

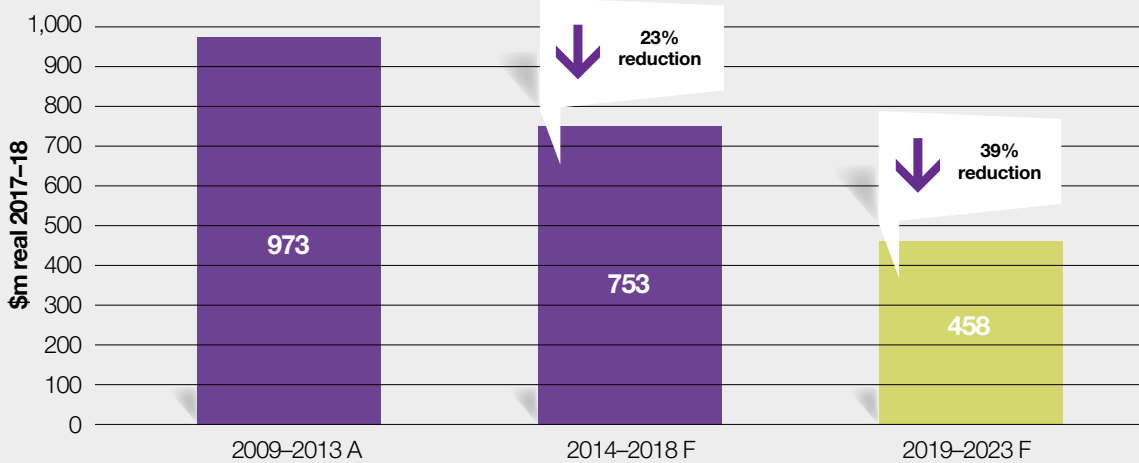
CAPITAL EXPENDITURE PROGRAM

28 MARCH 2017

We're proposing a 39% reduction in our capital program, while investing in network security and reliability.

We are investing in the transmission network to support the safe, reliable and secure supply of electricity into the future. As demand growth has reduced, investment needs have reduced from average historical levels of \$150–\$200m down to a range of \$80–\$100m pa.

Actual and Forecast Capital Expenditure 2009–2023



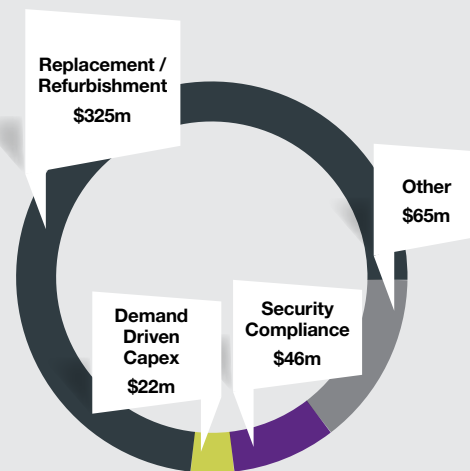
Capital Expenditure Program 2019–2023

The majority of the capital investment program relates to risk based asset replacement and major refurbishment works to extend asset life, and targeted projects to improve network security and resilience.

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.

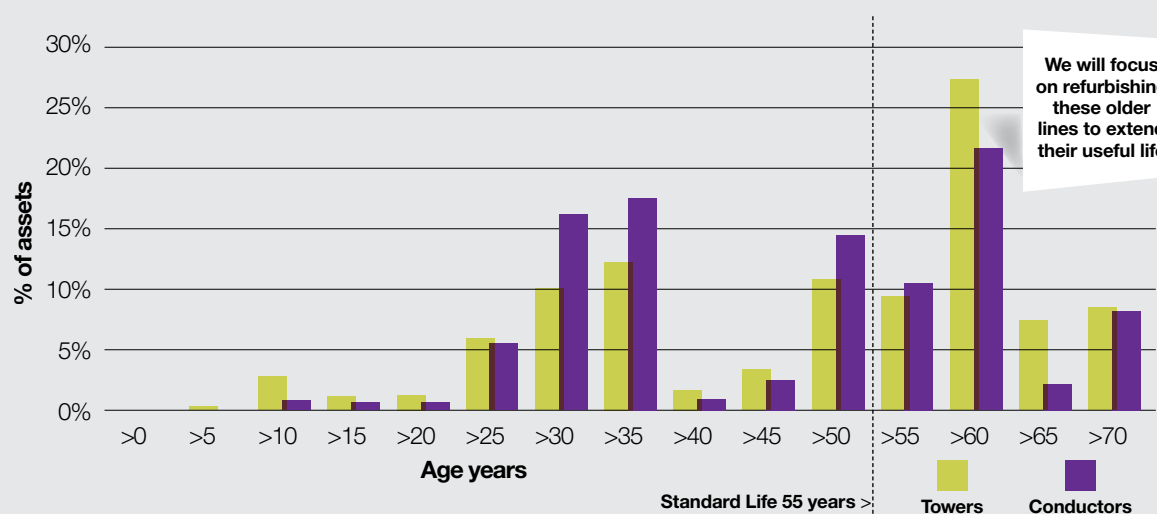
Between 30% and 45% of major transmission line assets will have exceeded their standard economic lives by the end of the next regulatory period. We do not replace assets based on age. We carefully monitor the condition of our assets and apply a risk based approach such that we only replace assets to meet or manage expected demand where it is cost effective to do so, and when necessary to meet obligations or maintain safety, security and reliability.



Does not include the potential for contingent projects, which are subject to a separate cost-benefit test and approval by the Australian Energy Regulator.

Reasonable endeavours have been used to ensure that the information contained in this document is accurate at the time of writing. However, ElectraNet, its directors, officers and shareholders give no warranty and accept no liability for any loss or damage incurred in reliance on this information. Forecasts, projections and forward looking statements included in this document are subject to change and amongst other things, reflect information, data, methodologies, legislation, judicial and tribunal decisions, regulatory guidance, assumptions, prevailing market estimates, assessments, standards, and other factors current at the time of publication.

Transmission line predicted asset age profile in 2023



We will focus on refurbishing these older lines to extend their useful life

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

Over 80% of the investment program relates to replacement, refurbishment and security/compliance projects, 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 forecast capital program, including a breakdown by type and investment driver, compared to the current program.

The largest single project in the 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 forecasts are based on replacing line components only. Full line replacement would only proceed as a separate 'contingent project' if benefits to customers exceed the costs, and with the approval of the Australian Energy Regulator (AER).

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 also be approved separately to the above forecast by the AER as a 'contingent' project if it passes a cost benefit test.

Current and Forecast Capital Expenditure Program 2014–2023 (\$m)

CATEGORY	TOTAL EXPENDITURE			COMMENT
	2014–2018	2019–2023	CHANGE	
Augmentation	102	16	↓ 86	Minimal new load driven capital investment requirements in declining demand environment
Connection	39	6	↓ 33	
Easement/land	26	0	↓ 26	
Replacement	349	167	↓ 182	Focus on component asset replacements with reduced need for large scale rebuilds – key expenditure drivers are to manage security, reliability and safety risk and contain escalating maintenance costs
Refurbishment	75	159	↑ 84	Key expenditure drivers are to extend the useful life of transmission lines and manage safety, reliability and fire start risk
Security/Compliance	74	46	↓ 28	Reduced requirements based on work undertaken in current period, with a focus on targeted network security measures
Inventory/spares	14	12	↓ 2	Ongoing replenishment program
Information technology	58	47	↓ 11	Reduced program largely focused on ongoing replacement requirements
Facilities	14	6	↓ 8	Ongoing minor asset replacement
TOTAL	753	458	↓ 295	Reduction of 39%

All figures are in real terms (excluding inflation) \$2017–2018 and relate to financial years. Totals may not add due to rounding.