

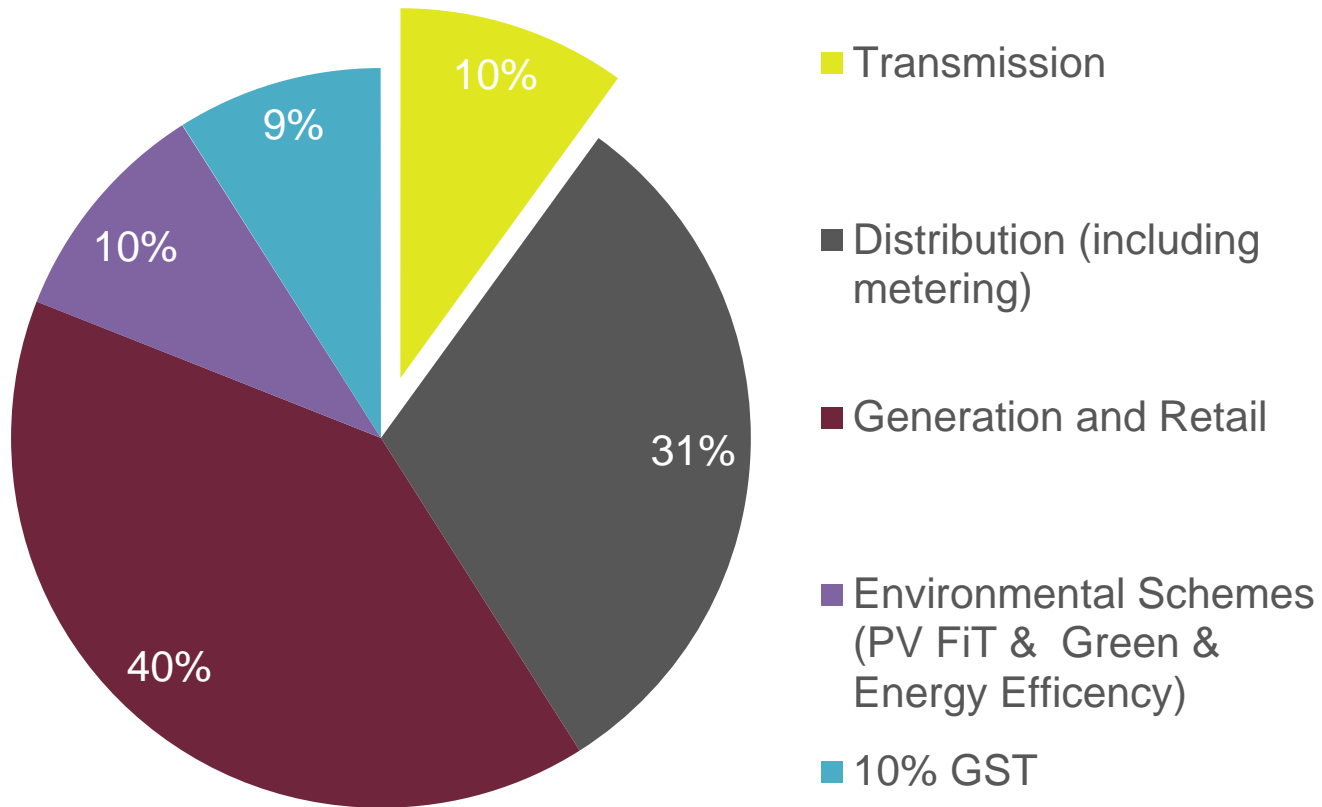
Initial Revenue Proposal 2018-2023 Outlook

Simon Appleby
Senior Manager Regulation and Land Management

Presentation Outline

- > Provide an overview of the emerging directions for ElectraNet's revenue proposal for the 1 July 2018 to 30 June 2023 regulatory period:
 - Customer and revenue breakdown
 - Network reliability performance and benchmarking
 - Capital and operating expenditure forecasts
 - Consumer engagement plan
 - Timetable

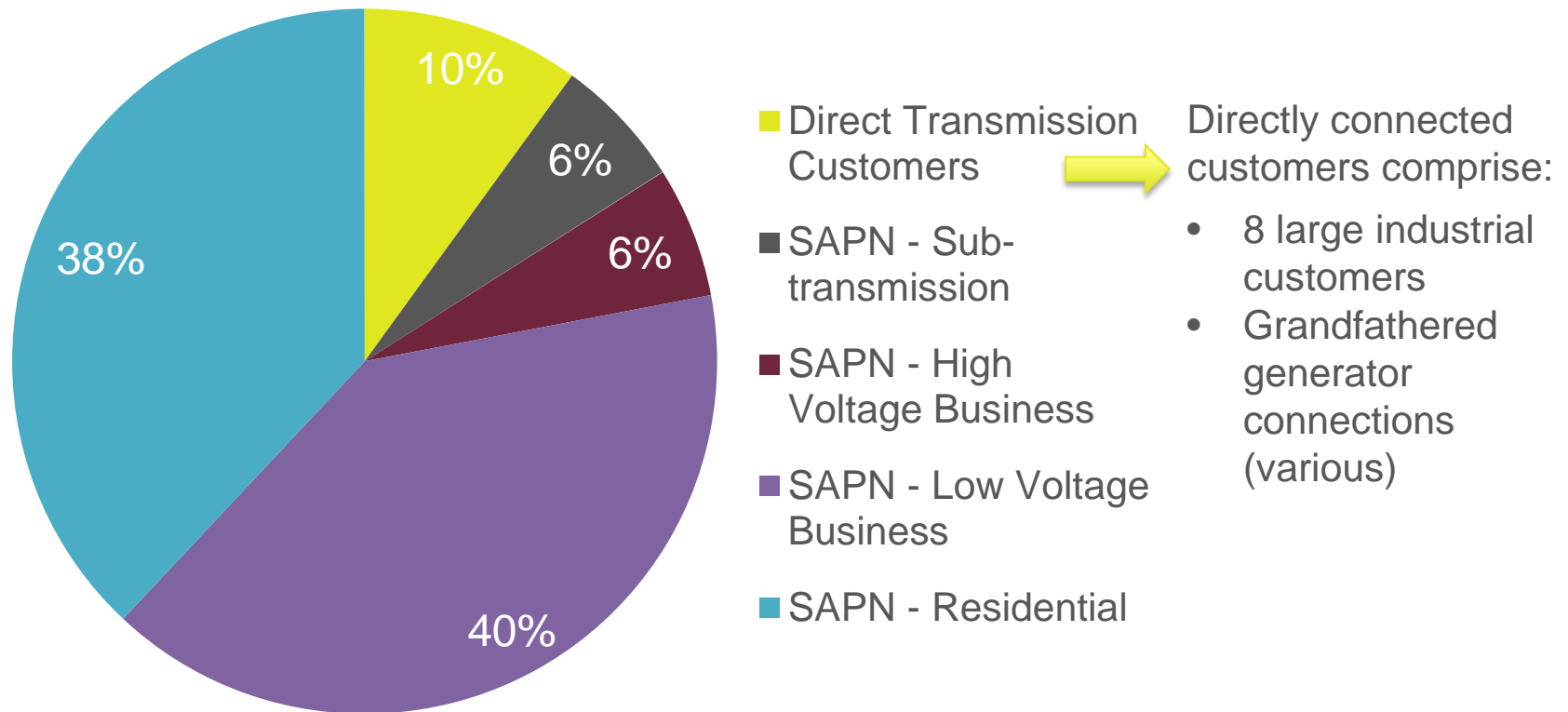
Electricity Cost Breakdown



Typical South Australian Residential Customer

Source: SA Power Networks 2015-16 prices

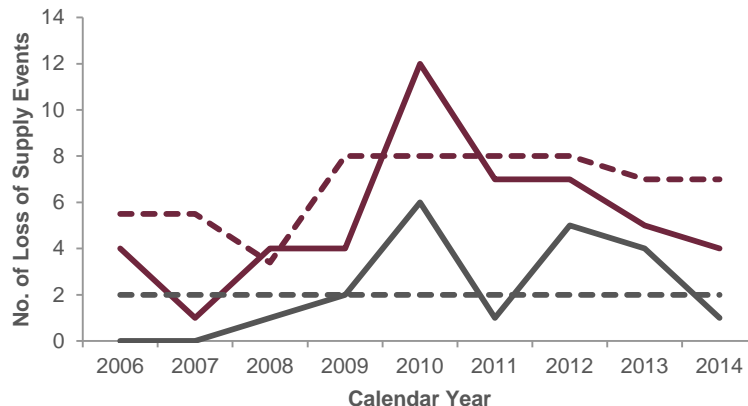
Revenue Source by Customer



Source: Estimated charges based on 2015-16 transmission prices

Network Reliability Performance

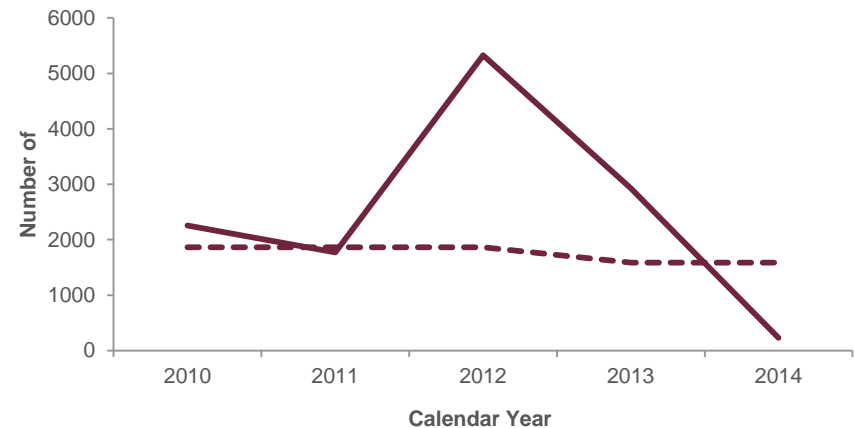
Loss of Supply Event - ElectraNet



- Number of events greater than (0.2 for 2003-08 and 0.05 for 2008-13) system minutes per annum
- Number of events greater than (1.0 for 2003-08 and 0.2 for 2008-13) system minutes per annum
- - - Number of events greater than (0.2 for 2003-08 and 0.05 for 2008-13) system minutes per annum - Target
- - - Number of events greater than (1.0 for 2003-08 and 0.2 for 2008-13) system minutes per annum - Target

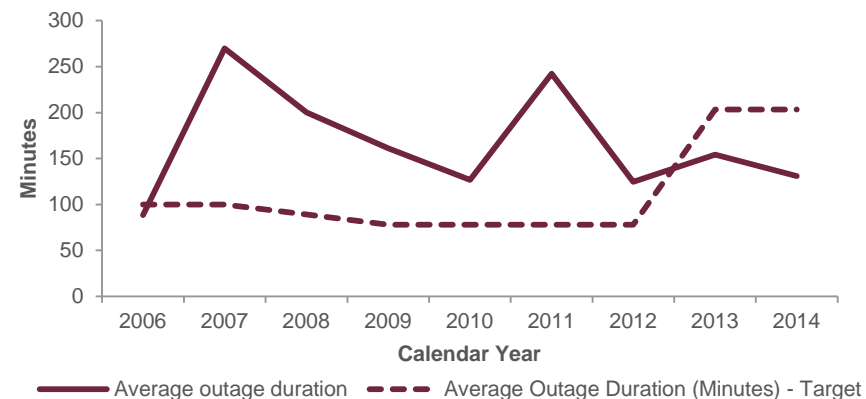
Overall performance has generally been maintained or improved based on the key performance measures under the Service Target Performance Incentive Scheme

Market Impact Component - ElectraNet



- Market Impact Parameter
- - - Market Impact Component Parameter - Target

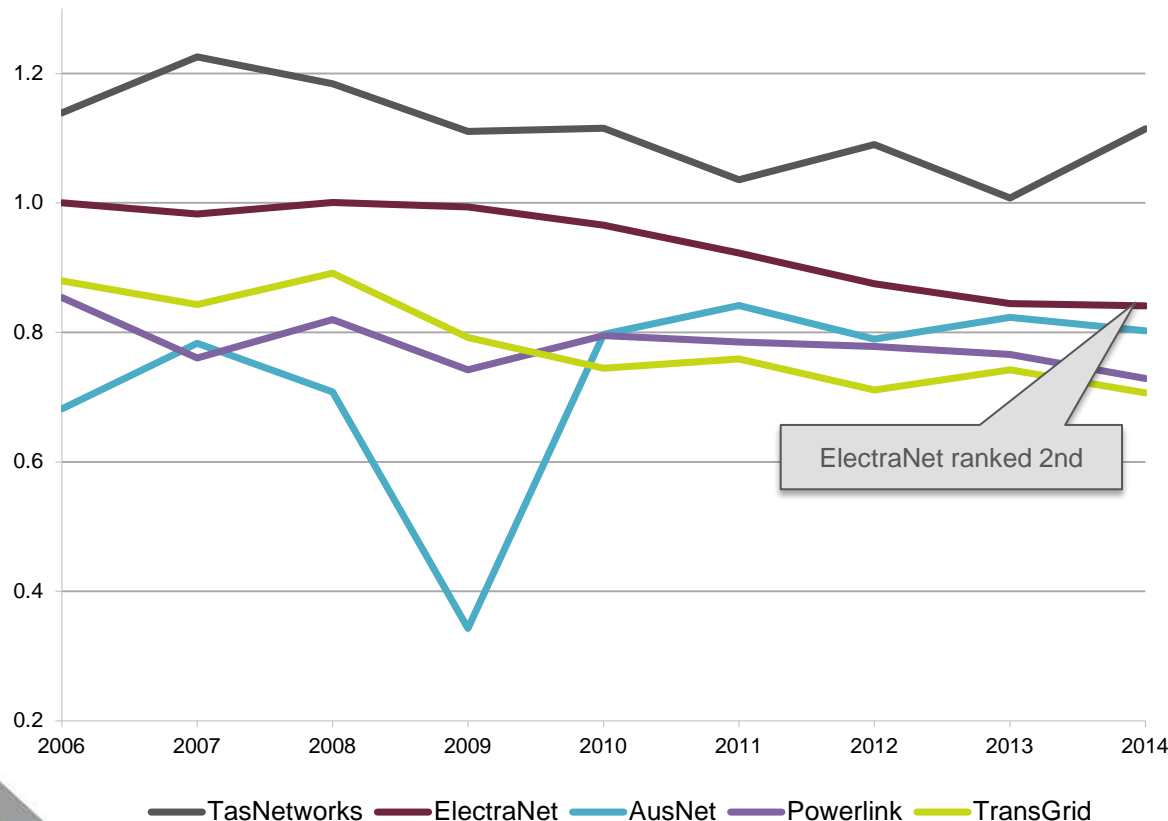
Average Outage Duration - ElectraNet



- Average outage duration
- - - Average Outage Duration (Minutes) - Target

Benchmarks - Multilateral Total Factor Productivity

MTFP Performance 2006-2014



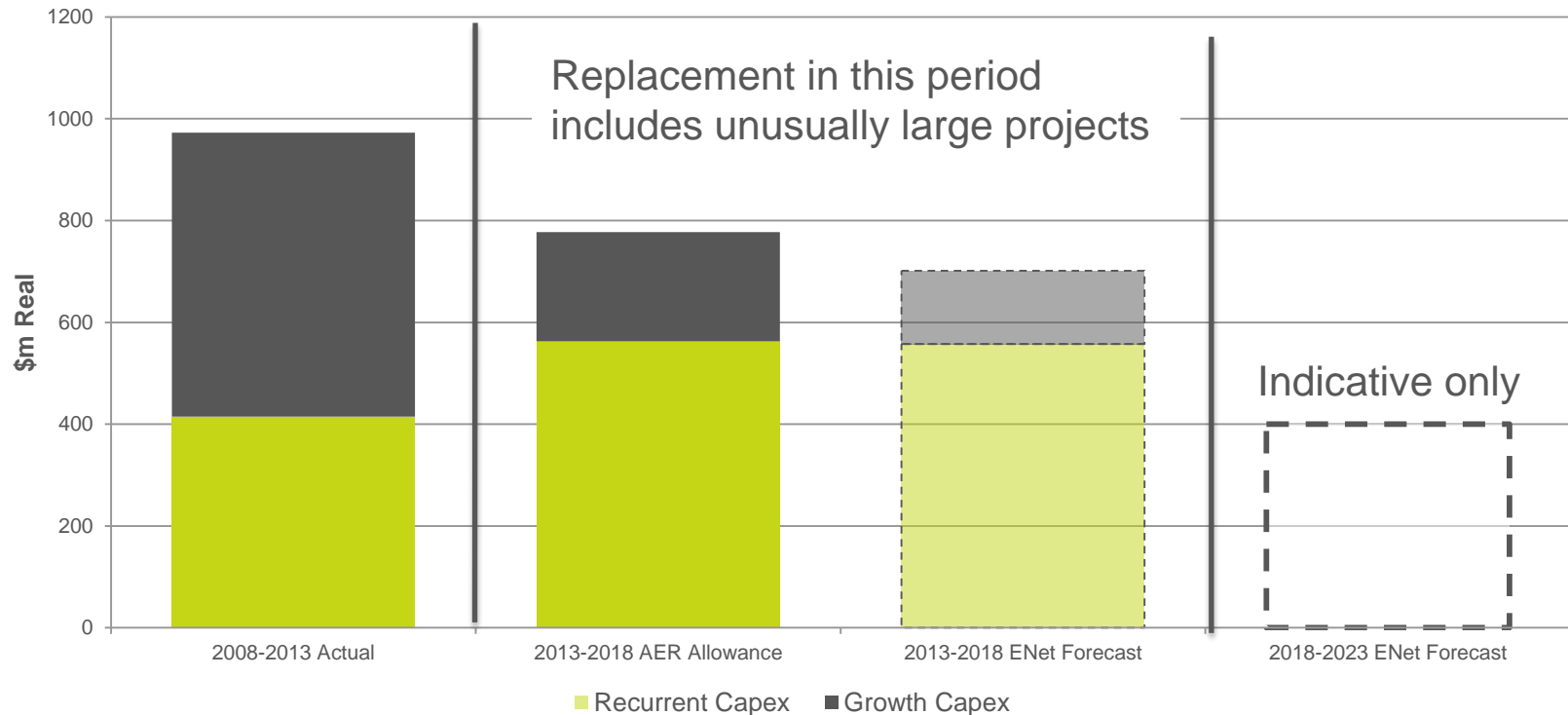
ElectraNet performs relatively well in overall productivity terms.

The overall downward trend in ElectraNet's productivity on this measure largely reflects declining energy throughput.

Source: AER Annual Benchmarking Report - Electricity Transmission Service Providers, November 2015

Capital Investment Program 2008-2023

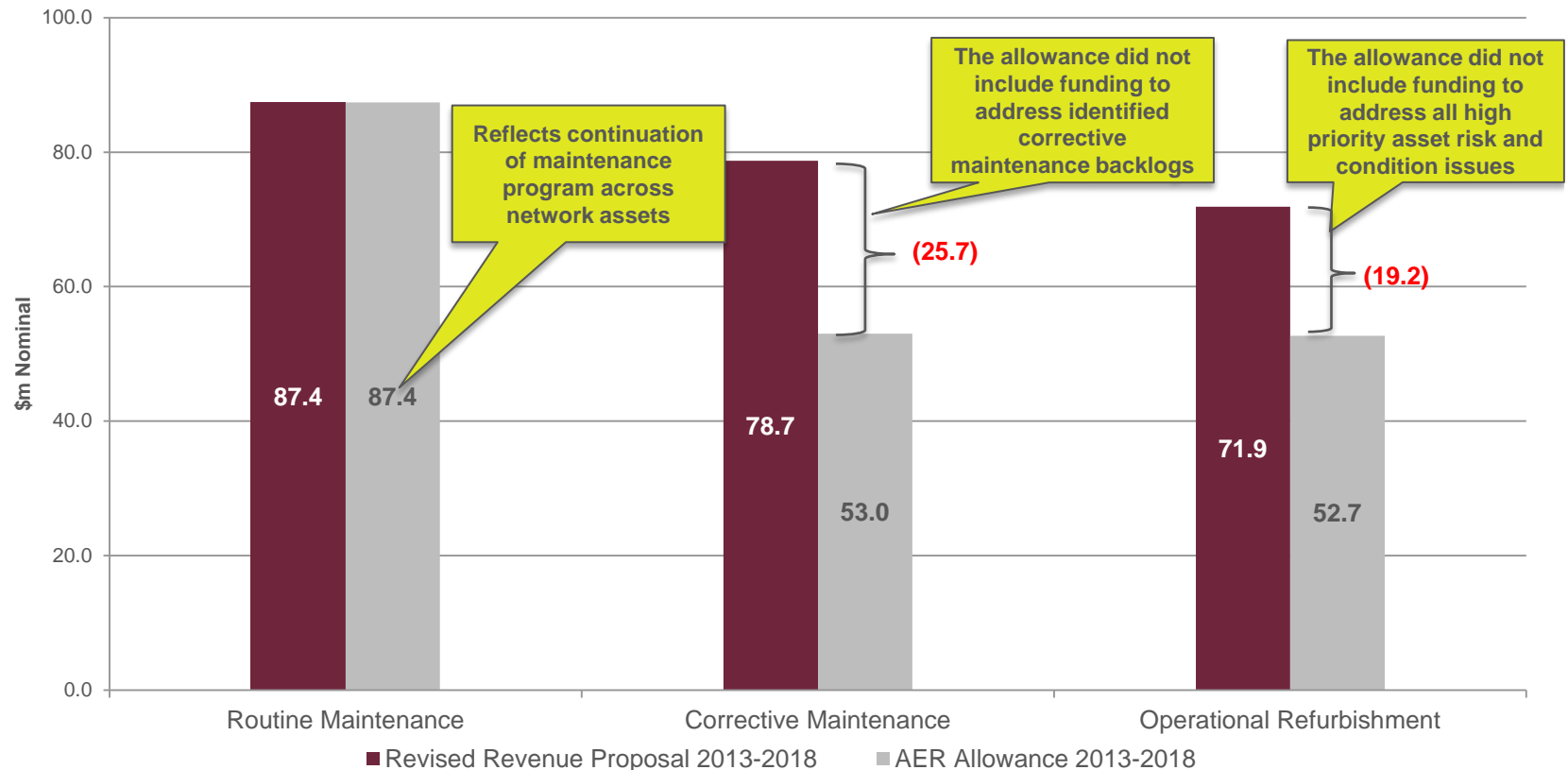
Regulated Capex Actual and Forecast 2008-2023 (\$m Real 2014-15)



- No material growth capex expected in 2018-2023
- Outlook reflects continuation of historic network asset replacement requirements (plus recurrent IT, facilities and inventory requirements)
- Outlook excludes any potential contingent projects (e.g. interconnector upgrades)

Operational Expenditure Position

Opex Requirement v AER Allowance (\$m Nominal) 2013-2018

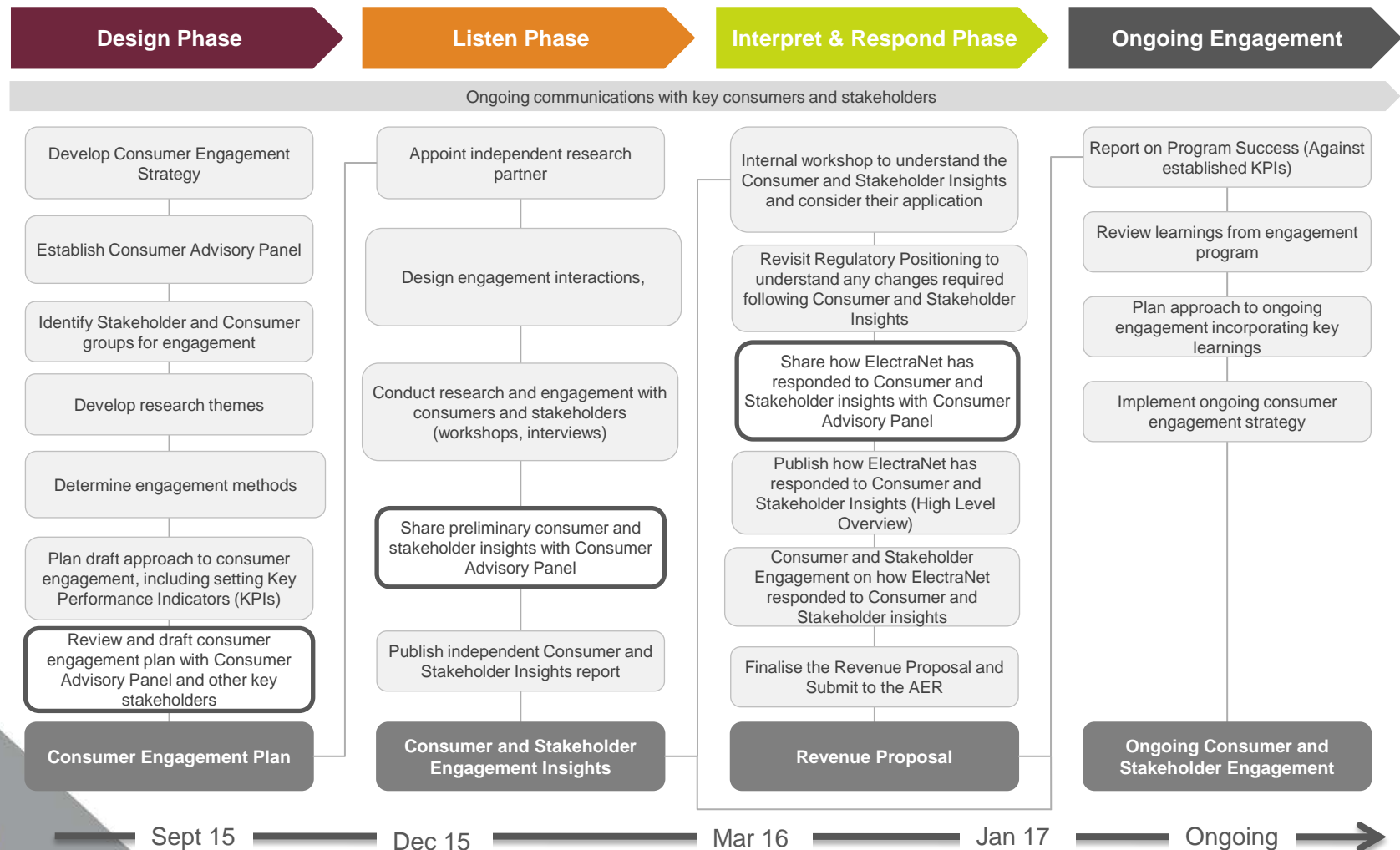


- Despite funding shortfalls, ElectraNet is working hard to deliver its maintenance program within reduced allowances through delivery efficiencies and other improvements
- Expect to contain the need for increased operational expenditure in 2018-2023

Overall outlook for 2018-2023

- > Reduced capital program based on flat demand outlook
- > Working to avoid need for opex increases, despite current funding shortfall
- > WACC to be determined based on AER Guidelines (and any changes resulting from merits appeal processes)
- > No departures being proposed by ElectraNet from the standard AER Guidelines under the Framework and Approach process
- > Real price reductions expected over 2018-2023 based on preliminary outlook
- > Savings passed on to consumers in current period through relatively low historic WACC level (7.5%) limits scope for further major reductions (compared to recent regulatory decisions)

ElectraNet Consumer Engagement Plan



Revenue determination timetable

- > ElectraNet wrote to the AER on the need for a Framework & Approach – Oct 2015 (completed)
- > ElectraNet Expenditure Forecasting Methodology – Jun 2016
- > AER Framework & Approach paper – Jul 2016
- > ElectraNet Revenue Proposal – Jan 2017
- > AER Draft Decision – Sep 2017
- > ElectraNet Revised Revenue Proposal – Dec 2017
- > AER Final Decision – Apr 2018

Questions?

Thank you

Simon Appleby

08 8404 7324

0438 286 570

Appleby.Simon@electranet.com.au