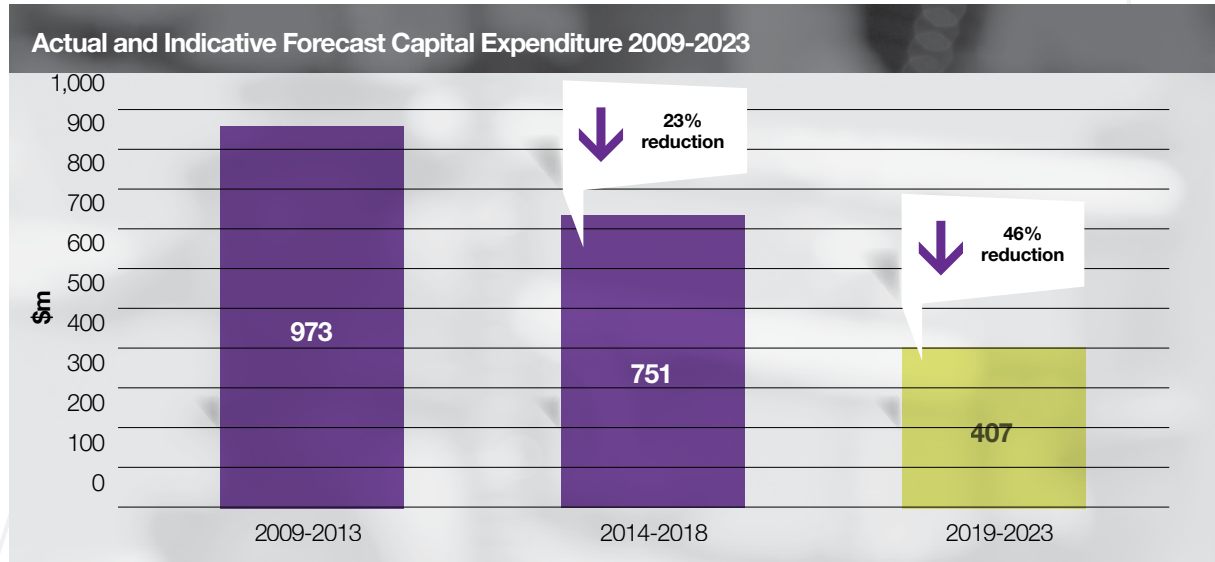


INDICATIVE CAPITAL EXPENDITURE PROGRAM

We're proposing a 46% reduction in our capital program, while maintaining network reliability.

As growth in electricity demand has decreased and is projected to fall further, there is currently no demand-driven need to increase the capacity of the network, resulting in network investment reducing from historical annual levels of \$150-\$200m down to a range of \$80-\$100m.



Indicative Capital Expenditure Program 2019-2023

The majority of the indicative investment program relates to aged asset replacement and major refurbishment works to extend asset life, and drive the network harder and longer.

Our focus is largely on replacing individual network assets to maintain safety and reliability rather than replacement of whole substations or transmission lines.

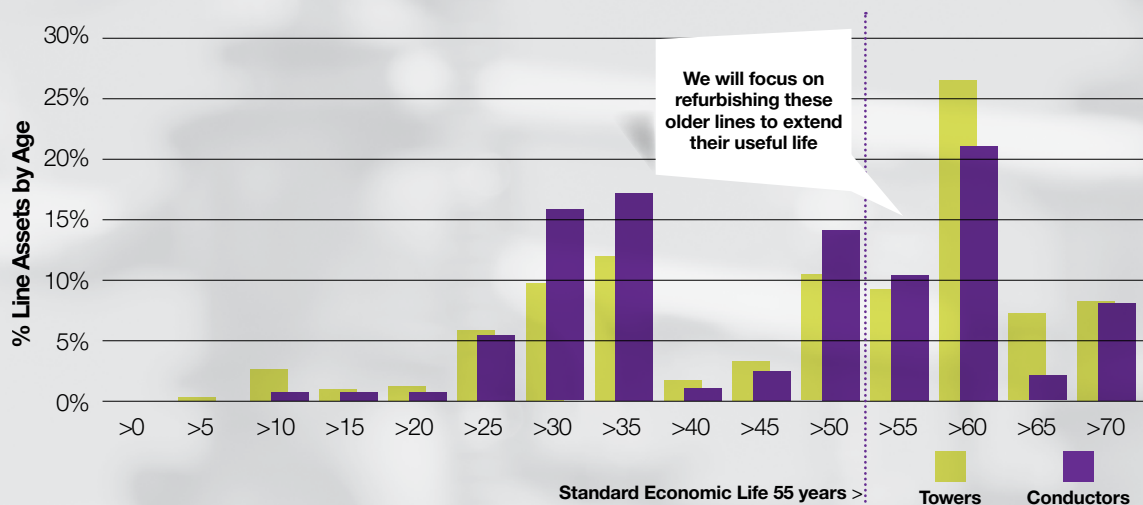
While significant investment has been made in recent years in replacing aged substation assets, a key focus of the next regulatory period is to address transmission line condition and risk.

While between 30% and 45% of major transmission line assets will have exceeded their standard economic lives by the end of the next regulatory period, we do not replace assets just because they are old. We carefully monitor the condition of our assets and apply a risk based approach so that we only replace assets when it is cost effective to do so and when necessary to maintain safety and reliability.



ElectraNet has used reasonable endeavours to ensure that the information contained in this information sheet is accurate at the time of writing. It must be noted however that this information contains estimates and projected information calculated based on information and factors that may change including but not limited to key assumptions underpinning the forecasted expenditure. ElectraNet and its officers give no warranties and accept no liability for any loss or damage incurred in reliance on this information. This information sheet is intended to be used to seek feedback from customers and stakeholders and must be read in conjunction with the full Preliminary Revenue Proposal (PRP) document. The PRP is not an early submission of ElectraNet's formal revenue proposal to the Australian Energy Regulator.

Transmission line predicted asset age profile in 2023



South Australia has among the oldest assets of transmission networks in the National Electricity Market.

Over 70% of the indicative investment program therefore relates to replacement and refurbishment, with the rest relating to recurrent and other capital expenditure required to maintain the systems and facilities needed to efficiently run the network. Below is a summary of the indicative forecast capital program, including a breakdown by type and investment driver, compared to the current program.

The largest single project in the indicative program

involves replacing major components of the radial 132 kV transmission line supplying the Eyre Peninsula. An alternative may be fully replacing the line, which we are investigating. Our indicative forecasts are based on replacing line components only. Full line replacement would only proceed if benefits to customers exceed the costs.

The changing generation mix also poses increasing challenges for the secure operation of the grid and we are investigating the feasibility of a new interconnector with the eastern states. This would be approved separately to the above forecasts by the Australian Energy Regulator as a 'contingent' project if it passes a cost benefit test.

Current and Indicative Forecast Capital Expenditure Program (\$m)

CATEGORY	TOTAL EXPENDITURE		CHANGE	COMMENT
	2014-2018	2019-2023		
Augmentation	100	5	↓ 95	No new load driven augmentation, connection or strategic land requirements in declining demand environment
Connection	40	5	↓ 35	
Easement/land	34	0	↓ 34	
Replacement	367	209	↓ 147	Focus on component asset replacements with reduced need for large scale rebuilds – key expenditure drivers are to manage reliability and safety risk and contain escalating maintenance costs
Refurbishment	74	86		Key expenditure drivers are to extend the useful life of ageing transmission lines and manage safety, reliability and fire start risk
Security/Compliance	61	40	↓ 21	Reduced requirements based on risks and opportunities addressed in current period – largely completion of current projects
Inventory/spares	12	12	0	Ongoing replenishment program
Information technology	57	44	↓ 13	Reduced program largely focused on ongoing replacement requirements
Facilities	5	6	↑ 1	Ongoing minor asset replacement
TOTAL	751	407	↓ 344	Reduction of 46%

All figures are in real terms (excluding inflation) \$2017-2018 and relate to financial years.