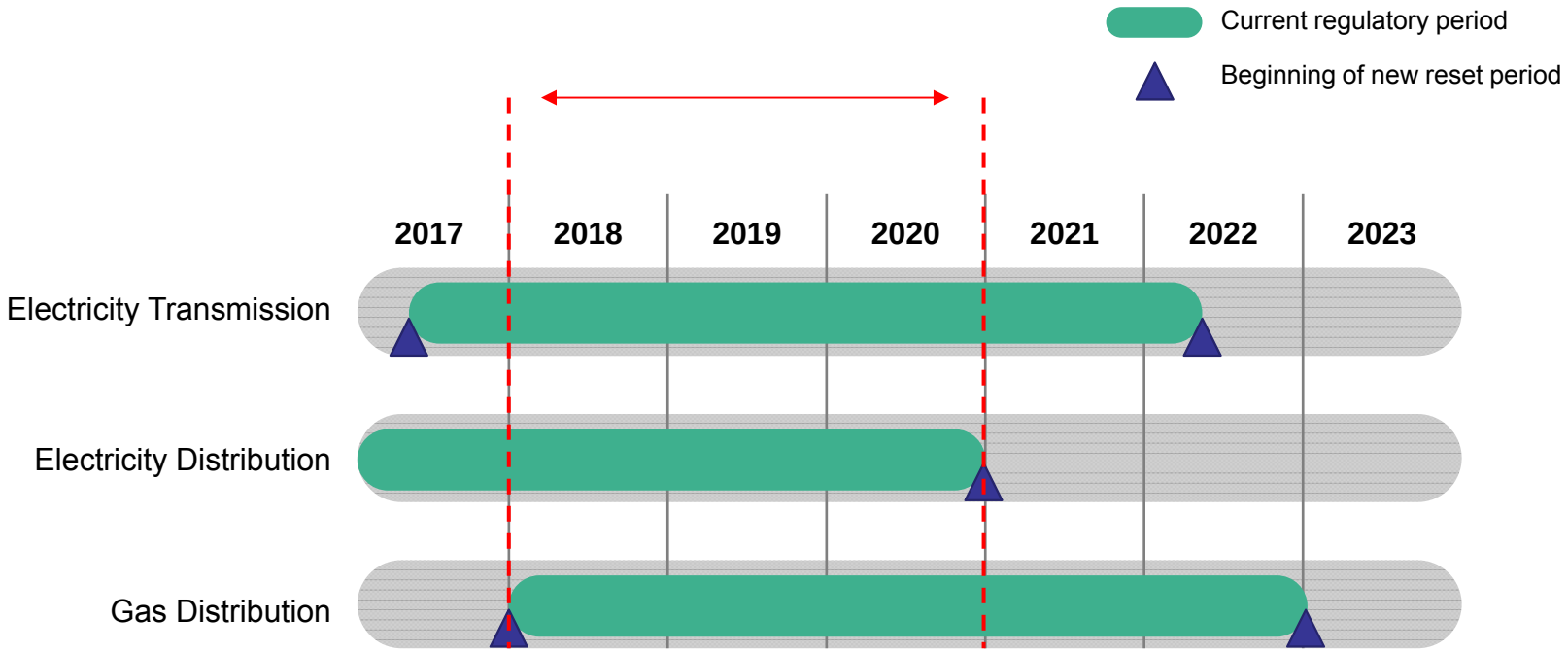
Electricity Distribution (2017 estimate)



Note:
- Benchmarking data sourced from AER and AST modelling.
- Gas Distribution benchmarking provided by Economic Insights.
- Electricity Distribution benchmarking data uses 2016 data for Powercor, Citipower, Jemena, United Energy and Essential (2017 data unavailable).

Regulated revenues set for 3 years

As of 1 January 2018, around 85% of total revenues locked-in until 2020 under regulatory determinations



Regulated Energy Services (RES)

Alistair Parker, EGM, RES

To succeed our Regulated Businesses must adapt, be sustainably priced and influential advocates for our customers.



In **Electricity Transmission**, this means facilitating more generation connection to reduce costs to customers and improve security of supply.



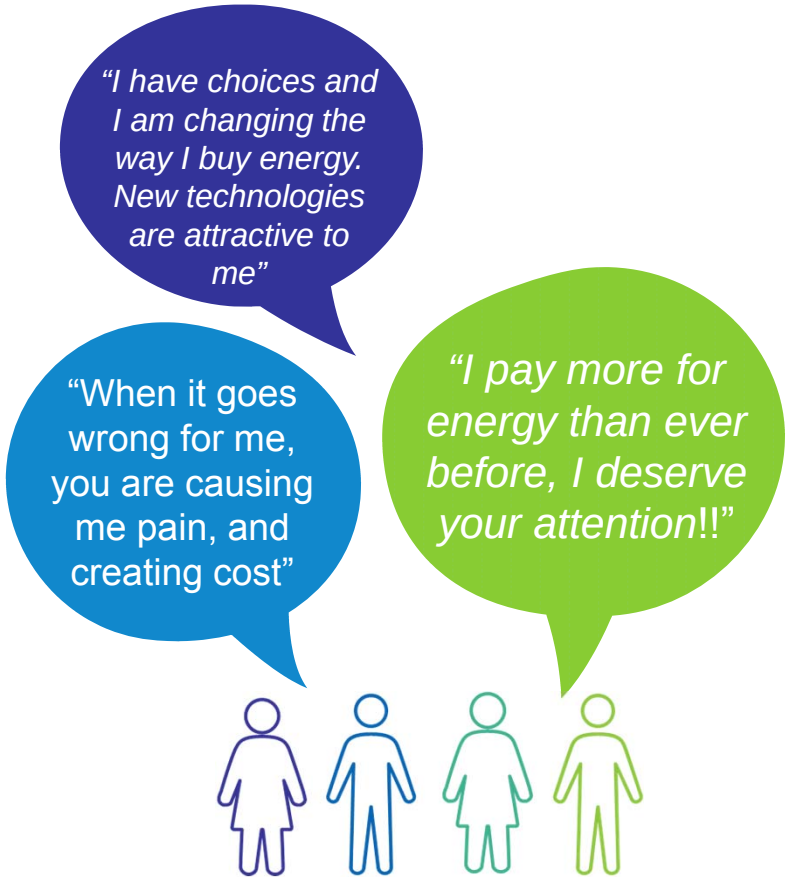
In **Electricity Distribution** this means reducing cost for our customers and becoming a more dynamic network to better integrate the distributed energy future.



In **Gas Distribution** this means influencing our customers to continue to use gas as we look for lower emission alternative fuels.

Putting Customers first

Why should we care?	What is the outcome?

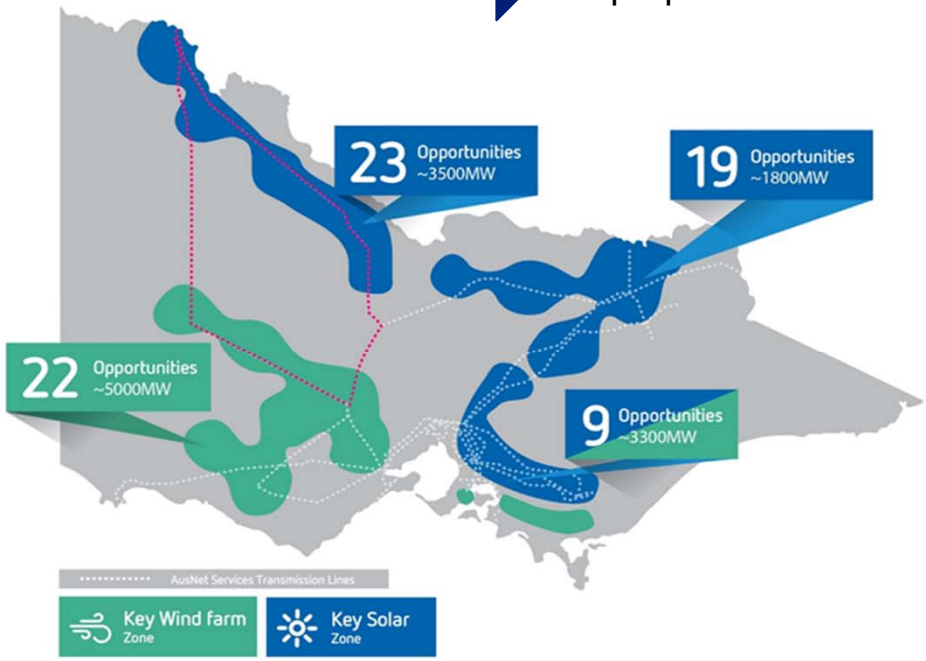


- Simplification
- Cost out
- Better business outcomes
- A new way of thinking
- Focus for prioritisation

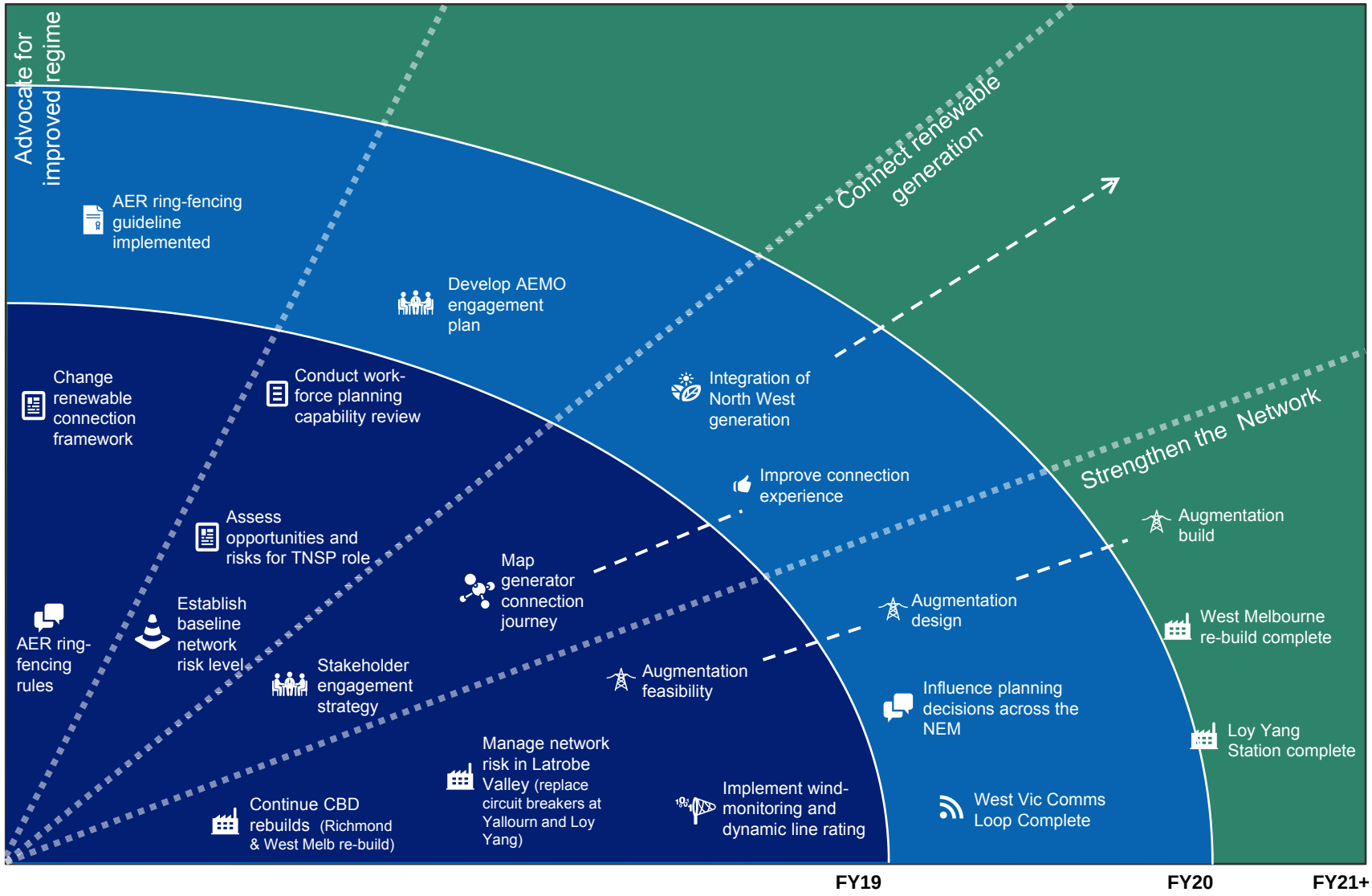
…taking into account their current and future needs

Electricity Transmission

The Environment	Our response
The generation mix is changing, the existing network is not designed for this	Strengthen our network in Western Victoria to enable more generators to connect e.g. North West Loop expansion highlighted below in red
Supply/demand is constrained in Victoria	Embed learnings from the summer preparedness to manage the portfolio



Preparing for the future in Transmission



Electricity Distribution

The Environment	Our response
Underperforming in regulatory benchmarking	Simplify our business and remove costs
Customers want more control and are choosing Distributed Energy Resources (DER)	Operationalise new distributed energy solutions, move to a dynamically managed network (DSO)
Customers energy needs are changing. Future of Metering is unclear in Victoria beyond 2020	Drive improvements in customer satisfaction and utilise usage data for network and customer benefits

Learnings from Mooroolbark mini-grid trial

Objective: *Testing a snapshot of the future electricity distribution system*

14 households with solar, batteries & optimised control platform, operating as a unified and grid-interactive energy system

Customer

1. **Customers increase their support for distributed energy** once they have lived experience
   - 14% initially → 87% now
2. **Energy cost reduction** and control is a key driver
   - Solar drives 80% of cost reductions, battery drives 20%
3. **Basic energy literacy** improves engagement levels

Technical

1. **100% renewable supply system achieved,** with stable and secure operation
2. **Network value of DER optimisation proven**
   - Peak demand management
   - Facilitates high solar uptake
   - Improved supply reliability
3. **Industry standards lagging** technology development

Strategic

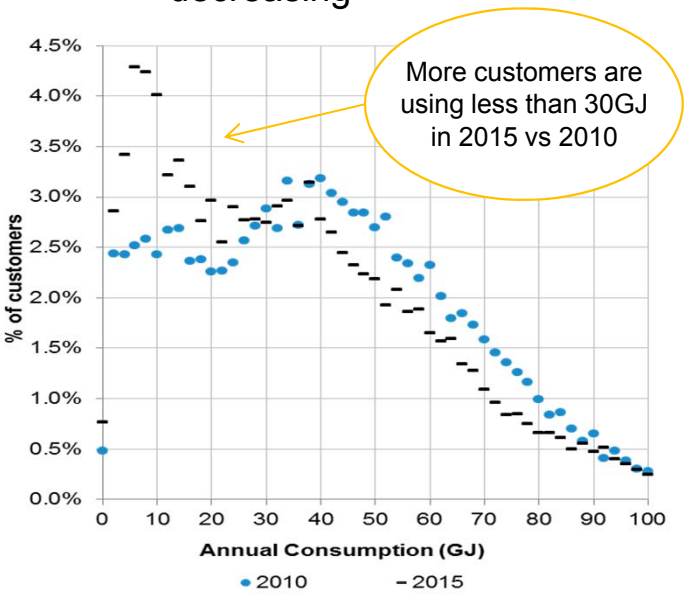
1. **The path to DSO likely to be incremental**, with functions added to address specific needs and value
2. **IoT energy devices support web-based network integration**
3. **Timeline to DSO may be accelerated** by convergence of Government policy, community attitudes and technology

Gas Distribution

The Environment

Natural gas is cleaner (relative to grid emissions intensity) and hydrogen provides a pathway to renewable gaseous fuels

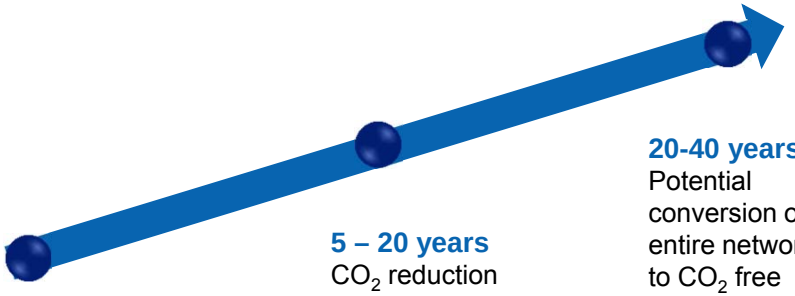
Gas commodity prices are high. Connections are increasing (~2% p.a.) but consumption is decreasing



Our response

Assessing opportunities for alternative fuels

Influence uptake through marketing and drive improvements in customer satisfaction



Next 5 years
Beginning of biogas and hydrogen innovation & pilot projects

5 – 20 years
CO_2 reduction through blending of biogas and hydrogen in gas networks

20-40 years
Potential conversion of entire networks to CO_2 free biogas and hydrogen

Source: ENA decarbonising Australia's gas networks. December 2017.

ENERGY SECURITY BOARD

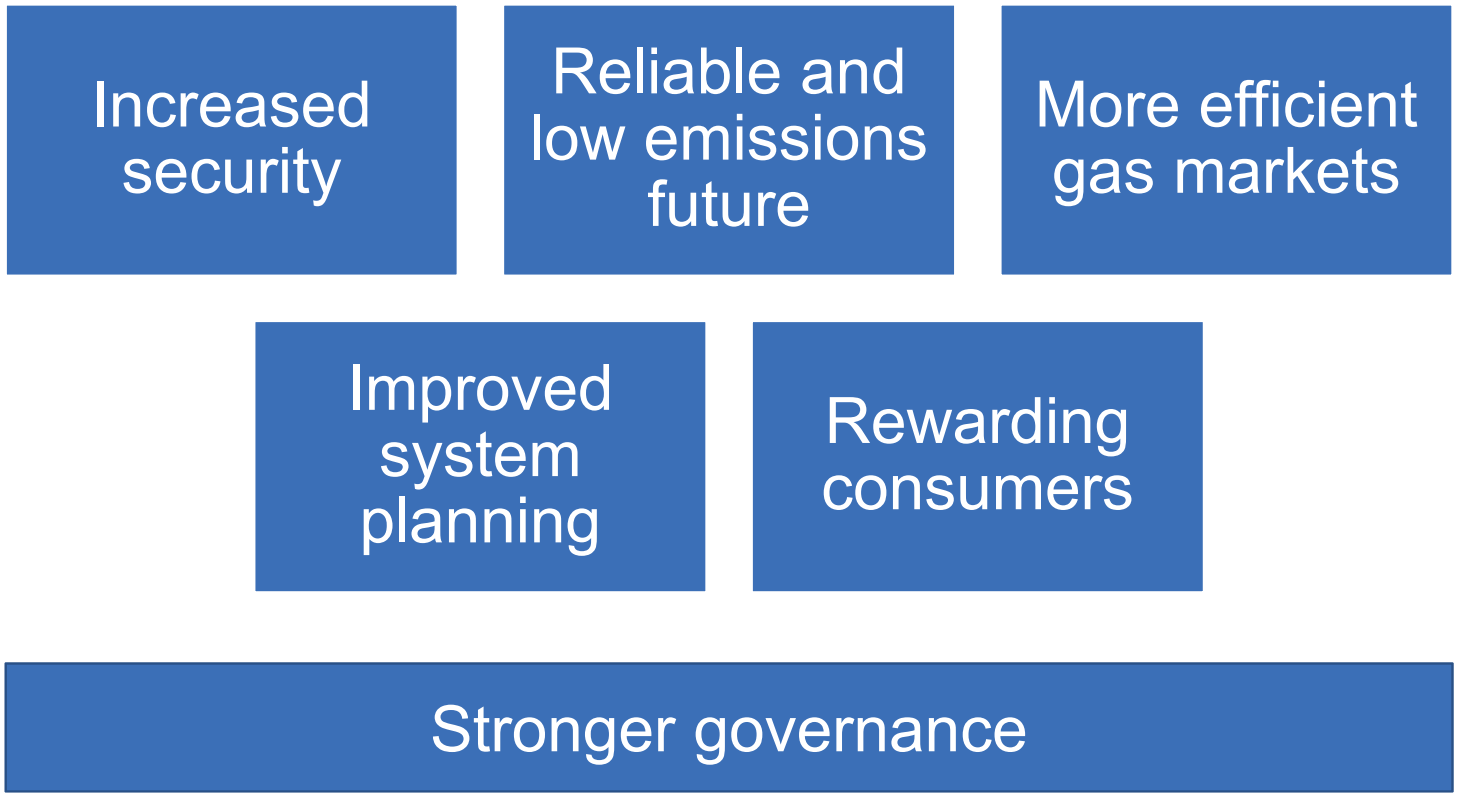
NATIONAL ENERGY GUARANTEE

RELIABLE ENERGY, REDUCED EMISSIONS AND IMPROVED AFFORDABILITY

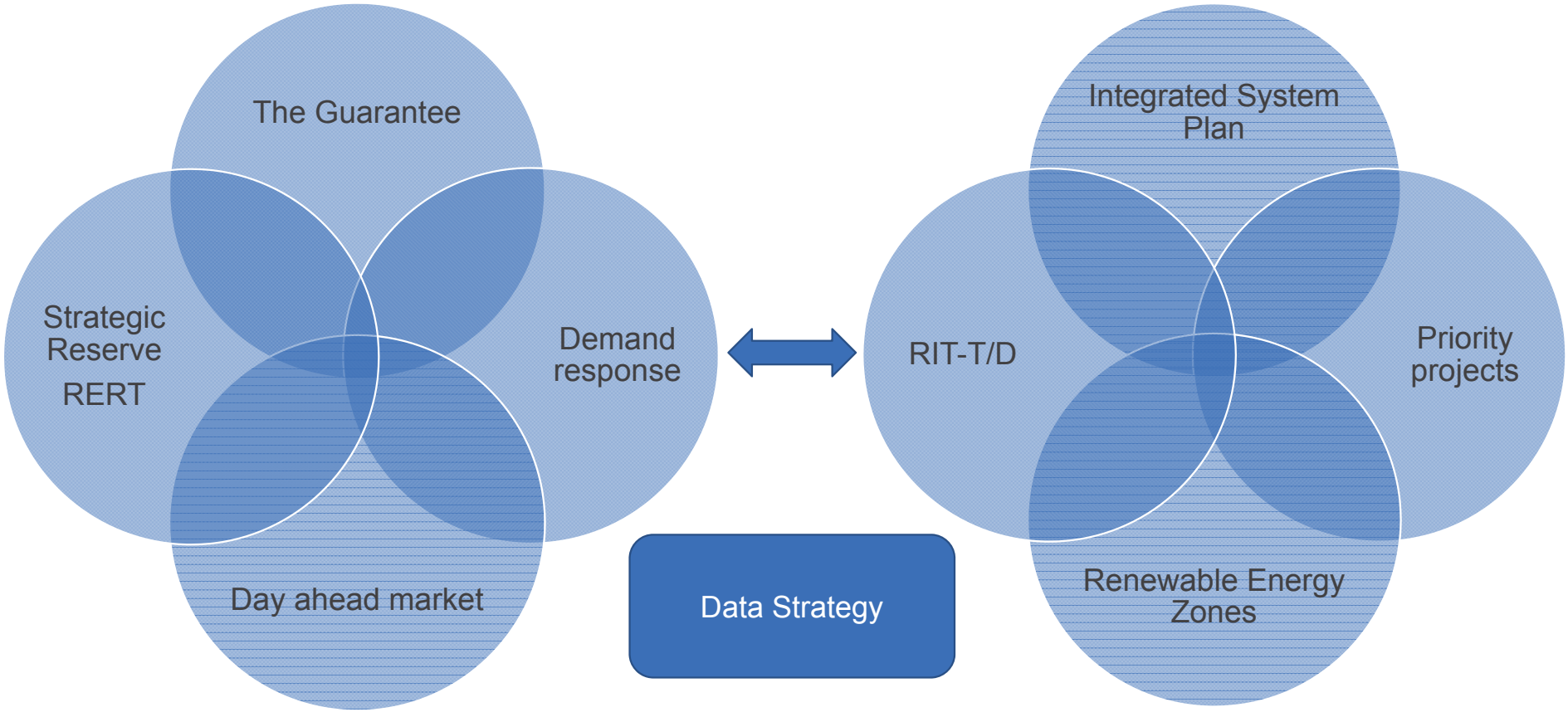
26 FEBRUARY 2018



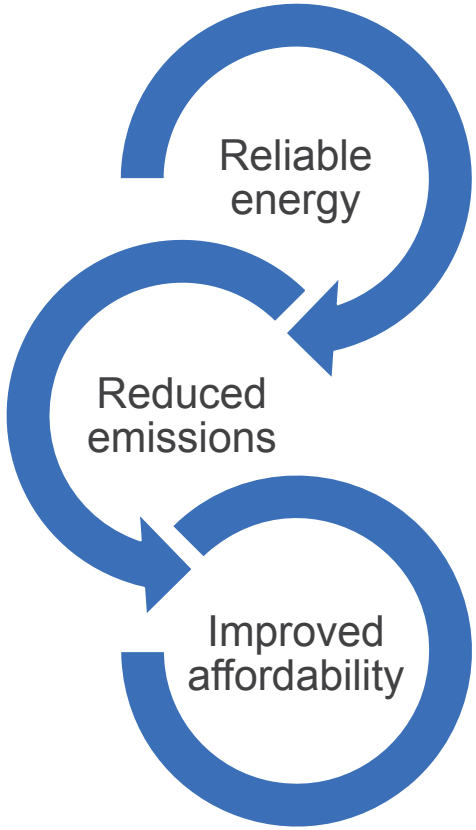
ENERGY SECURITY BOARD – IMPLEMENTING FINKEL BLUEPRINT & WHOLE-OF-SYSTEM OVERSIGHT



ENERGY SECURITY BOARD – PRIORITIES FOR 2018



NATIONAL ENERGY GUARANTEE – WHAT IS IT?



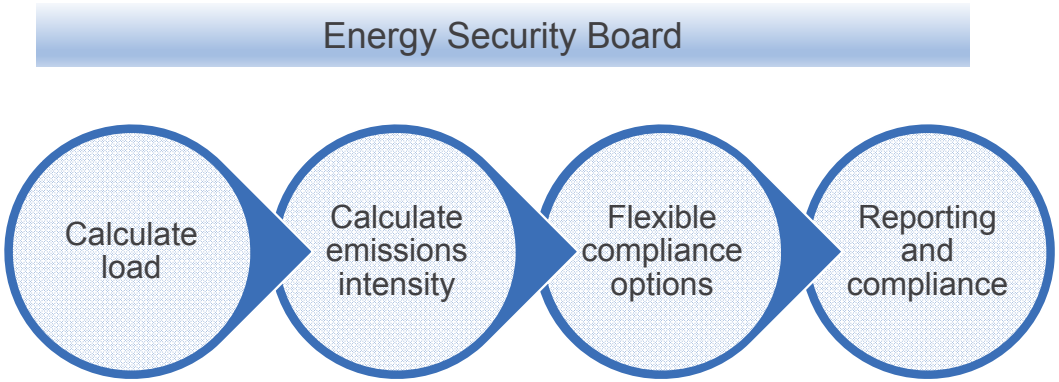
Sufficient investment in dispatchable MWs or demand response to meet peak demand

Electricity sector delivers emissions reduction target in line with agreed emissions reduction trajectory

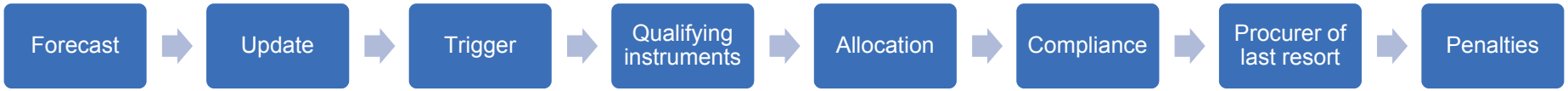
Integration of energy and climate policy reduces risk premium on new investments

Increased contracting in a more liquid market increases competition and reduces the level of spot prices and their volatility

NATIONAL ENERGY GUARANTEE – TOWARDS A LOWER EMISSION FUTURE



NATIONAL ENERGY GUARANTEE – 8 STEPS TO A RELIABLE ENERGY SUPPLY



NATIONAL ENERGY GUARANTEE – NEXT STEPS

- Mid April – High-level design report sent to COAG Energy Council
- Late April – COAG Energy Council meeting
- Subject to COAG Energy Council approval to proceed to detailed design:
  - Late April – High-level design report published
  - May-June – Stakeholder input on detailed design options – working papers/workshops
  - July – Draft final design released for consultation
  - August – Final design to COAG Energy Council for approval
  - Second half of 2018 – Drafting of legislation and rule changes

QUESTIONS?

Energy Security Board
http://www.coagenergycouncil.gov.au/council-priority/energy-security-board

AUSTRALIAN ENERGY REGULATOR

Update on regulatory environment

Presentation to AusNet Services Investor Day

March 2018

Warwick Anderson
General Manager Network Finance and Reporting

2018 Network regulation program

- Remade 2014 decisions:
  - AusGrid, Endeavour, Essential, EvoEnergy, JGN
- Final decisions:
  - TransGrid, ElectraNet, Murraylink
- Draft decisions:
  - TasNetworks, NT Power and Water, EvoEnergy, AusGrid, Endeavour, Essential
- Preparation:
  - Energy Queensland, SAPN, Directlink, Vic elect dx

Developments in network regulation

- Enhanced pre-lodgement engagement with
  - Consumers
  - AER
- AER decision making process
  - Triage assessment
    - benchmarking
  - Issues paper
  - Draft and final decisions
  - AusNet new regulatory model trial
- Consideration of demand side options - DMIS

Rate of return guideline

- Draft legislation published
  - Commenced under current rules
  - Binding guideline
  - No fundamental change to the underlying principles
- Process so far
  - Consultation on process – an incremental review
  - Consultation groups – consumers, investors, retailers
  - Issues paper and submissions
  - Discussion papers – Risk, gearing, financial indicators, MRP, beta, gamma
  - Expert session 1
- Upcoming process
  - Expert session 2
  - Submissions – 4 May 2018
  - Draft guideline – late June
  - Independent panel review
  - Submissions and final guideline – December 2018

A note on regulatory asset base

- The rules are clear
  - Capital expenditure undertaken by regulated businesses is rolled into the RAB
  - Unless there is an overspend of the total capex allowance
  - And then only the overspend is at risk
- RAB growth has moderated
  - Easing of demand
  - Capital expenditure incentive scheme
  - Reliability has improved
  - Enhanced AER performance reporting

Commercial Energy Services (CES)

Chad Hymas, EGM, CES

CES Strategic Response

Positioning the business to capture value in the new energy future

1. BUSINESS REFOCUS AND OPERATING MODEL CHANGES

SELECT SOLUTIONS REFOCUS

- Reprioritised service offering
- Exited non-core services

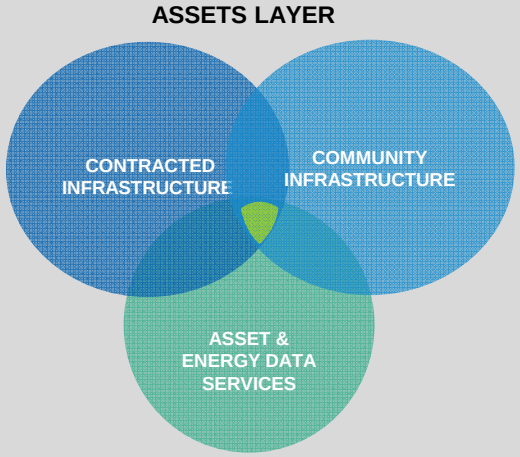
CES OPERATING MODEL

- 4 independent businesses into a single operating entity
- delivering across various asset types, sectors and customers with a **clear bias toward deploying capital**

OUTCOMES

- **~60% FTE Reduction**
- Improved **EBITDA Margin**
- **Safety index** improved **80 to 115**

2. ASSET FOCUSED INVESTMENT SUPPORTED BY UNIQUE SOLUTIONS/SERVICES



- Capitalise on renewable investment
- Asset base of **aggregated distributed energy resources**
- **Combine assets with smart technologies** to deliver unique integrated solutions in changing energy marketplace

3. BUILD AND INVEST IN NEW CAPABILITY

PEOPLE, CAPABILITY & BRAND

- Significant focus on deploying additional resources and developing new capability

INTEGRATED SOFTWARE CAPABILITY

- Market leading software development capability

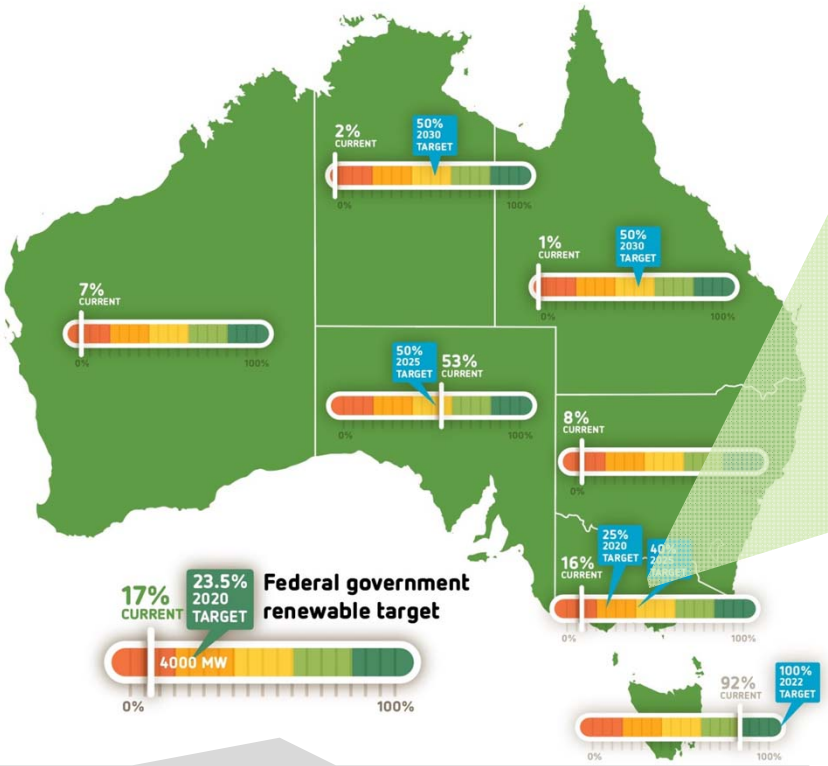
PARTNERSHIPS AND NEW MARKETS

- Participate in emerging energy models throughout Australia and to partner with new market entrants
- Participation in global energy start-up accelerator program – Free Electrons

Renewable Opportunities Across Australia

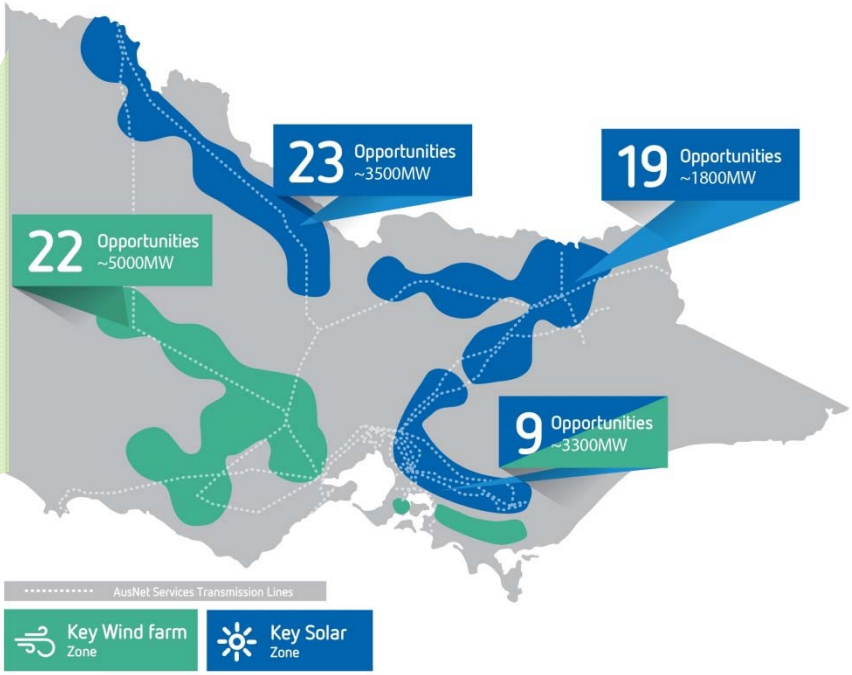
Current market conditions and renewable energy targets driving significant network investment within priority national markets

State of Renewables throughout Australia



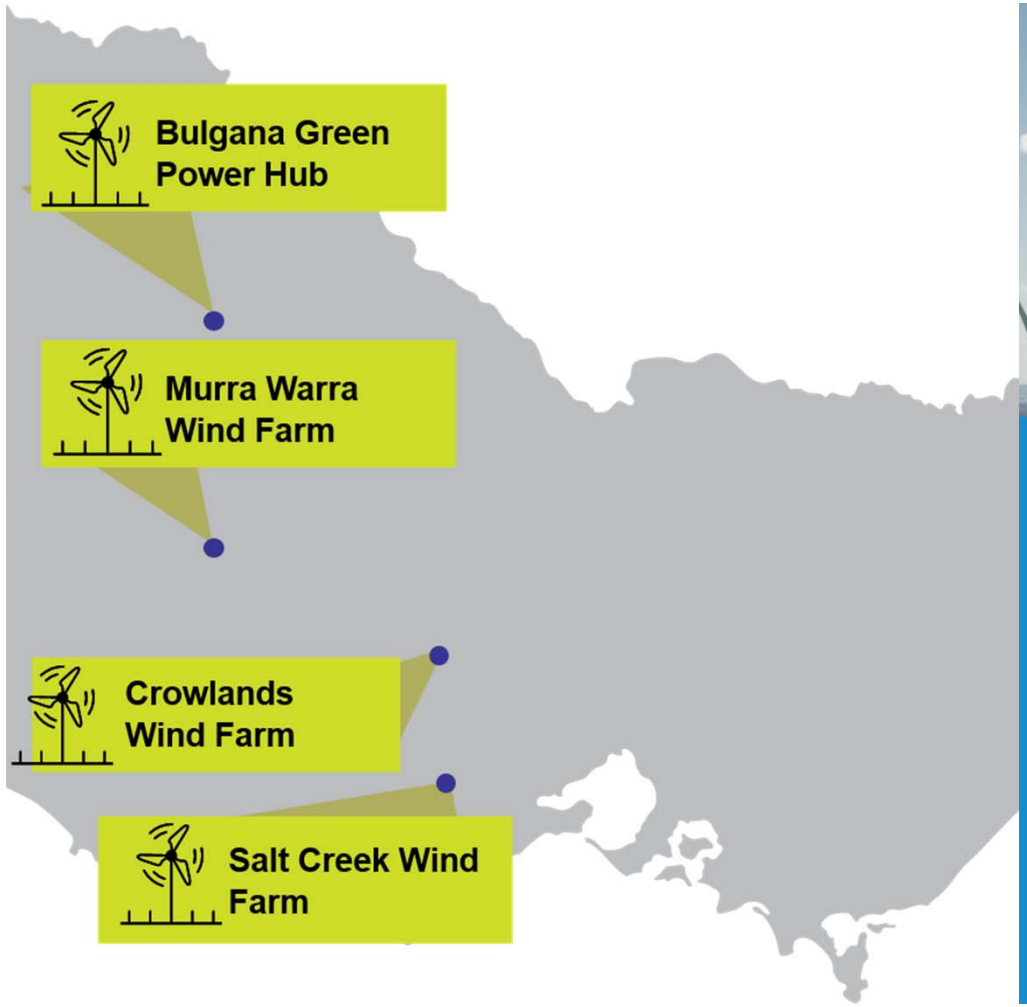
- National policy and legislated energy targets will continue to **drive significant investment in renewables**
- Throughout Australia, project generation required to meet renewable targets will **exceed 15000MW**

State of Renewable developments throughout Victoria – a lens to the national opportunity



- Strong market pipeline exists to achieve $1bn and beyond
- Maximise value in Victoria where competitive advantage is highest whilst actively building a significant national presence

Contracted Infrastructure
FY18 Significant Wins Across the State





- Total value of new contracted projects ~$200m
  - Crowlands Wind Farm with Pacific Hydro
  - Murra Warra Wind Farm with RES Australia & Macquarie Bank
  - Salt Creek with Tilt Renewable
  - Bulgana Green Power Hub with Neoen
  - Deakin Smart Energy
- Strong pipeline to achieve $1bn target

Batteries - a New Asset Class



- Large batteries are critical to providing clean, affordable and reliable energy now and for many years to come
- Active participation in battery projects will continually improve our understanding of their capabilities and role in the network and communities
- Utility scale battery projects is something we hope to be part of in the near future

Deakin University Micro grid Partnership Launch

- $30M Project
- 14.5 Hectare solar farm
- 7.25 Megawatt smart micro grid
- 1 Megawatt battery storage capacity
- 12,000 tonne yearly carbon emission reduction



Yackandandah Community Mini Grid Fully Operational



- Award-winning project
- 14 houses with 110kWh of battery storage and over 50kW of solar panels
- Designed to facilitate energy sharing.
- Over 500kW of solar power covering more than 100 houses.
- 170 Ubis deployed.

Community-Engagement Award-Winning Project

Partnerships & Investments: Free Electrons

- 12 of the world's most promising start-ups.
- Supported by 10 of the world's largest utilities.
- Gives AusNet Services the "inside running" on the next big thing in tech and energy.
- Positions AusNet Services as a forward thinking, progressive organisation.
- Opportunity to network face to face with senior global industry leaders



Further information and contacts

AusNet Services is the largest diversified energy network business in Victoria, owning and operating around $12 billion of assets.

The company owns and operations three regulated networks - electricity distribution, gas distribution and the state-wide electricity transmission network. The company also has a Commercial Energy Services division, focusing on unregulated opportunities, including contracted infrastructure, asset intelligence and energy services.

Headquartered in Melbourne, Australia, AusNet Services employs around 2,000 people to service 1.4 million customers and is listed on the Australian Securities Exchange (ASX: AST) and the Singapore Stock Exchange (SGX-ST: AZI.SI).

For more information visit www.ausnetservices.com.au

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