

# SP AusNet

## Growing with Victoria

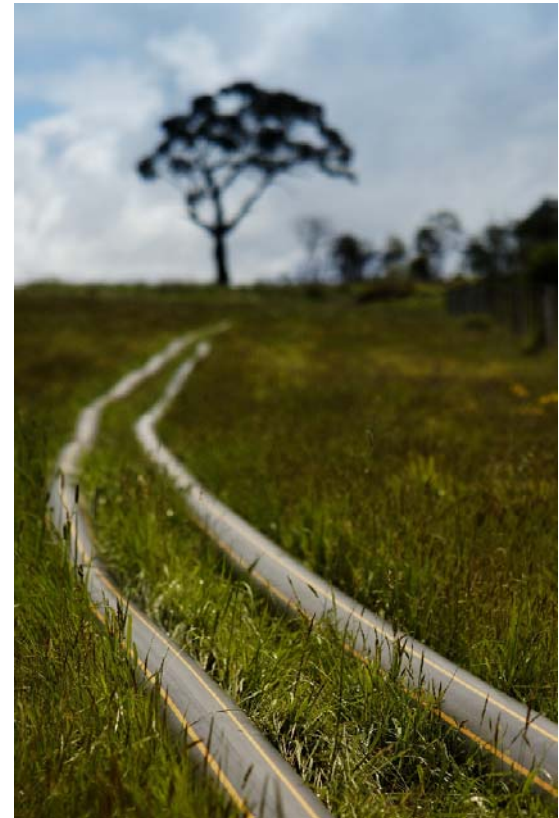
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Committee for Economic Development of Australia

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# Overview of today's presentation

Who is SP AusNet?

SP AusNet's role in the electricity industry

Victoria's growing electricity demand

SP AusNet's plans for supporting demand growth, network expansion and strengthening network reliability

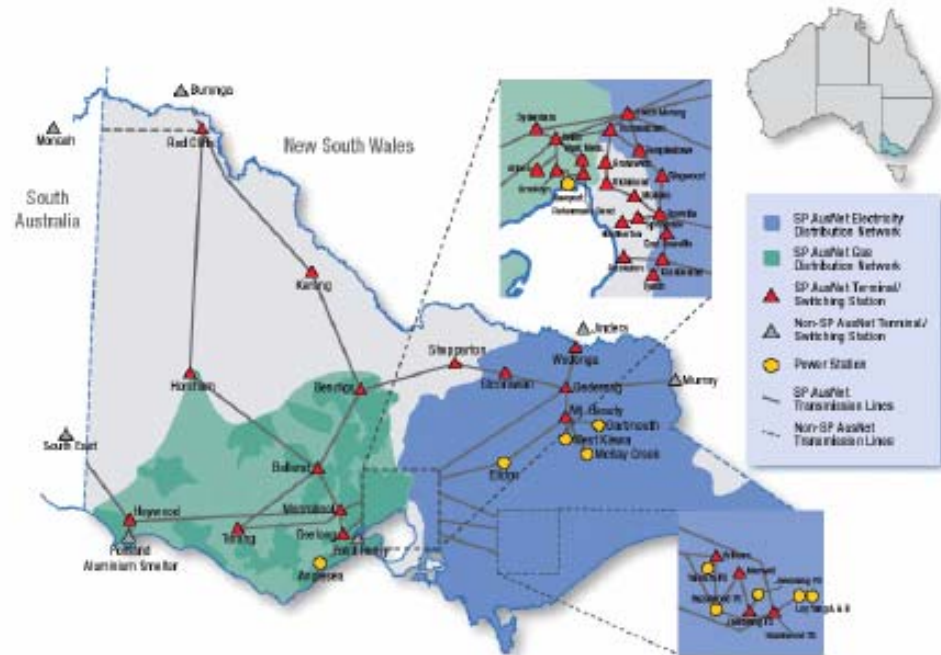
# Overview of SP AusNet's Business

## Transmission Assets

- Primary electricity transmission provider in Victoria
- Regulated by AER (previously ACCC)

## Distribution Assets

- Electricity distribution in Eastern Victoria
- Gas distribution in Western Victoria
- Regulated by ESC of Victoria



Regulated asset base across  
electricity and gas

# SP AusNet's History in Australia

Jun 2000

Transmission business in Australia from GPU (SPI PowerNet)

Jul 2004

Acquired TXU Australia: Electricity & Gas distribution Merchant Energy Business (MEB)

May 2005

Divested MEB\*

Jun 2005

Launched SP AusNet

Dec 2005

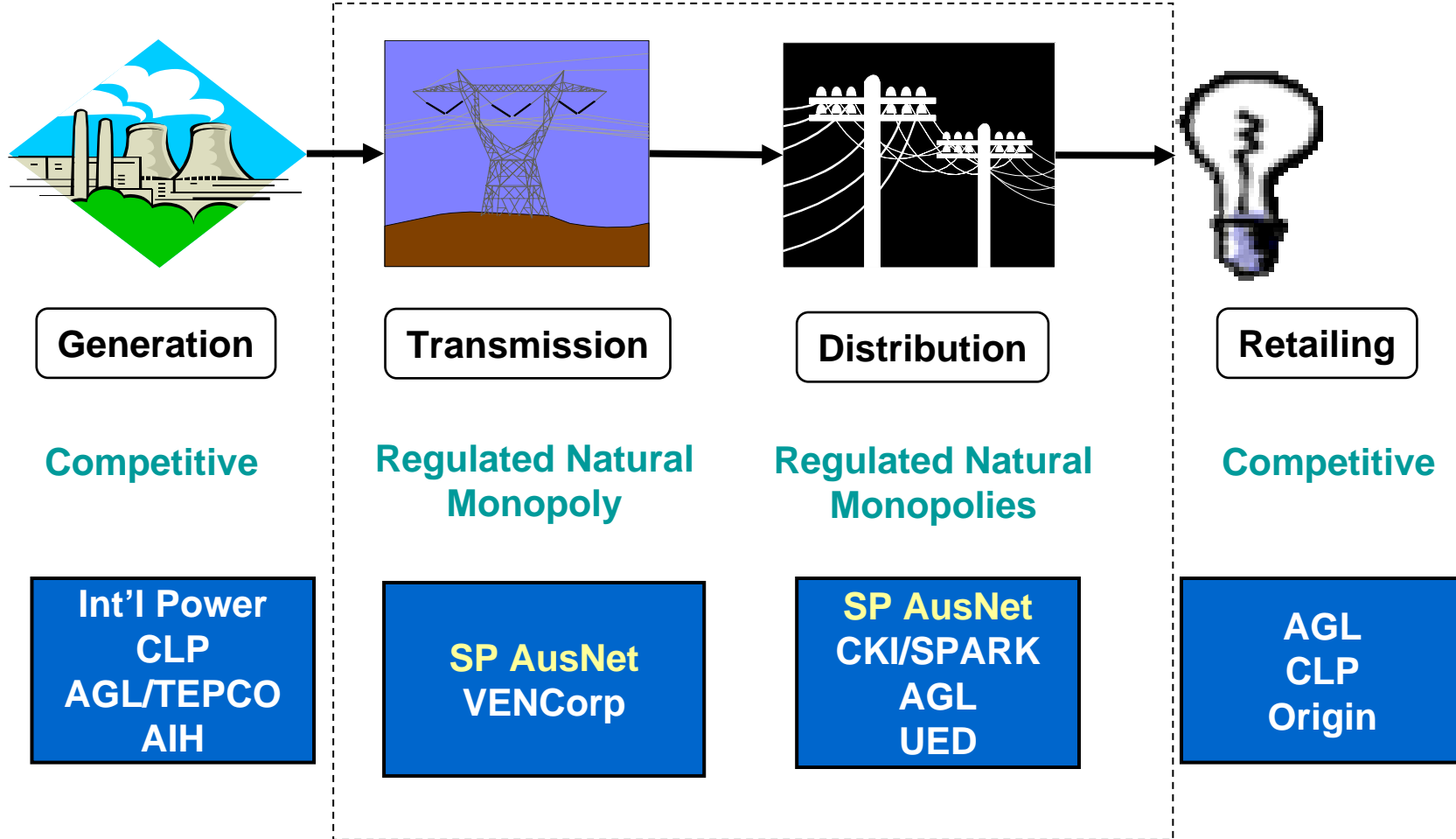
IPO of SP AusNet

\* MEB: Merchant Energy Business relating to electricity and gas retail, trading and generation

Established track record in acquiring, integrating and operating significant T&D assets in Australia



# Electricity Market Structure



# SP AusNet's Strategic Objectives

Operating Efficiency	<ul style="list-style-type: none"><li>■ Improve the operational efficiency of its existing energy network businesses through SP AusNet's people, processes and culture</li></ul>
Organic Growth Opportunities	<ul style="list-style-type: none"><li>■ Enhance the performance of the energy network businesses through organic growth based on the strategic location of SP AusNet's distribution and transmission assets in major Victoria population growth corridors</li></ul>
Investment Opportunities	<ul style="list-style-type: none"><li>■ Invest in high quality energy network assets and businesses primarily in Australia and New Zealand while aiming to maintain a credit rating in the "A" range</li></ul>
Resulting in Value for Security Holders	<ul style="list-style-type: none"><li>■ Deliver and grow sustainable, stable and predictable distributions to its Security holders</li></ul>
Health, Safety and Environment	<ul style="list-style-type: none"><li>■ Manage the safety of employees, customers and the public and the environment SP AusNet operates in.</li></ul>

# SP AusNet's Key Focus

## Network augmentation and sustainability

- Meeting increased demand from existing customers and new electricity and gas customers in major Victoria population growth corridors
- Opportunities for business growth

## Network reliability

- Replacing aging infrastructure to increase reliability
- Improved control and response to minimise impact of outages

## Improving efficiency

- Increased operational efficiency through SP AusNet's people, processes and culture
- Reducing costs of network services

SP AusNet meeting customer expectations



# SP AusNet supports demand growth

SP AusNet is responsible for providing network expansion to meet increasing demand for energy

VENCorp plans transmission augmentation

May request tenders for major projects

SP AusNet provides minor augmentation on a regulated basis

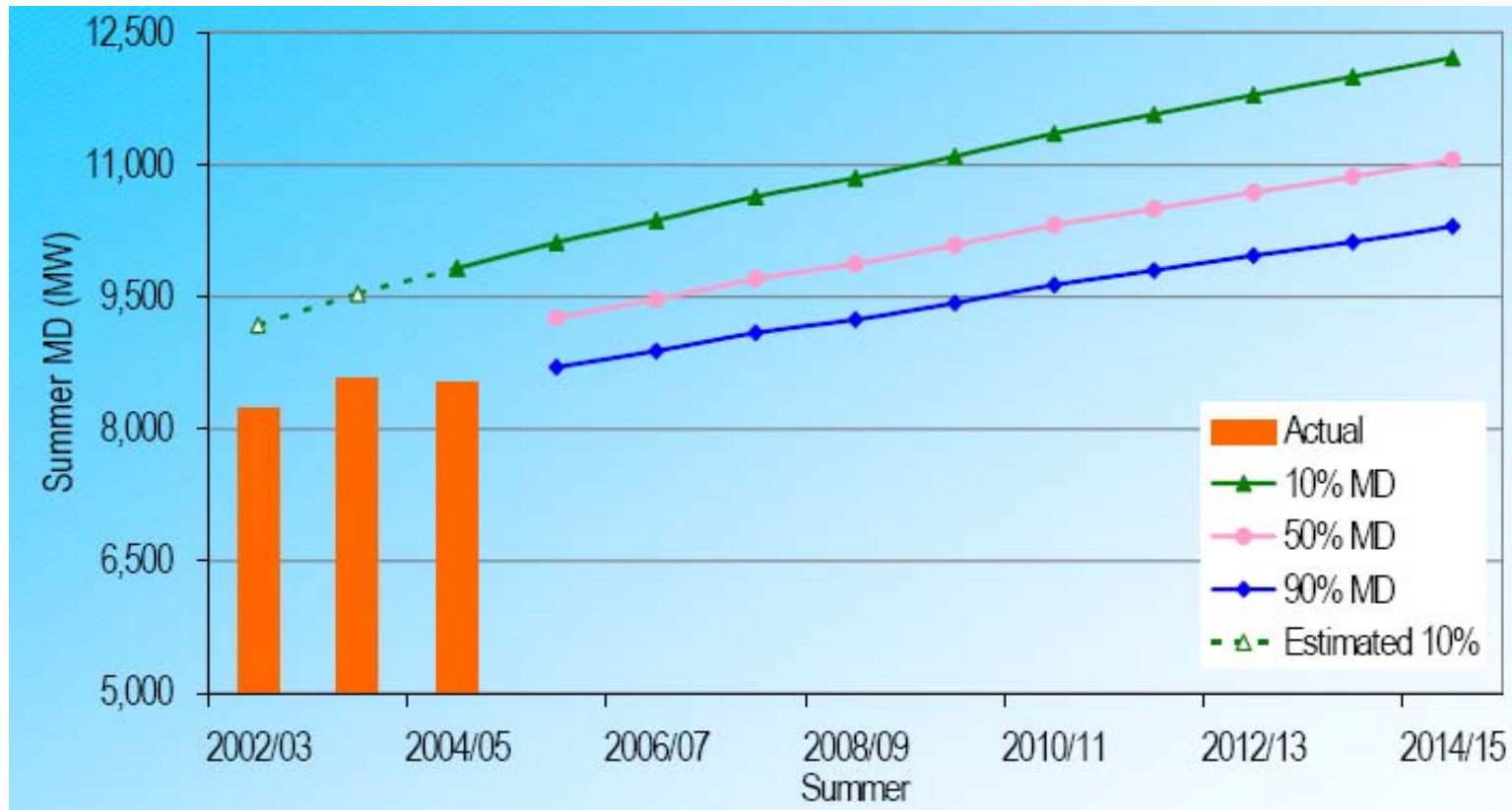
SP AusNet plans and constructs electricity and gas distribution network augmentation

Regulated by ESC



# Growth in Victorian Electricity Demand

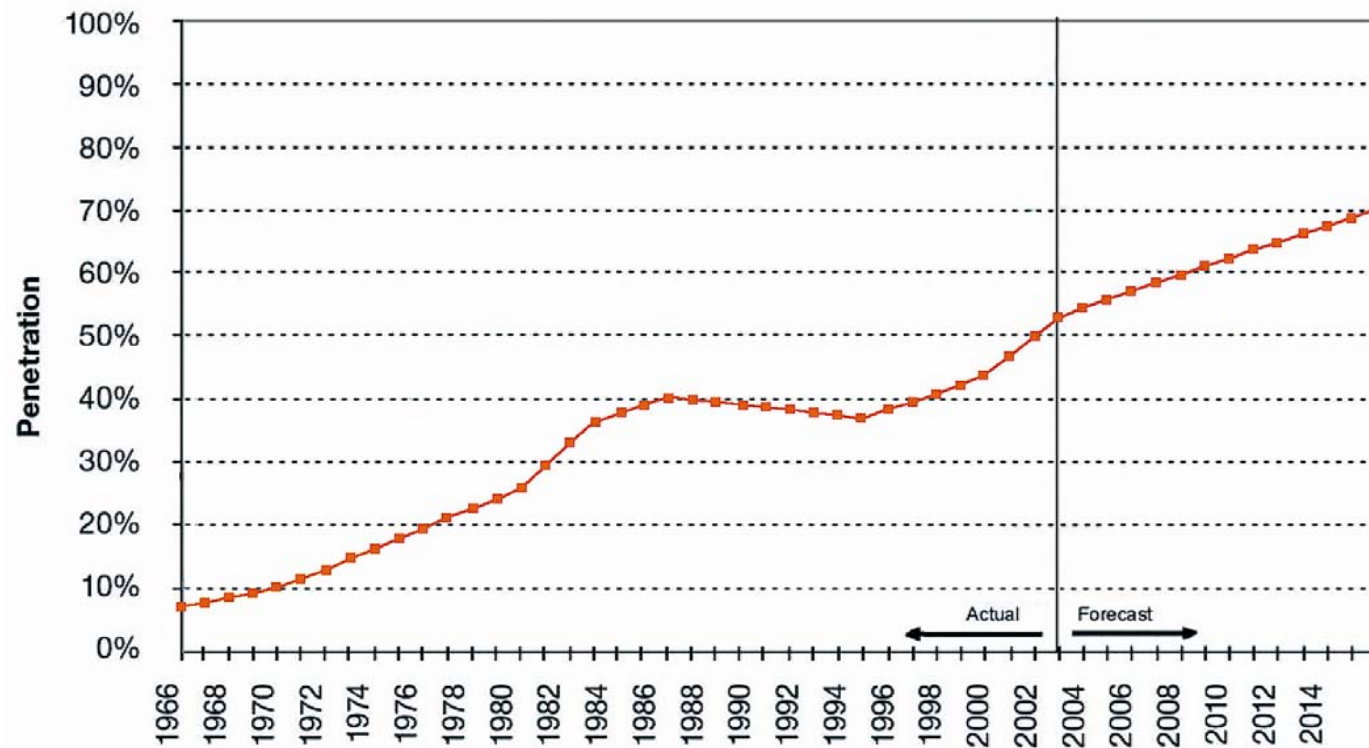
## Summer Maximum Demand Forecasts



Source: VENCORP, "2005 Electricity Annual Planning Report", Figure 3.8, page 21

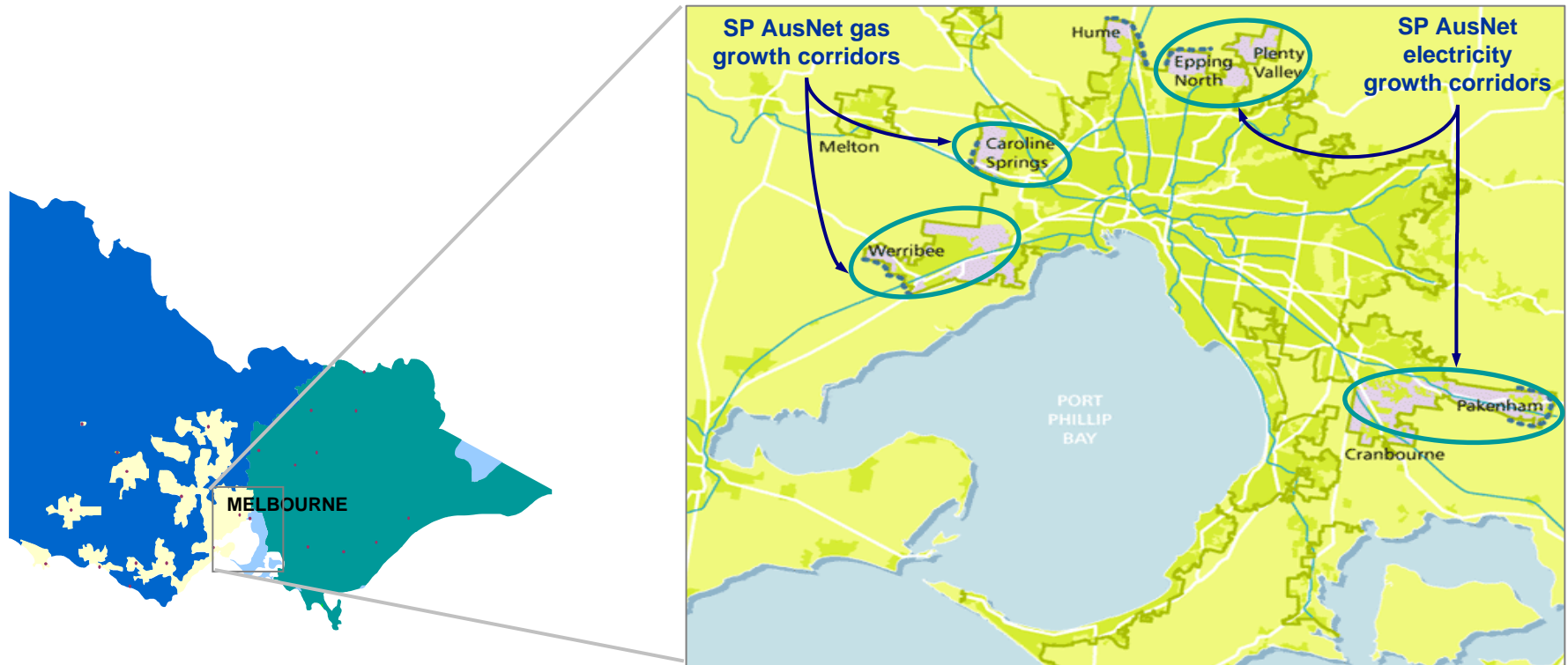
Continuing transmission investment required  
for growth in demand

# Growth in air conditioning load – Victoria



Source: VENCORP, "Vision 2030" Report, Figure 25, page 34

# SP AusNet's Network Growth Corridors



Source: SP AusNet

Electricity and Gas networks located in  
Victorian growth corridors

# Examples of growth to meet customer demand



## Northern Corridor group of projects – meeting needs for next 30 years

- Population expected to grow by 215% by 2030
- Investments in infrastructure to meet growing energy demands for residential, industrial and commercial. (including 4 new zone substations, powerlines and supporting infrastructure and improvements to terminal stations)

## Natural gas extension program

- Extending gas network to 12 regional Victorian towns
- Allowing further organic growth of the network, which in turn leads to increased revenue from investment and supports economic development of regional centres





# Major Transmission projects



Cranbourne Terminal station

# Improving operational efficiencies

Capitalising on synergies of network businesses by merging control rooms for transmission and distribution together.

Business focus on “Fusion” program to further integrate business capabilities and reduce costs, operate smarter and capitalise on network businesses (ie IT operating costs, improved processes)

Focus on improved network reliability and customer service



# Business attributes

High Quality Business	<ul style="list-style-type: none"><li>■ High quality assets with demonstrated network performance</li><li>■ Management team with average of 20 years industry experience</li><li>■ Established relationship with regulators and government</li></ul>
Regulated Revenues and Protected Cashflows	<ul style="list-style-type: none"><li>■ Regulated revenues which grow with inflation</li><li>■ Diversified energy source and regulatory resets</li><li>■ Predictable cashflows protected from movements in interest rates</li></ul>
Growth Opportunities	<ul style="list-style-type: none"><li>■ Organic growth in electricity &amp; gas demand</li><li>■ Well-positioned to participate in Australia and New Zealand privatization and M&amp;A opportunities</li><li>■ Cost-efficient capital</li></ul>
Attractive Tax Deferred Distributions	<ul style="list-style-type: none"><li>■ Aims for sustainable distributions with current intention to maintain credit rating in the "A" range</li><li>■ 8.5%* 2006 annualized forecast distribution yield (68% tax deferred**)</li><li>■ 8.7%* 2007 annualized forecast distribution yield (65% tax deferred**)</li></ul>
SP Alignment – Majority Stakeholder / Manager	<ul style="list-style-type: none"><li>■ SP's electricity and gas T&amp;D investment vehicle in Australia and New Zealand</li><li>■ SP 100% ownership of management company</li><li>■ SP AusNet benefits from alignment of interests between SP and SP AusNet</li></ul>

\* Based on A\$1.30 per Security

\*\* For Australian tax purposes