

Friday, 30 April 2021

The Manager
Company Announcements
Australian Stock Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

Dear Sir / Madam

AER FINAL DECISION ON 5-YEAR REGULATORY RETURN FOR VICTORIA POWER NETWORKS

Please find attached our announcement in relation to the AER Final Decision on the Regulatory Determination for Victoria Power Networks for the 2021-2026 period.

Spark Infrastructure will hold an investor briefing at 11.00am on Wednesday, 5 May 2021 with Mr Tim Rourke, CEO of Victoria Power Networks. Details for the briefing can be found on our website at www.sparkinfrastructure.com.

Authorised by:



Jenny Faulkner
Head of Legal and Company Secretary

30 April 2021**FINAL DECISIONS ON THE REGULATORY DETERMINATIONS FOR VICTORIA
POWER NETWORKS' BUSINESSES FOR THE 5-YEAR PERIOD 2021-2026**

Spark Infrastructure notes that the Australian Energy Regulator (AER) has today released its Final Decisions for the next five-year regulatory period for CitiPower and Powercor (together Victoria Power Networks, in which Spark Infrastructure holds a 49% interest).

The AER has approved prescribed revenue of \$4,654m (in total for CitiPower and Powercor) to be recovered over the 5-year regulatory period commencing 1 July 2021 to 30 June 2026 (\$2021). This is an increase of 7% over the Draft Decisions driven primarily by increases in the risk free rate and acceptance of additional efficient operating expenditure. The decisions provide:

- Rate of Return (5-year average) – 4.35% (nominal vanilla WACC)
- Return on Equity – 5.04%
- Net Capital Expenditure – \$2,318m
- Operating Expenditure – \$1,899m

Rick Francis, Managing Director of Spark Infrastructure commented, “The Final Decisions reflect the positive engagement throughout the regulatory review process between Victoria Power Networks, consumers and the AER, and include improved outcomes in revenue, operating expenditure and capital expenditure when compared to the Draft Decisions. The Final Decisions now provide the businesses with regulatory certainty for the next 5 years to maintain and develop their distribution networks in response to the continuing changes in the electricity market and the ways in which consumers are interacting with electricity networks.

“We were very pleased to see the AER recognising that Victoria Power Networks is a market-leading efficient network business and therefore accepting their revised operating expenditure proposals in full, and recognising the importance of incremental capital expenditure to support the new technologies being embraced by consumers and businesses, enabling them to make choices about how they interact with their energy supply. Also, the AER has accepted an additional \$55m to reflect our prudent asset replacement programs, including pole replacement, which will provide ongoing benefits to consumers and the community.”

Mr Francis added, “Inclusion of the AER’s improved approach to forecasting inflation is a positive step for Victoria Power Networks and the industry, with the final forecast average inflation rate of 2.00% for the period better reflecting current economic forecasts. This change is in the best interests of consumers, it does not change network charges, and will better support efficient investment in the electricity grid to facilitate the transition to a lower emissions energy system.”

Media Releases on the individual CitiPower and Powercor Final Decisions are attached.

Details of the Regulatory Determinations can be found on the AER website at www.aer.gov.au.

Further Information:

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30 April 2021

MEDIA RELEASE

Lower costs, continued reliability, solar exports and batteries a focus of CitiPower's five-year plan

Households in Melbourne's CBD and inner suburbs will benefit from a \$46 reduction in network charges on their electricity bills and a \$1.1 billion investment in critical power infrastructure and services over the next five-years under a plan to be rolled out by electricity distributor CitiPower.

The Australian Energy Regulator (AER) today announced its final determination on CitiPower's proposed plan for the 2021-2026 period commencing 1 July.

The approved plan will allow CitiPower to sustain reliable, safe and affordable electricity supplies while also building the capability necessary to offer quality services in the rapidly developing energy market featuring greater customer deployment of rooftop solar, batteries and into the future, electric vehicles.

CitiPower Chief Executive Officer, Tim Rourke, said while the AER did not approve all the initiatives proposed, the determination provides the necessary funding for the network to invest in the programs which were of greatest importance to customers.

"This is a good outcome for our customers who will receive continued reliability and additional services at a lower cost," Mr Rourke said.

"The critical programs will enable greater solar exports, facilitate asset replacements that will modernise the network, and realise the introduction of new technologies so as to offer secure data services for customers."

Mr Rourke said lower network charges contribute to an 8% reduction in revenue which has been capped by the AER at \$1.4 billion over five years. This has been made possible by improved efficiencies in the business with AER benchmarking ranking CitiPower as the most productive urban distributor in the National Electricity Market based on operating expenditure.

"We will continue to deliver business efficiencies so as to ensure our customers' expectations are met," he said.

The highlights of the AER determination are:

- Increased affordability for customers with average residential network charges reducing by \$46 in the first year and then increasing by \$1 a year. Network charges make up 23% of a total electricity bill.
- Savings on network charges for small business customers with costs reducing by \$151 in the 2022 financial year.
- Approval of funding required to upgrade the network so as to ensure 85% of solar customers will be able to export 5kW 85% of the time and build the digital capability for greater flexibility as distributed energy resources evolve.
- Upgrading zone substations in and around the city as the next step of the Melbourne CBD Security of Supply project.

For media inquiries, please contact CitiPower's media line on 03 9683 4342.



Mr Rourke said with the AER final determination now received, CitiPower can finalise a set of commitments to customers to deliver on the outcomes identified through consultation as priorities for the next five years.

“We want our customers to be confident that we are delivering on our promises,” Mr Rourke said.

“Formalising the commitments, as well as tracking and transparently reporting on the results, is important to demonstrating our customers are at the centre of our business.”

Another outcome of the consultation program conducted for the regulatory reset will be the launch in July of a new Customer Service Incentive Scheme. This provides broad and transparent performance measures designed to drive further improvements for customers. It will measure the timeliness of SMS notifications (regarding unplanned outages) as well as the length of time it takes to answer our customer calls.

As regulated business, CitiPower’s proposed investments, pricing plans and rate of return are approved by the AER every five years and this determines the revenue able to be recovered from customers.

The AER’s final determination is available at <https://www.aer.gov.au/news-release/revenue-for-electricity-businesses-supports-customers-and-networks>

END

About CitiPower

CitiPower moves electricity to and from more than 332,000 homes and businesses across Melbourne’s Central Business District and inner suburbs and has the highest customer density in the NEM with 107 customers per kilometre square. Residential households account for 83 per cent of CitiPower’s customer connections.

Our network of almost 7600 kilometres of wires and more than 57,000 poles and associated infrastructure supports a diversity of commercial and industrial customers, ranging from cafes and small businesses to restaurants and major office buildings as well as world-class sporting precincts, public health, education, government and cultural facilities.

CitiPower is playing a critical role in supporting Victoria’s clean energy transition. Around 5% of our residential customers have connected rooftop solar to the CitiPower network with an installed capacity of 67MW. We are at the forefront of finding innovative ways to support Victoria’s energy transition through projects and trials investigating community batteries, smart charging for electric vehicles and other community energy projects.

Our work is performed by a team of highly-skilled tradespeople and professionals, committed to providing quality services. These services are delivered from a depot in Richmond as well as from a purpose-built customer contact centre in Bendigo and corporate office in Melbourne.

For media inquiries, please contact CitiPower’s media line on 03 9683 4342.

30 April 2021



Media Release

Lower costs, continued reliability, solar exports and bushfire safety a focus of Powercor's five-year plan

Households across western Victoria will benefit from a \$34 reduction in network charges on their electricity bills and a \$3.2 billion investment in critical power infrastructure and services over the next five-years under a plan to be rolled out by electricity distributor Powercor.

The Australian Energy Regulator (AER) today announced its final determination on Powercor's proposed plan for the 2021-2026 period commencing 1 July.

The approved plan will allow Powercor to sustain reliable, safe and affordable electricity supplies while also building the capability necessary to offer quality services in the rapidly developing energy market featuring greater customer deployment of rooftop solar, batteries and into the future, electric vehicles.

Powercor Chief Executive Officer, Tim Rourke, said while the AER did not approve all the initiatives proposed, the determination provides the necessary funding for the network to invest in the programs which were of greatest importance to most customers.

"This is a good outcome for our customers who will receive continued reliability and additional services at a lower cost," Mr Rourke said.

"The critical programs will enable greater solar exports, facilitate asset replacements for better network safety, and support new connections in high growth regions."

Mr Rourke said lower network charges contributed to a slight reduction in revenue which has been capped by the AER at \$3.3 billion over five years. This has been made possible by improved efficiencies in the business with AER benchmarking ranking Powercor as the most productive distributor in the National Electricity Market based on operating expenditure.

"We will continue to deliver business efficiencies so as to ensure our customers' expectations are met," he said.

The highlights of the AER determination are:

- Increased affordability for customers with average residential network charges reducing by \$34 in the first year and then increasing on average \$3 a year. Residential network charges make up 26% of a total electricity bill.
- Savings on network charges for small business customers with costs reducing by \$107 in the 2022 financial year.
- Approval of funding required to upgrade the network so as to ensure 85% of solar customers will be able to export 5kW 85% of the time and build the digital capability for greater flexibility as distributed energy resources evolve.
- Increased investment in pole replacements enabling over 4,700 to be replaced annually based on an advanced new management system prioritising asset safety.

For more information call Powercor's media line on 03 9683 4342



- Investing in other bushfire mitigation activities including vegetation inspections and the final tranche of the Rapid Earth Fault Current Limiter (REFCL) rollout due to end in April 2023.
- Building or upgrading zone substations in Torquay and Gheringhap to support growing demand for a two-way flow of electricity in the Bellarine Peninsula, Geelong and Melbourne's western corridor.

Mr Rourke said with the AER final determination now received, Powercor can finalise a set of commitments to customers to deliver on the outcomes identified through consultation as priorities for the next five years.

"We want our customers to be confident that we are delivering on our promises," Mr Rourke said.

"Formalising the commitments, as well as tracking and transparently reporting on the results, is important to demonstrating that our customers are at the centre of our business."

Another outcome of the consultation program conducted for the regulatory reset will be the launch in July of a new Customer Service Incentive Scheme. This provides broad and transparent performance measures designed to drive further improvements for customers. It will measure the length and frequency of planned outages, timeliness of SMS notifications (regarding unplanned outages) as well as the length of time it takes to answer our customer calls.

As regulated business, Powercor's proposed investments, pricing plans and rate of return are approved by the AER every five years and this determines the revenue able to be recovered from customers.

The AER's final determination is available at <https://www.aer.gov.au/news-release/revenue-for-electricity-businesses-supports-customers-and-networks>

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About Powercor

Powercor moves electricity to and from more than 844,000 homes and businesses across the western suburbs of Melbourne and through central and western Victoria. Our network is made up of almost 90,000 kilometres of wires, more than 588,000 poles and associated infrastructure spanning a region covering 64% of Victoria and including some of the highest bushfire risk areas in the state.

Powercor is playing a critical role in supporting Victoria's clean energy transition. As at April 2021, a total of 2GW of large-scale solar, wind and other renewable generation is connected to our network, which is home to four of Victoria's Renewable Energy Zones. In addition, 21% of Powercor's residential customers are benefitting from rooftop solar with an installed capacity of 600MW.

Our teams operate from 13 depots, our Bendigo-based customer contact centre and our CBD headquarters, to deliver reliable, safe and affordable electricity by operating, managing and maintaining all network assets and metering services.

For more information call Powercor's media line on 03 9683 4342