

INFORMATION SHEET

OPERATING EXPENDITURE PROGRAM

DECEMBER 2017

We continue our drive for operating efficiency while addressing new obligations.

Our role is to manage and operate South Australia's transmission network as cost effectively as possible, to support the safe, secure and reliable supply of electricity.

Overall, cost savings of 9% are built into our total operating expenditure forecast, as shown below.

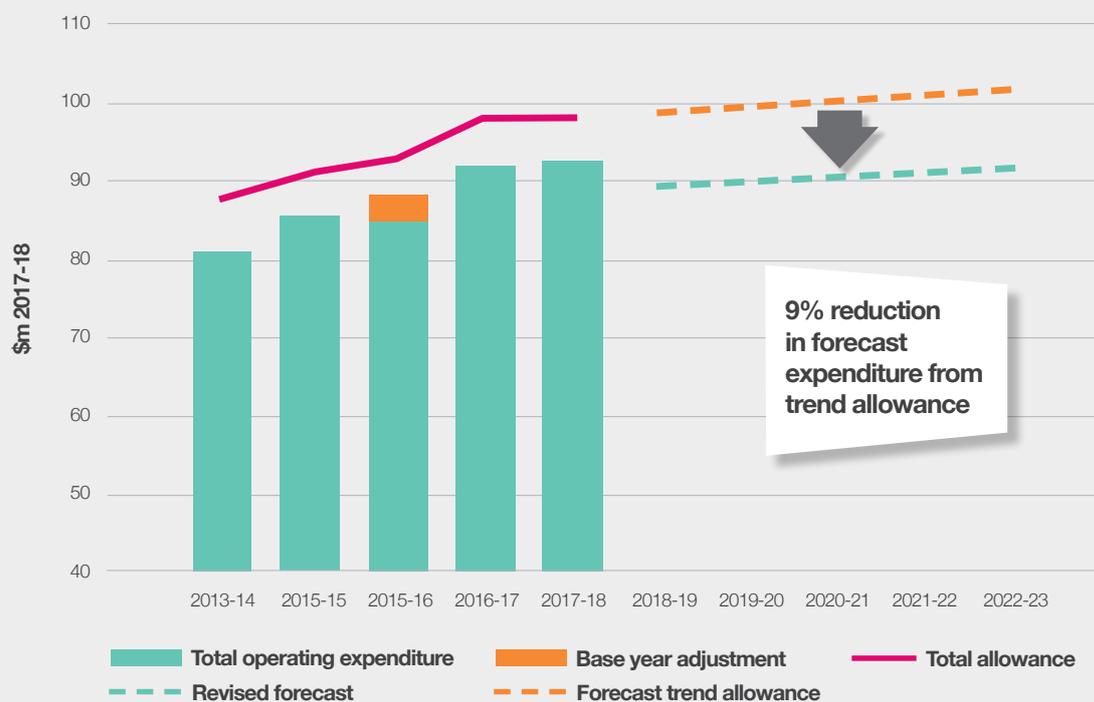
Our revised forecast also remains about \$21m below the Australian Energy Regulator's (AER) efficient benchmark forecast.¹

Our revised forecast incorporates new obligations to address system security challenges in South Australia.

We have absorbed these resource impacts where possible.

Overall, our forecast equates to ongoing projected savings for customers of about \$9m per annum.

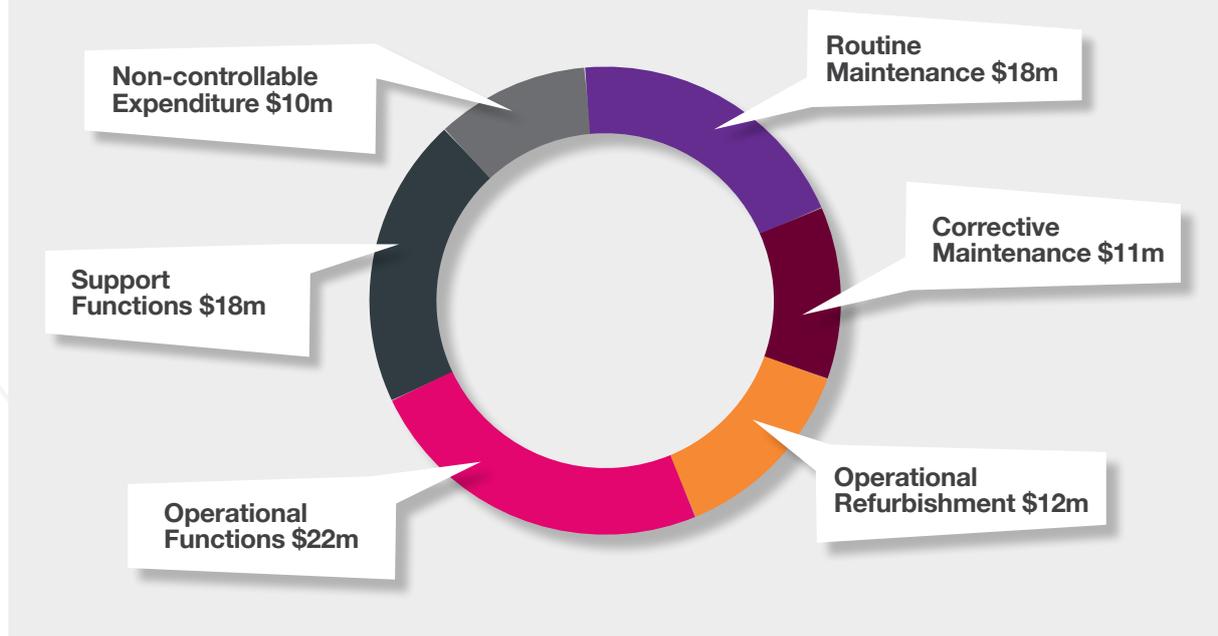
Operating expenditure outlook



¹ The AER's alternative estimate of total operating expenditure in its Draft Decision is \$474m compared with our revised forecast of \$453m (\$2017-18).

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Annual Operating Expenditure Program 2018-19 to 2022-23



The focus of the operating expenditure program is on maintenance and the supporting functions needed to efficiently run the network, as detailed below.

| Program | Description |
|-------------------------------------|---|
| Routine maintenance | Field inspections and maintenance activities completed to predetermined schedules and scopes |
| Corrective maintenance | Field activities to mitigate short-term risks, restoring a transmission system asset or component to a satisfactory operational state |
| Operational refurbishment | Planned activities to mitigate risks identified in asset condition assessments and manage compliance with legal obligations and good industry practice |
| Operational functions | Maintenance support activities to ensure the efficient delivery of the maintenance program and network operations activities including the control centre |
| Support functions | IT support, asset strategy, network planning and corporate support activities |
| Non-controllable expenditure | Network support payments Debt raising costs Self-insurance allowance |

In addition to the new challenges posed by the changing generation mix in South Australia, the transmission network faces a number of factors that drive costs relatively higher than other networks in the National Electricity Market (NEM). These include having:

- higher maintenance costs due to asset age
- the smallest transmission only network, leading to lower economies of scale
- the most peaky electricity demand, leading to relatively higher unit costs
- a thinly-spread population, requiring more infrastructure to serve customers.

Despite this, ElectraNet compares well with its peers in operating cost performance.

All figures are in real terms (excluding inflation) \$2017-18 and relate to financial years.